



SUSTAINABILITY REPORT  
2021-2022 \_\_\_\_\_

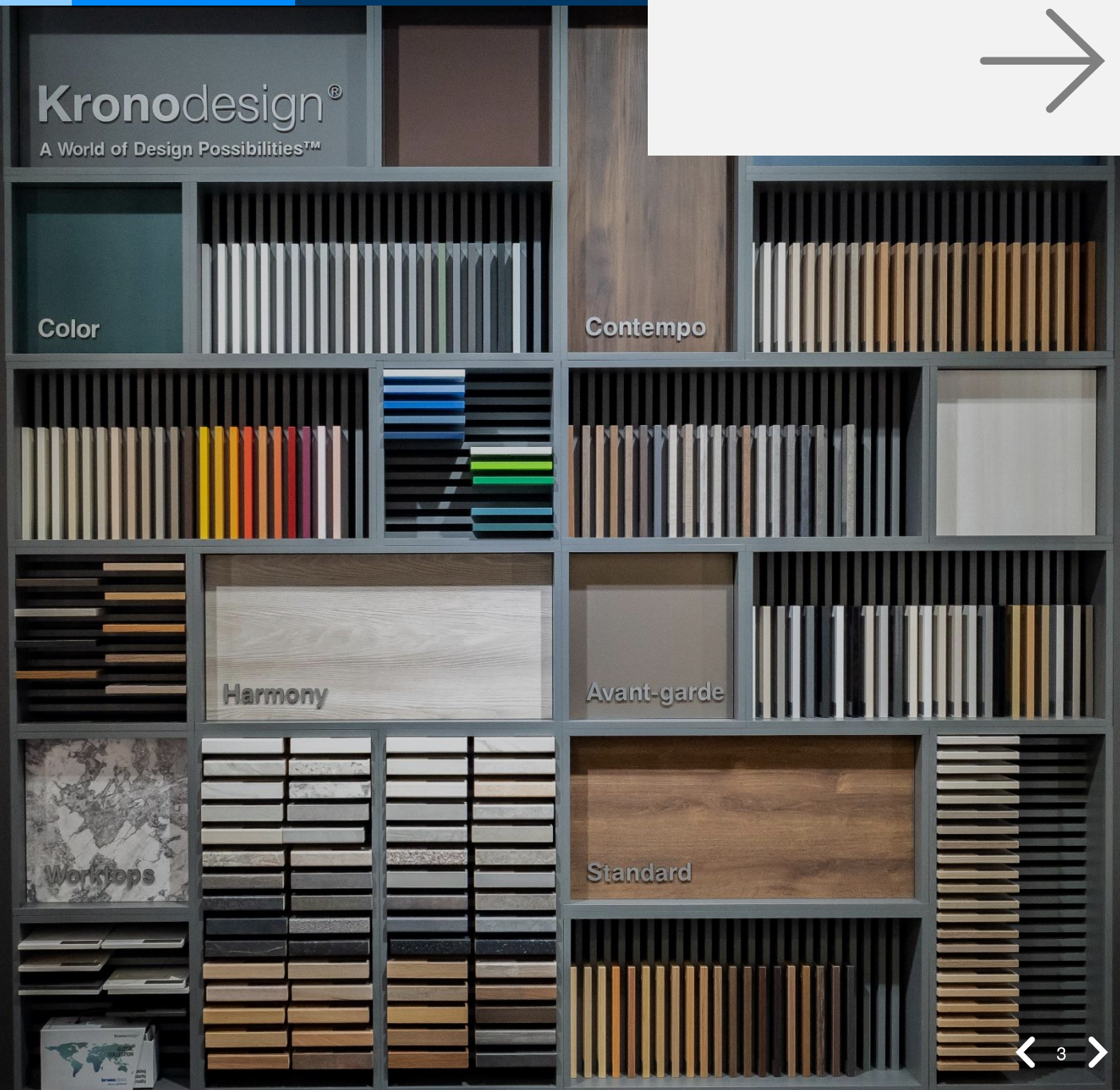
Kronospan  
Bulgaria EOOD

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# Introduction





## Kronospan's Message



Dear Stakeholders,

It is with great pleasure that I present to you the first Sustainability Report of Kronospan Bulgaria rooted in our strong commitment to sustainability and empowered by our forward-looking and devoted people. As a leading company in our industry, we believe that it is our responsibility to set an example for others to follow and to ensure that we are doing our part to protect the environment and support the well-being of our communities.

Despite all recent challenges from around the globe, we have continued to operate with the same level of commitment to our values and to promoting sustainable business practices. This report provides us with the opportunity to share with you the steps we have taken to further reduce our environmental footprint, support our employees, and contribute to local development. All our efforts have been systematically guided by our sustainability strategy, prioritizing material topics based on a thorough stakeholder analysis. This has allowed us to not only understand and address the current needs of the people and the environment, but also to adapt and uphold our vision of a forward-looking company committed to creating environmental, social and economic value in the years to come.

At Kronospan Bulgaria we believe in responsible governance, and always adhere to our corporate values. We are proactive in addressing global challenges, economic changes and industry risks, and strive to embed the principles of circular economy whenever possible.

We are committed to continuously improving and pushing the boundaries of sustainability in all our operations. By implementing cutting-edge technologies, reducing our carbon footprint, and fostering a culture of innovation, we strive to contribute to a circular economy and minimize our environmental impact. We are dedicated to reducing our energy and water consumption and support initiatives that conserve natural resources. From reusing wood waste to supporting energy generation from renewable forestry products, we strive to minimize our environmental footprint and add positive value to the world around us. It is our mission to continue advancing our carbon-neutral production and zero waste policy, serving as an example to our stakeholders and to others in the industry.

Our employees play an integral role in our success, and we are dedicated to maintaining an inclusive and supportive workplace where our employees can thrive. We are equally committed to all our employees, fostering an environment that prioritizes equality, career development, open communication, and training opportunities. As our values underpin our entire value chain, we take great care to ensure that by working with local suppliers, we also contribute to regional growth and development.

On behalf of Kronospan Bulgaria, I would like to extend my heartfelt gratitude to our shareholders for their continued support and belief in our mission. It is my hope that together we can move toward a more sustainable future where the environment and people are treated with the utmost respect and care.

Sincerely,

*Nikolay Bankov*

*Commercial Director  
Speaker of the Board*

# About the Report



This document represents the first sustainability report prepared with reference to the internationally recognized methodology for non-financial reporting – the Global Reporting Initiative 2021 version of standards (hereafter: GRI Standard).

It illustrates the integration of circular economy principles into the business operations of Kronospan Bulgaria EOOD, the entity whose data is showcased in this report. The document covers all relevant indicators on the environmental, social, governance as well as economic performance of the company, with the material topics and indicators being selected as a result of the materiality assessment, as required by the GRI Standard.

The report covers the business cycle of 2021/2022, and more precisely the period 1st October 2021 – 30th September 2022.

The report is prepared in both Bulgarian and English languages and is published on the company's website in June 2023.

This report aims to inform our priority stakeholders (our customers, suppliers, public corporations, universities and other education institutions, NGOs and employees) about Kronospan's sustainability journey. In this report we also share our contributions to the Sustainable Development Goals (SDGs) published by the United Nations.

For further questions and inquiries about the data presented in this report please contact us via [office@kronospan.bg](mailto:office@kronospan.bg)



# About Kronospan

## Kronospan at a Glance

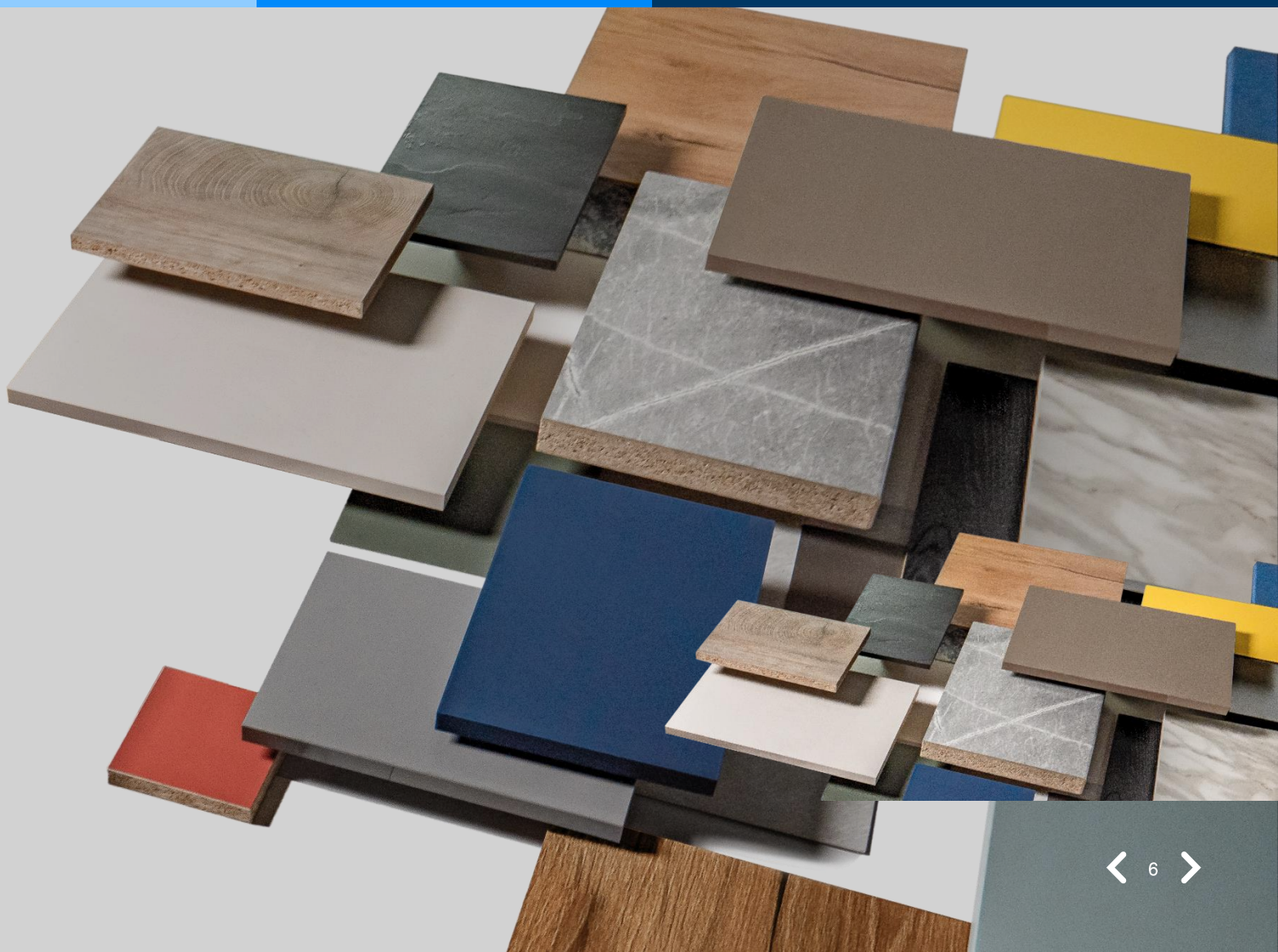


Established in 1897 as an Austrian family company, today Kronospan is a leading wood-based panel manufacturer, with 39 production sites located in many countries across the world.

We manufacture and distribute wood-based panels, and globally we are one of the leading manufacturers of:

- › Particleboard (PB)
- › Medium density fibreboard (MDF)
- › Laminate flooring
- › UF, MUF and MF resins for wood-based panels
- › Oriented strand board (OSB) in Europe


Kronospan also produces speciality and decorative paper as well as other associated value added products, such as melamine-faced panels, worktops, wall panels, window sills, lacquered HDF, compact boards, high-pressure laminates (HPL), plywood and others.



# Kronospan Principles – Leading the way

As a multinational organisation, we see ourselves to be “Leading the way” which is integrated in all our key principles that are our enablers of creating long-term value and continuous growth. Those principles are:

- 1




**People**

Do something better every day  
We support individual initiatives. Through on the job training, we create a culture that encourages people to do something better every day.

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- 2




**Decentralization**

Fast, flexible, better  
We manage our organisation by decentralising whenever possible and centralising only when necessary. This improves quality, service and brings results.

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- 3




**Simplicity**

A way of life  
Limit formalities. Minimise bureaucracy. Find simple solutions.

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- 4




**Entrepreneurship**

Brains, heart, guts and loyalty  
We need people who act the same way at work as they do at home, spending company money and looking after company assets as if they were their own.

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- 5




**More revenue**

We strive to generate more revenue by providing our customers with outstanding service by being: Reliable, Flexible, Fast.

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- 6




**Low-cost**

Supply quality products at affordable prices. We strive for the lowest cost possible for our final product. Good plant design helps us maximise efficiency and minimise costs, reduce emissions and achieve the lowest environmental impact possible.

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- 7




**Innovation**

Research and development  
Kronospan’s innovation begins with listening to our partners. Innovation is vital for performance and growth - improving efficiency, quality, our competitive position and market share.

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- 8




**Safety**

Setting the standards. We set our standards high when it comes to working conditions, safety, health and environment. Each production unit participates in Kronospan’s risk management procedures, which include safety, health and environment

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- 9




**Intellectual property**

Managing innovation  
Any business that wishes to survive and thrive in today’s economy, must manage innovation better than its competitors.

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- 10




**Corporate governance**

Meeting our standards  
We believe that good governance means being clear about roles and responsibilities, as well as following proper procedures.

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- 11



**Compliance**

Securing high ethical standards are achieved by respecting established rules and procedures.

# Kronospan in Bulgaria

Kronospan Bulgaria EOOD has been operating since 1997 and today it has two production sites in Burgas and Veliko Tarnovo, as well as a distribution center and a showroom in Sofia and two recycling depots close to Sofia and Plovdiv. Kronospan has a long history in Bulgaria. First it acquired its plant in Burgas, which was initially producing particle board (PB) and melamine faced boards (MF-PB).

In 2001 the company invested in an additional production line for oriented strand board (OSB) which has been one of the most innovative wood-based panels. This allowed Kronospan to grow strongly in the region and abroad as more than 60% of the total output is exported.

In 2006 Kronospan acquired its second PB plant in Veliko Tarnovo. Ten years later Kronospan decided to completely rebuild this site and convert it into the most modern and efficient plant in the Balkan area. With two newly installed lines for PB and MDF Kronospan's undertaking became one of the largest industrial investments in Bulgaria worth more than EUR 280 M. This major step in Bulgaria is part of the long-term strategy of Kronospan to offer an unbeatable combination of high-quality products, outstanding service, competitive cost, and respect for the environment.

Kronospan is registered as a Limited Liability Company (EOOD) in accordance with local regulations, and its operations are located at the following addresses:

- Severozapadna Promishlena Zona BG - 8000, Burgas
- District Cholakovtzi, Promishlena Zona, Str. Dalga Laka BG - 5000, Veliko Tarnovo
- Municipality Elin Pelin, Industrial zone Verila, BG - 2129 Ravno pole, Sofia

Other company activities in Bulgaria:

- Kronospan Design Center, Sofia
- Recycling Depot, Plovdiv, Tsaratsovo
- Recycling Depot, Sofia, Kremikovtzi

The company provides employment to 488 employees in Bulgaria. Our products have a wide application across the flooring, furniture and refurbishment industries.

Kronospan Bulgaria provides direct employment for 496 employees and to 10 times more people indirectly who are employed through subcontractors for wood extraction, transport, logistics, repairs, maintenance and other services. Our products have a wide application across the flooring, furniture and refurbishment industries.

Kronospan prioritises waste-free production with the least possible environmental impact and maximum raw material efficiency, and primarily uses wood recycled in its own facilities.

Owing to its wood-based panel manufacturing, Kronospan stores 890 kg of CO<sub>2</sub> per m<sup>3</sup> in its products.

At Kronospan, we are proud of the role we play in the overall wood supply chain with regards to the environment - by producing wood-based panels using wood residue from the sawmill industry, we help ensure that timber is fully utilized as a limited raw material.

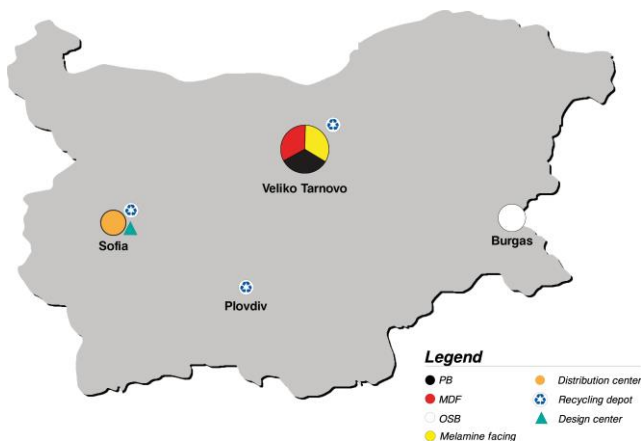
We have developed a vertically integrated supply chain that allows us to constantly improve upon and perfect every aspect of our products.



Design Center, Sofia



Recycling Depot, Kremikovtzi







*Factory, Veliko Tarnovo*



*Distribution Center, Ravno Pole*



*Factory, Burgas*

# Our Product Portfolio



## Wood-based panels

### › Particleboard (PB)

Multi-purpose material and one of the most widely-used wood-based panels. Particleboard is an engineered wood-based product manufactured from wood chip particles and a synthetic binding resin. We form the board in a press using heat and pressure.

### › Medium density fibreboard (MDF)

Versatile wood-based panel with good machinability. MDF has a consistent structure and density and a very smooth surface. This makes it suitable for routed, lacquered and painted finishes.

### › Oriented strand board (OSB)

Strong, stable and more sustainable, oriented strand board (OSB) is replacing plywood - especially for timber framed houses and in the packaging industry. OSB is used instead of standard silica or plaster-based construction materials.

## Laminated-faced panels

### Melamine-faced panels

Created by high pressure heat bonding melamine impregnated paper to particleboard or MDF to provide a highly wear and water-resistant product surface finish.

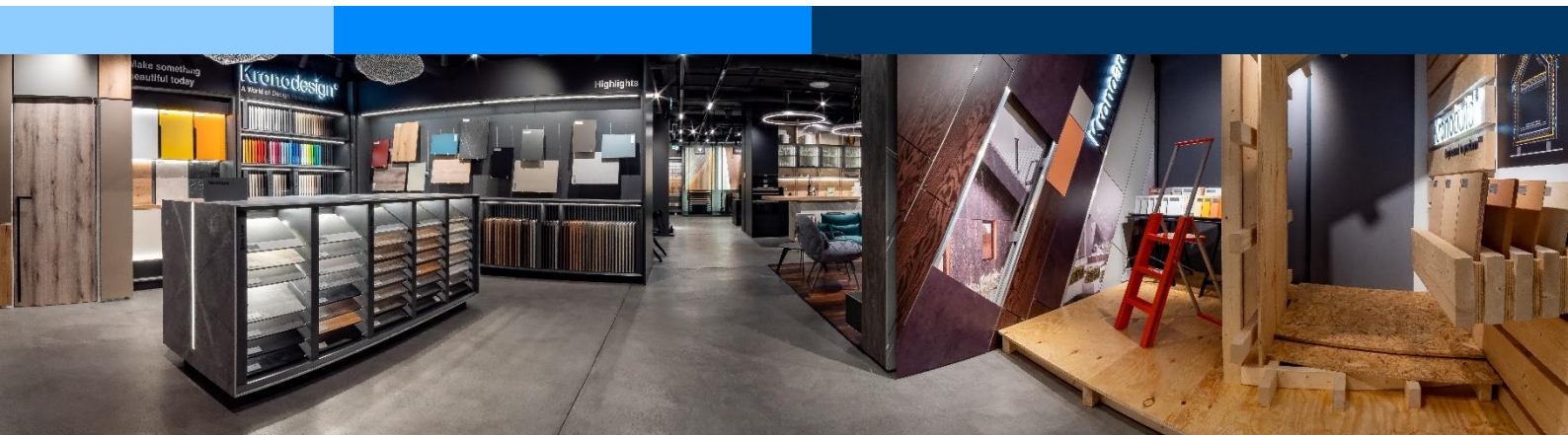
The product is used for a wide range of applications, including kitchen, bathroom, bedroom and office furniture, in a variety of trendy designs and textures.

### PET laminated MDF

It is an MDF covered with decorative PET foil, in gloss or matt texture on the front side and grainy textured identical color PP foil on the reverse.

### HPL Bonded MDF

Consists of a moisture resistant MDF board bonded with Invisible Touch HPL (finger-free surface) on the front side and grainy textured same color Standard HPL on the reverse. It's a high scratch and impact resistant product suitable for areas subject to high hygiene requirements.



# Corporate Governance



At Kronospan, we believe that good governance means being clear about the roles and responsibilities, as well as following proper procedures. This is also one of our key principles.

The company promotes shareholders' interests by monitoring executive action, planning board and management succession, and considering its strategy. It follows the group Kronospan corporate governance rules.

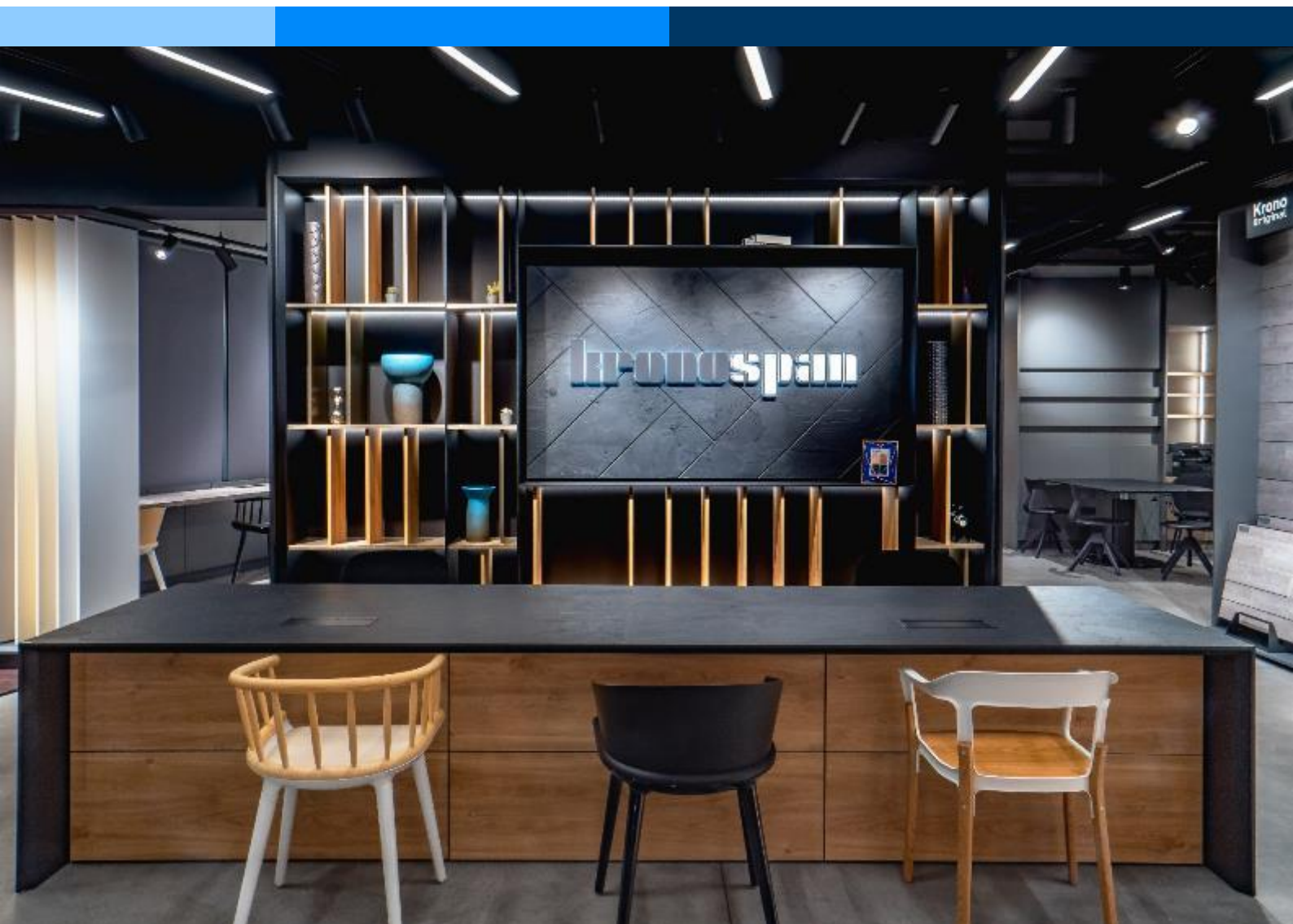
These rules give our management teams clear guidelines. However, following the rules is not enough - we must comply with their spirit.

In regards to risk management, Kronospan's audit function is to ensure that the financial, technical, environmental and social standards are met.

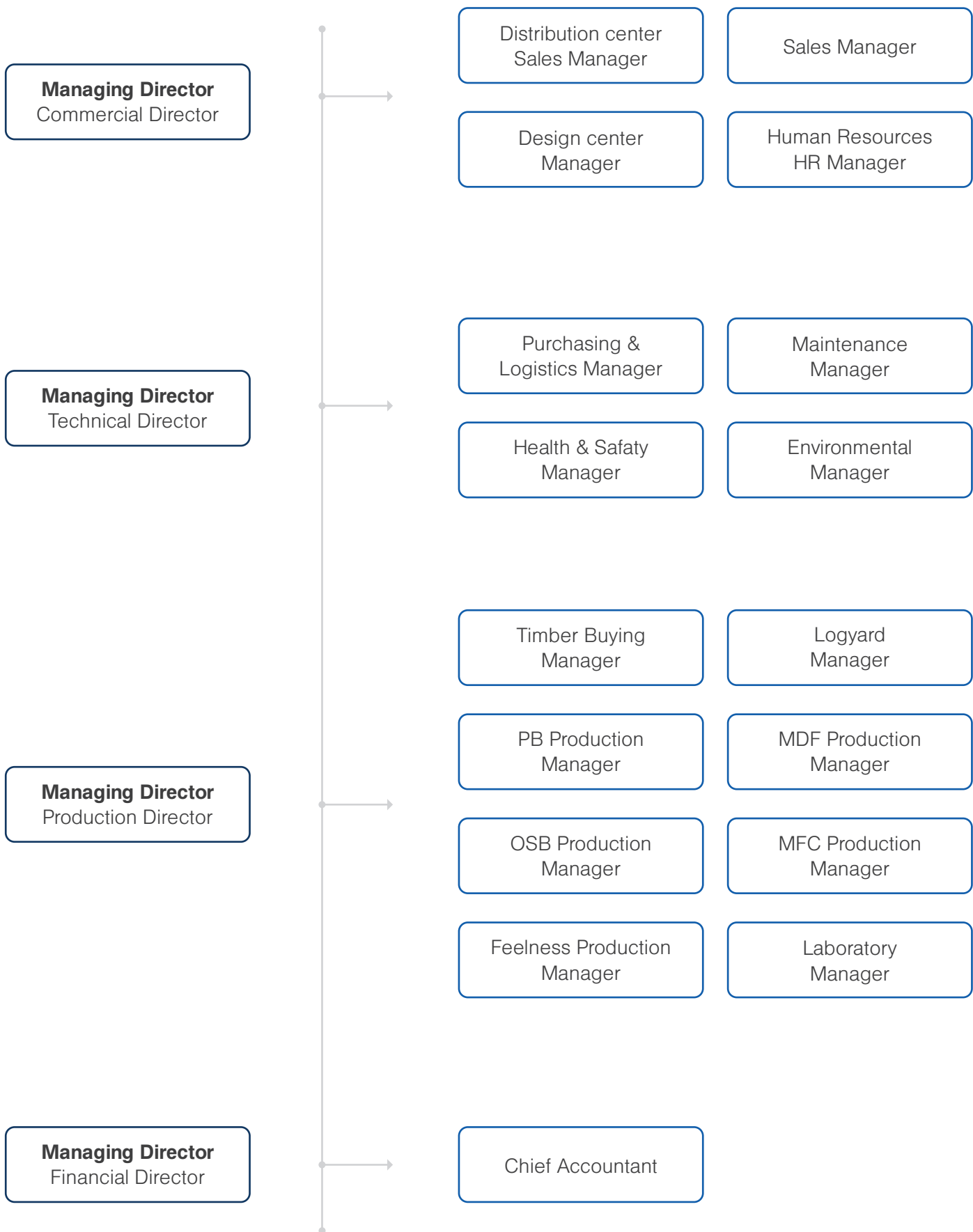
We make sure that our corporate governance guidelines are met by using centralised standards and applying global policies and strategies, which are at the highest senior level. This way, our local operations follow the rules developed on the highest governance level of our entire company.

Policy commitments are communicated to our workers through intranet, and an infogram of our main principles is displayed as a desktop wallpaper. Specific frame contracts (applicable to timber purchase) include policy commitments, which is how they are being communicated to external business partners.

The Directors are responsible for the local compliance with, and the implementation of Kronospan's guidelines and values across all company levels.



# Organisational Chart



# Sustainability at Kronospan



# Sustainability at Kronospan

## Sustainability in the Forest Products Industry

It takes setting of high standards and a strategic approach to sustainability to be recognized as an industry leader. With our core business being closely dependent on the environment and natural resources, we recognize the need to take due care of how we source and produce our final products.

We supply wood-based panels certified by Forest Stewardship Council®. Such certified products are made from timber from verified well-managed forests, which ensures that the source remains renewable and sustainable.

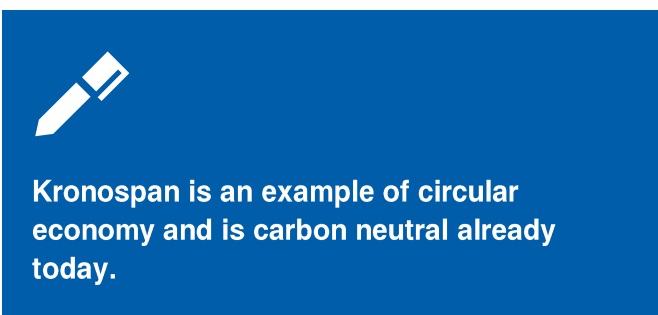
Supply chain accountability is very important for our industry, which is why we are committed to work towards a more sustainable wood-based panel industry. Our suppliers do not use wood from national parks, natural preserves, virgin forests and other conservation areas.

We believe that nature is our most valuable asset so we designed our processes in a way to avoid any harm and create value whenever possible.



The consumption of fossils is minimal as they are used only for starting-up of the PB dryer.

The Photovoltaic Power Plant project in Burgas has started in November 2021.



**Kronospan is an example of circular economy and is carbon neutral already today.**

## Product responsibility

Society will always be in need of furniture and construction materials. We produce these materials with minimal impact on nature. Our products replace solid wood and help to protect old grown and primary forests. Kronospan's products have high added value with long life cycle due to their recyclability. They are produced with zero waste technology, applying the principles of circular economy. With these characteristics our products meet the requirements of the European GREEN DEAL and the European Forest Strategy 2030.

Kronospan supplies wood-based panels certified by the Forest Stewardship Council® (FSC®) and supports the FSC® Vancouver Declaration for more sustainable sourcing of forest products and more use of materials from responsibly managed forests. We are also a member of the Economic Chamber of FSC® and work on further promoting their initiative in our industry. We are proud to say that our products exceed the requirements of the Californian CARB II standard.

Our production uses selected types of resin and timber and the result is ultra-low emissions at the level of natural wood. Timber is used in the building industry and has natural insulation properties. Wood-based panel products are the building materials of the future because of their recyclability.

To monitor and control pollutants in products, laboratory tests are performed. Each production site has its own laboratory (quality assurance, compliance with ISO, EN standards).



## Kronospan Forestry Standard



Kronospan encourages all timber suppliers to be 100% FSC certified.

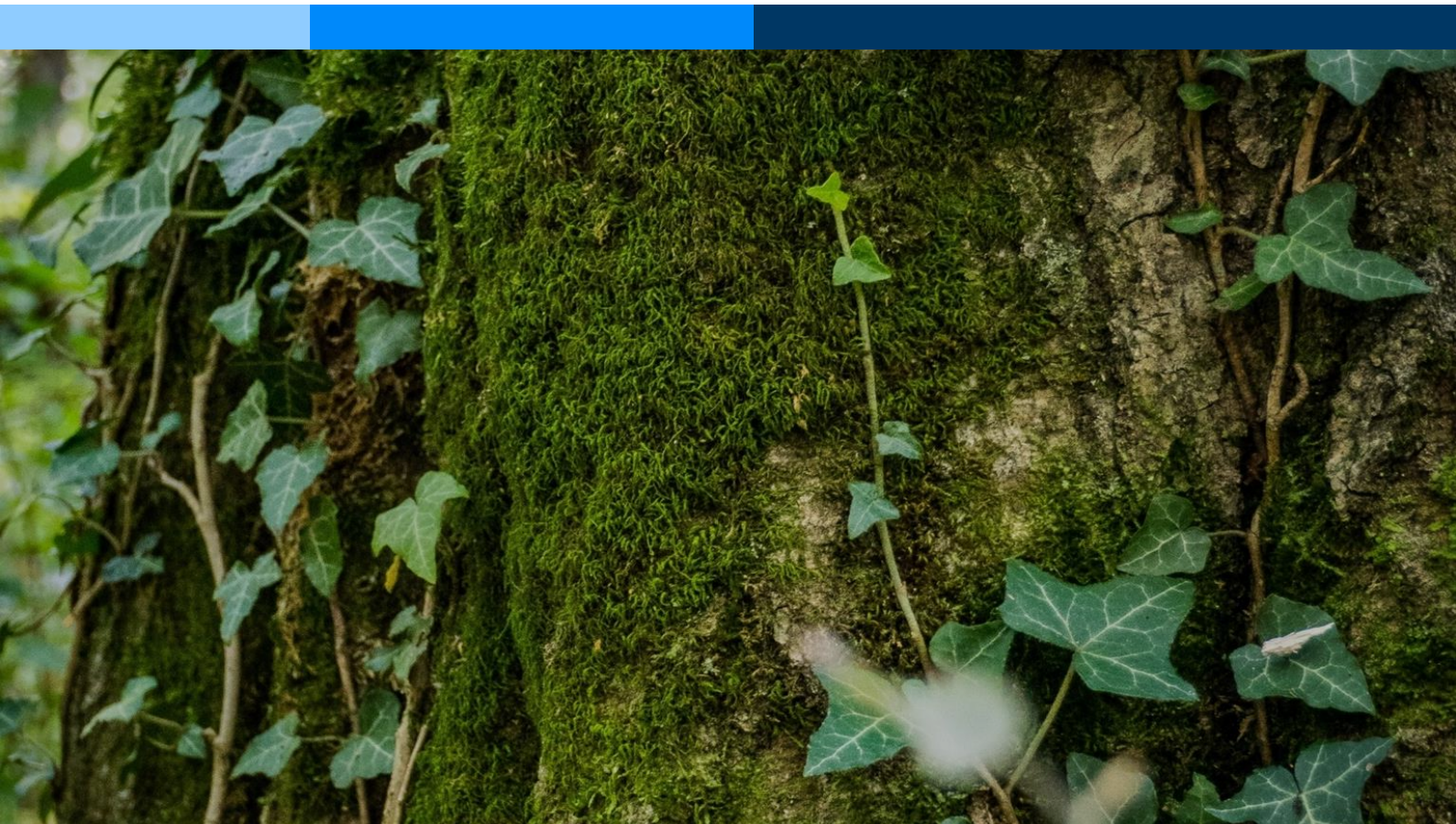
By using recycled wood in our PB production we help save forests, while improving the sustainability of our products. After more than 100 years of processing wood, we have become experts in the efficient use of the material.

**We use wood waste by recycling it to produce PB.**

We follow strict rules to ensure that we do not purchase any timber from illegal harvesting operations and only acquire timber that is sourced both legally and ethically. Illegal harvesting poses a significant threat to the world's forests; it contributes to both deforestation and forest degradation.

It is crucial that every Kronospan site is able to track the origin of the timber it purchases, which ensures the legality of the supply chain. Kronospan does not support or tolerate working with any company involved in illegal timber harvesting or trading with illegally harvested timber. Any suspicious activities or behavior must be reported to the Kronospan Internal Audit team.

Suppliers delivering timber to Kronospan must ensure compliance with the requirements below. Non-compliance leads to the immediate cancellation of all contracts with the supplier.



# Our strategy

Our business practices and what we do for our local communities are aligned with our sustainability strategy.

We aim for positive contributions and overall improvement of the areas that we are having an impact on through our everyday operations. Thus, the design of our sustainability strategy consists of four main building blocks that are integrated in Kronospan's values:

- 1 Positive Governance
- 2 Positive Value for The Environment
- 3 Carbon Neutral Production
- 4 Contributions to Our Stakeholders



We are growing with a **positive governance** approach and we work tirelessly to impact positively all our stakeholders. As we integrate an approach to responsible service provision into our corporate management profile, we are shaping our sensitive management activities to be more sustainable.



We produce by adding **positive value to the environment** and we work at a high speed. Our environmentally-sensitive business model is backed up by proper energy, water and waste management activities in our offices and production facilities.



We aim for a **carbon neutral production** of our world-class product range. In addition to our targets, the responsible resource use in all our raw material supply and production processes is at the heart of our strategy.



We make progress by **contributing to our stakeholders**. At Kronospan, we provide equal opportunities for all employees and we foster the ethical, transparent communication on an eye level. As an organisation producing and working for the good of the society, we continuously deliver on social responsibility projects.



# Kronospan Value Chain

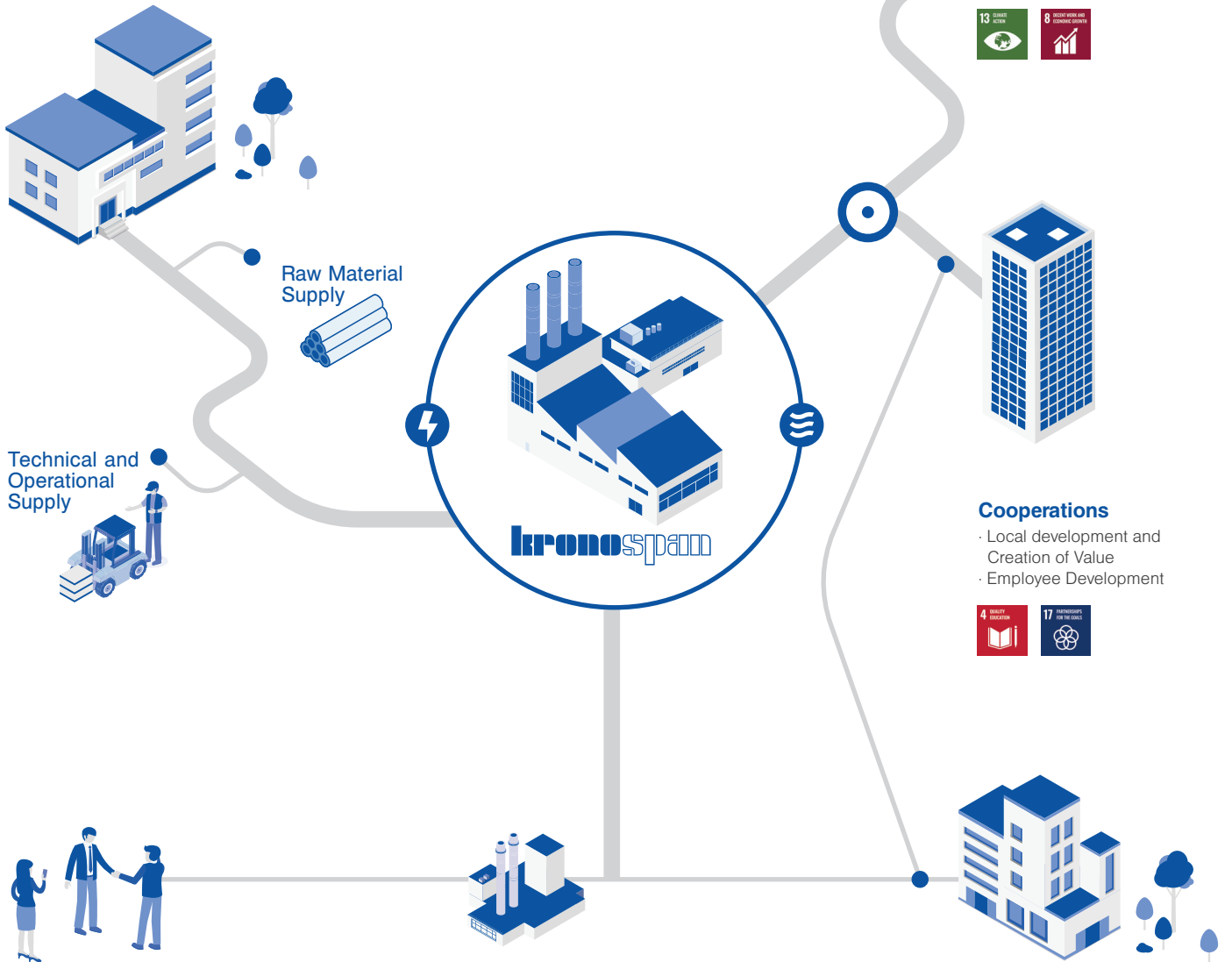
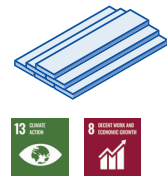
## Procurement

- Procurement
- Energy Management
- Equality of Opportunity and Diversity
- Local development and Creation of Value



## Client and Sale Point

- Products and Services sensitive of the Environment and People
- Customer Satisfaction
- Economic Growth



## Employees

- Employee Development
- Health and Safe Work Environment
- Equality of Opportunity and Diversity



## Production

- Products and Services sensitive to the Environment and People
- Energy Management
- Waste Management
- Water Management
- Emission Management Circular Economy and Responsible Resource Management



## Corporate Governance

- Economic Growth
- Customer Satisfaction
- Products and Services sensitive to the Environment and People



# Materiality Assessment



The initial step of the preparation of our first sustainability report for Kronospan Bulgaria required conducting a materiality assessment - a process, through which the most relevant topics for our industry are determined from the perspective of both our internal and external stakeholders.

The process included multiple consecutive steps and required an outreach to our most relevant stakeholders who have a strong understanding of our business, and are therefore equipped with sufficient information to determine the level of importance of different sustainability topics. The external stakeholders that participated in the exercise are categorized in the following groups: Business partners, Customers, Suppliers, Association of employees, Non-governmental organization representatives and Educational institutions. Kronospan's employees and top management also participated in this assignment.

The assessment began with the development of a long list of sustainability topics. In line with the desk research, we determined the risks and opportunities the industry faces in the sustainability arena, and what kind of activities are carried out in that regard. In addition to this, we analysed the topics that other companies in the industry refer to as most relevant. Dominant macro trends, emerging from developments in the regulatory landscape, were also considered when putting together the long list. Kronospan's management then looked at the suggested topics and made changes as to what else to be added or removed. Topics were consolidated upon, which resulted in a list with 16 topics.

Secondly, we reached out to identified stakeholders to perform the external and internal materiality analysis. All stakeholders were asked to rank the listed topics from 1 to 16, with score 1 representing the topic of most relevance, with the level of relevance decreasing with every next awarded score, and 16 being the overall lowest score. When deciding on how to award the scores, stakeholders were asked to consider the level of impact Kronospan has on that topic as well as the level of importance of the topic for them as a stakeholder of Kronospan.

The materiality threshold was set to include the 10 sustainability topics that had the lowest scores (meaning the most relevant ones).

## List of most material sustainability topics

Final Assessment	
Ranking	Materiality Topic
1	Healthy and Safe Working Environment
2	Economic Growth
3	Customer satisfaction
4	GHG Emissions Management
5	Attracting and Retaining Qualified Labour
6	Circular Economy
7	Sustainable Forestry
8	Employee Training and Development
9	Product Safety
10	Waste Management
11	Diversity and Inclusion
12	Energy Management
13	Water Resources Management
14	Sustainable Value Chains
15	Community Investment Programs

Materiality Threshold

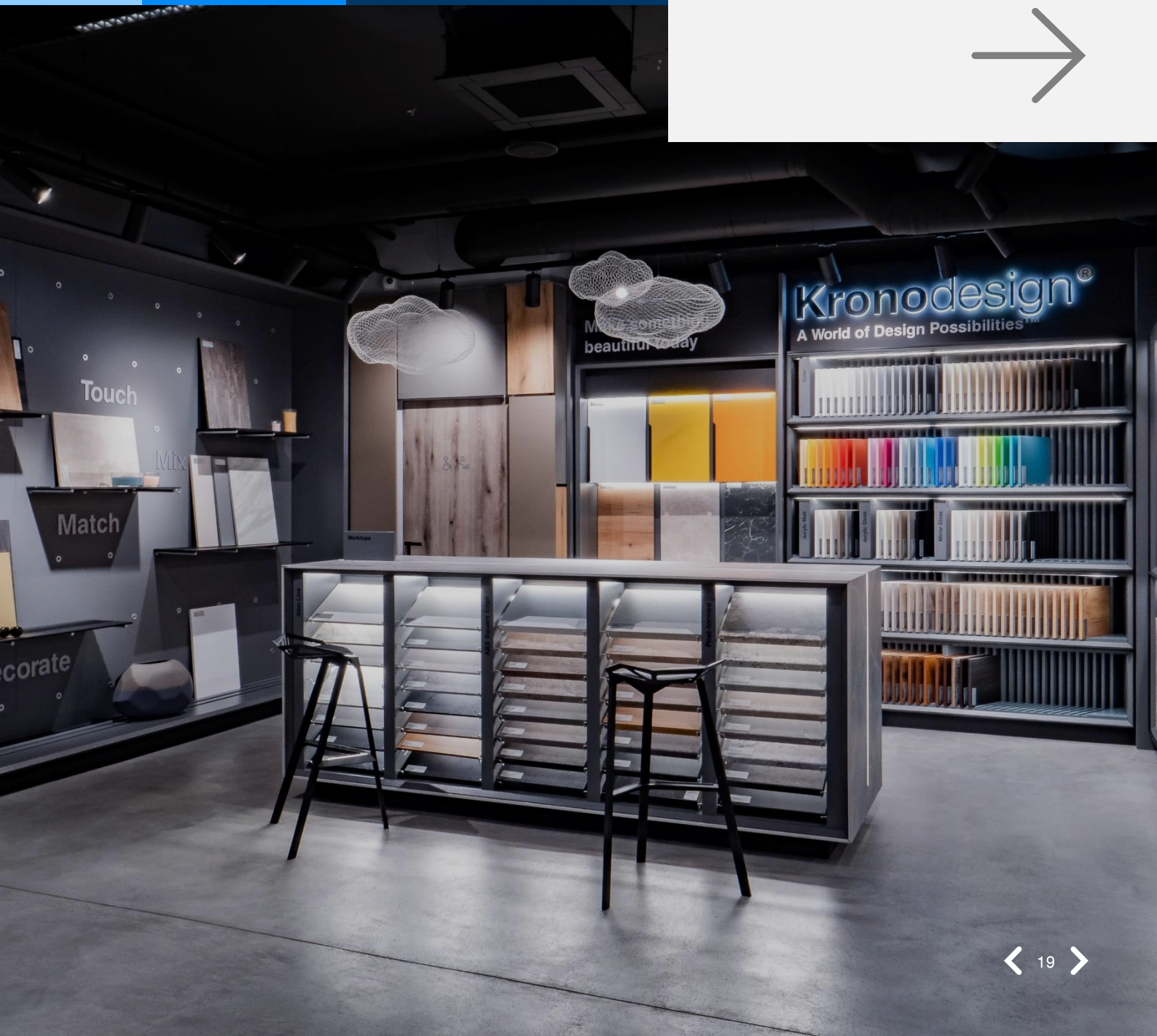


\*Two of the topics from the original questionnaires (Circular economy and Usage of Recycled Products) were consolidated at the end of the assignment into one topic - Circular Economy, therefore this table represents 15 topics.

The assessment was carried out with the support of an external consulting firm that guided us through the process and was done in a virtual environment using online survey tools.

The determined topics were approved by Kronospan's Board of Directors.

# Healthy and Safe Working Environment



# Healthy and Safe Working Environment

## Occupational Health and Safety

Sustainability is fundamentally about taking responsibility for our climate, nature, and human health and safety.

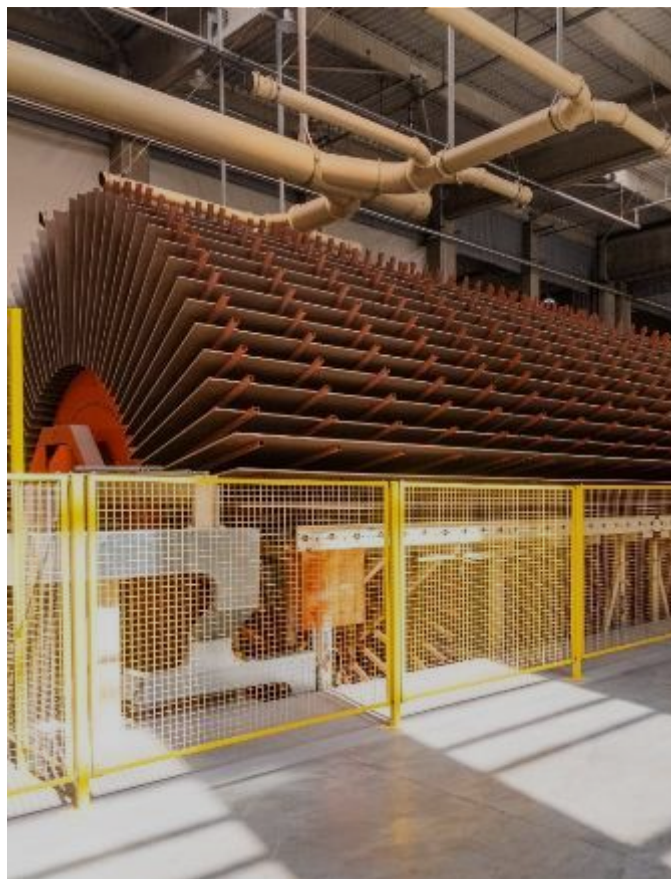
We are highly engaged in protecting our employees and taking care of their health and safety at work. We aim to minimise the risks to which our employees are exposed at work, eliminate unnecessary hazards and continuously improve our excellent health and safety record. To this end, all installations are maintained to a high standard and are continuously improved in regards to fire protection, safety and environmental technology. This is monitored with the help of external and internal audits and, where necessary, improvements are made. We strive to comply with the laws, regulations and other requirements concerning health and safety at work. All our employees must know and follow the safety guidelines and regulations relevant to them. We are committed to providing fair employment conditions.

At Kronospan, we set our standards high when it comes to working conditions, safety, health and environment. Our occupational health and safety practices are in line with legislation and obligations. Safety First is an important rule for Kronospan Bulgaria.

Kronospan works in a specific industry, and proper risk management and assessment is essential for prevention of any unwanted incidents.

A Healthy and Safe Work Environment is a material topic for Kronospan, and the workplace is closely monitored by both our stakeholders and management.

Each production unit participates in Kronospan's risk management procedures, which include safety, health and environment. They also maintain our high standards regarding personal protective equipment for workers, safety devices, sanitary facilities, drinking water and healthcare.



All processes, procedures related to Occupational Health and Safety, are discussed and approved by the Management and OH&S team. Topics related to health and safety are discussed regularly at the meetings of the Health and Safety committees and groups where representatives of the employees and the employer are members.

To predict hazards and alert our employees instantly about danger, each of the production locations has a H&S responsible person who is leading the H&S organization of the plant. Thus, a system based on an instant control mechanism aimed at reducing work accidents as much as possible is put in place. Any occurring risk or accidents are reported daily to the Plant Manager. During monthly meetings with our OHS team and the members of the Board of Directors, all risk and accidents are evaluated, and precautions and objectives are discussed.

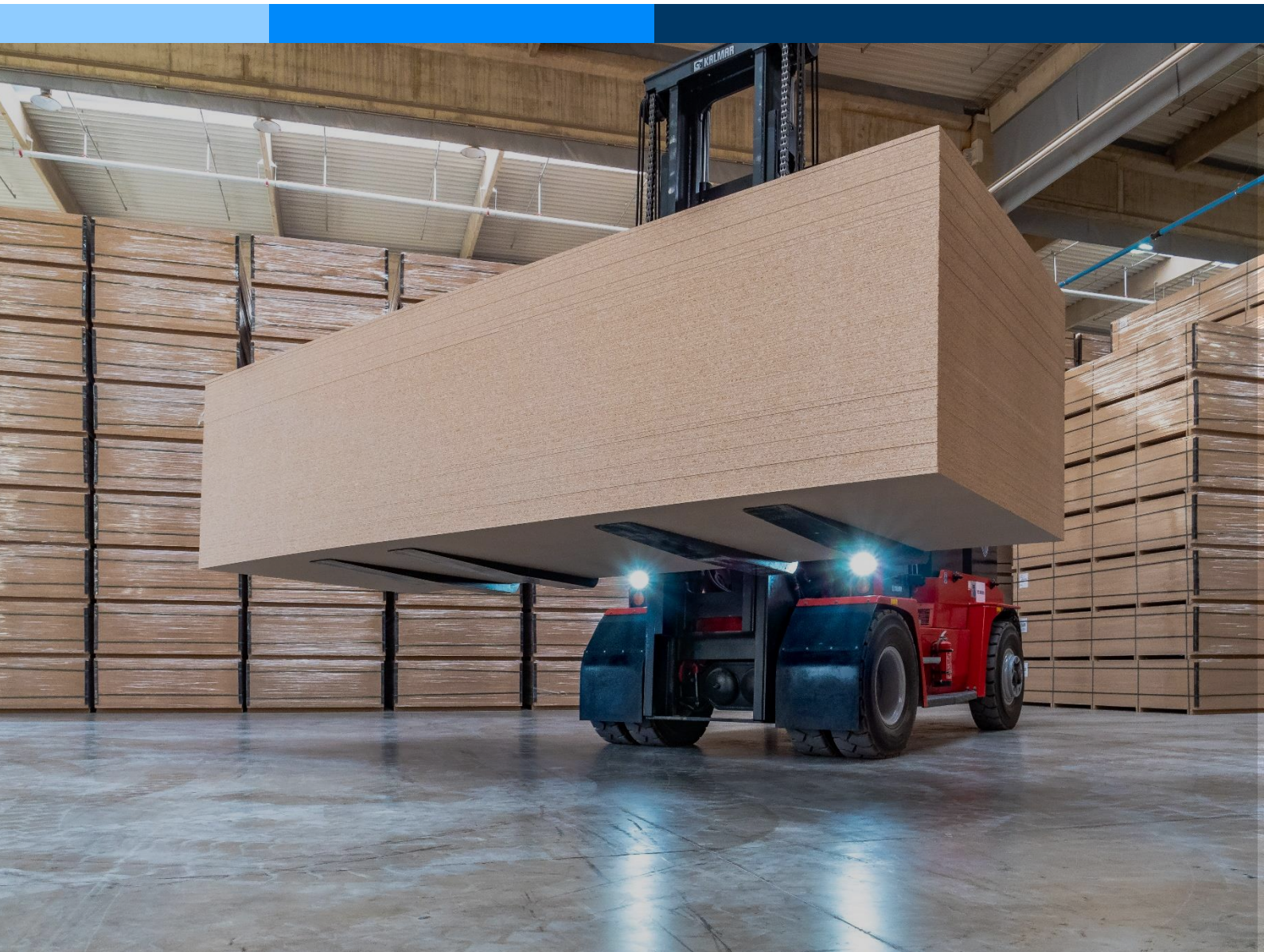
The number of days since the last accident is monitored and we strive to achieve an ever higher number. We are taking accidents very seriously and we aim to reduce their number to zero. A healthy and safe working environment, including the impact on mental health, is a high priority and a focus area in the years to come.

The company has developed a comprehensive system, consisting of a detailed local manual training and instruction for company employees and subcontractors. We follow a clear methodology that helps us track the timely implementation of the trainings that are required by the local law and are part of our H&S program.

The development of the employees' professional competencies and interpersonal skills is given high priority and is realized through on-the-job trainings as well as other internal and external courses. In addition, we need to encourage the development and employability of young people through apprentices and trainees.

Indicator	Unit	2021-2022
Accidents	Number	2
Lost working days due to accidents	Number	61
Lost work days due to sick leave	Number	5,225
Fatalities	Number	0

Two occurred accidents are related to an injured limb from a slight impact of a forklift, and the other is related to a finger injury during operating a machine.



## Risk Management and Emergency Preparedness



It is Kronospan's policy that all members of the group conduct structured registrations and follow up for the sake of safer workplaces. This goal has been introduced at Kronospan, and our target is to strive for annual improvement, which could be measured through the annual number of accidents, break downs and fires. The means to achieve this is placing the responsibility for the plants with the employees, which would have the side benefit of increasing employees' job satisfaction.

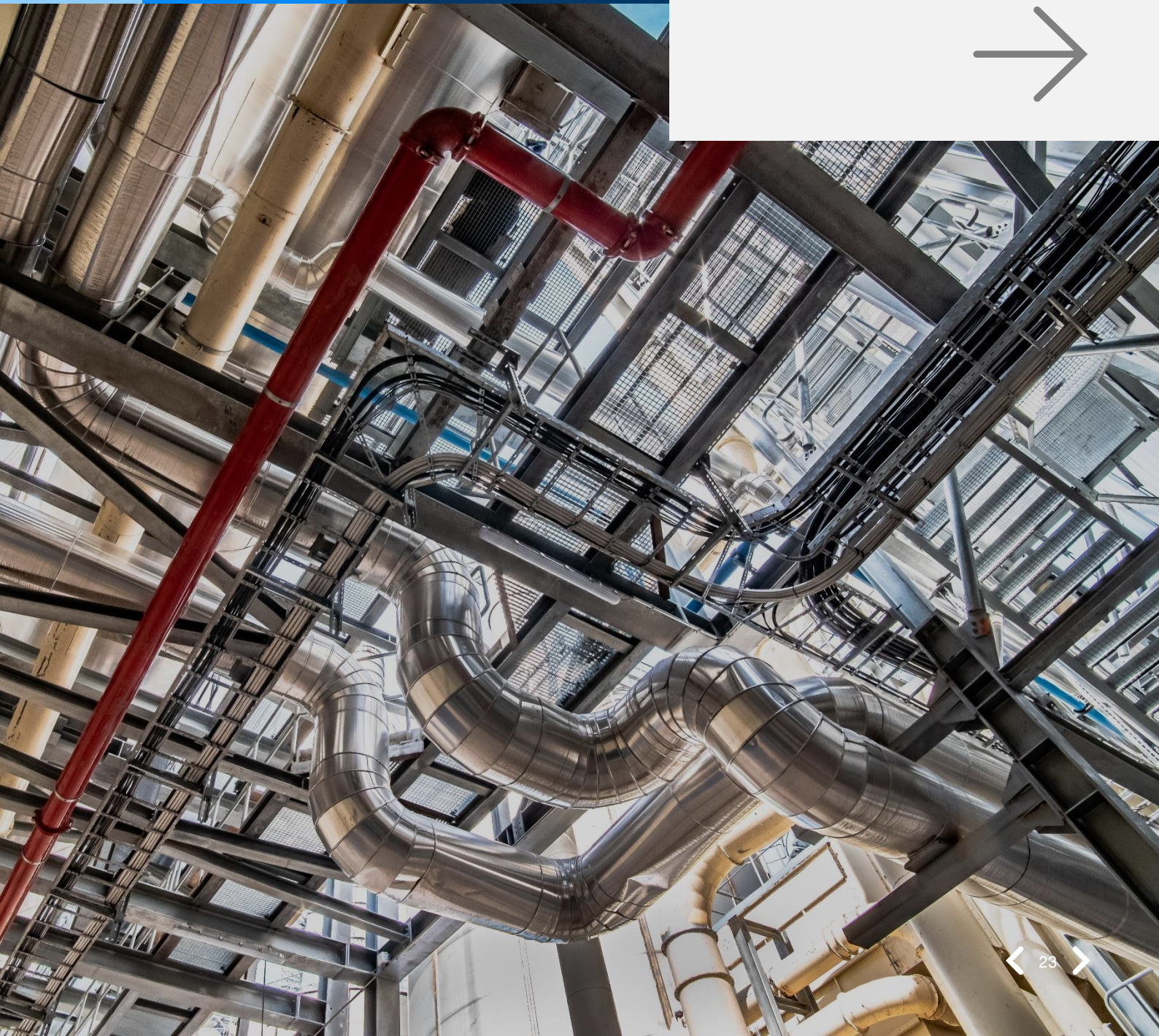
The actions aimed at protecting the lives and health of the employees during emergency situations are performed under the supervision of the line managers according to the powers conferred to them by the top management. The plans of action are implemented in the company in accordance with the normative requirements accepted by the OH&S Committee and approved by the management. The plans consist of instructions for the organisational activities regarding the elimination of specific hazards, providing first aid, fire safety and the conditions for evacuation of the employees, as well as the contact details of the civil protection services, fire department and emergency medical care.

At least once a year the responsiveness in emergency training is organized in accordance with the action plans so that all employees are covered. The results of the responsiveness in emergency are documented in a Protocol and are used for analysis of the employee aptness in regards to their actions in such situations. If needed, the plans are updated after the responsiveness test. Certain employees of the company are trained to implement specific measures to eliminate the hazard, provide first aid, fire safety, etc., and their training corresponds to the real and particular risks of the work process. In case of or if there is a high possibility of a serious and direct danger to the health and lives of the employees, the respective manager takes immediate action.

They need to inform the employees in danger in the shortest amount of time, ensuring suspension of the work process and their evacuation, and not allowing the re-start of the work process until the danger has been eliminated. If the employees cannot contact their line manager in cases of serious and direct danger to their health and lives, they are expected to undertake a course of action corresponding to their knowledge and available technical resources in order to prevent the consequences of the danger.



# Responsible Economic Growth



# Responsible Economic Growth

Kronospan's growth begins with listening to our partners. We strive for the lowest cost possible for our final product. As a world leader in technical development in our industry, we aim to get the highest possible yield from our input materials. We meet our defined quality standards for the ultimate benefit of our customers by supplying our products fast and at affordable prices. The creative ideas of both teams and individuals are successfully implemented into actions to develop new and improved business processes, products and services.

To maintain this position of cost leadership, we take advantage of synergies and innovative technologies. Innovation is vital for our performance and growth – it helps us improve our competitive position and market share, and at the same time helps us maximise efficiency and minimise costs, reduce emissions and achieve the lowest environmental impact possible.

## Economic Performance

Table: Economic performance indicators, in 000 EUR

Element		Production locations (Burgas and Veliko Trnovo)	Logistic center and Design center Sofia	Total
Economic Value Generated (EVG)	Net Sales	163,316 €	13,895 €	177,211 €
	Change in finished goods	6,490 €	11 €	6,501 €
	Other Income	14,714 €	- €	14,714 €
Economic Value Distributed (EVD)	To Suppliers	(161,911) €	(11,595) €	(173,506) €
	To Employees	(8,022) €	(294) €	(8,316) €
	To Government	(525) €	(41) €	(567) €
	To Capital Providers	(4,765) €	(250) €	(5,016) €
	To Community	(54) €	- €	(54) €
Economic Value Retained (EVR)		<b>9,242 €</b>	<b>1,726 €</b>	<b>10,968 €</b>

Further details about the company's overall financial performance can be found in the official financial statement on the [link](#)



**The total quantity of sold goods amounts to more than 500,000 m<sup>3</sup>, while the proportion of returned goods is rather low (only 0.06%).**



## Relationships with suppliers

We strive to keep our supply chain sustainable and we pay special attention to the business relationship we have with our local suppliers and to how we support the growth of the local economy.

We have 4,527 local suppliers registered at our procurement department, which makes 88.42% of the total suppliers pool, while the rest of the 593 suppliers -are external. Usually, their services are being used only if there is no local supplier that can meet the demand for the certain product or service.

Local suppliers as per our definition are those who operate in Bulgaria, and external are those from whom we are importing products and services.

Table: Economic performance indicators, per significant locations of operations

Type	Supplier register	
	Number	%
Local	4,527	88.42%
Foreign	593	11.58%
Σ	5,120	100.00%

## Timber suppliers risk assessment

As part of our regular timber supplier checks, we assess the potential risk of the business relationship with the suppliers of our most important raw materials.

The risk assessment is done in the beginning of the cooperation and is being monitored on a regular basis at least once per year, and sometimes even more often.

This is done via survey whose objective is to detect risks in areas such as: validity of product certificates, offence against forest and environmental regulations, harvesting permissions etc.

At the end, the supplier can be categorised in one of the following three groups, based on the overall score of the assessment with clearly defined further action to be taken:

Risk rank	Action to be taken
Low risk:	No further action to be taken
Medium risk:	Check supply chain, random inspections
High risk:	No purchase!



# Carbon Neutral Production



# Carbon Neutral Production

As a world leader in the timber processing business, we are experts in the efficient use of the material.

We are focusing our environmental efforts in various aspects of the industrial production - using alternative energy sources, striving for a low-waste economy and producing carbon neutral products.

We use low grade wood residues, small & oversized roundwood and recycled wood to produce technically advanced products.

We recycle process waste into products, or use it to produce carbon neutral energy for use onsite. When a waste material cannot be used in one of our onsite processes, we look for options for recycling in partnership with other companies.

We constantly monitor our use of water and energy to identify opportunities to reduce consumption, and have invested heavily in processes that generate energy from wood-based carbon neutral fuel.

We want to set a standard for cleanliness in our industry and strive to produce as little waste as possible. We expect and highly encourage everyone (employees, customers, suppliers, contractors etc.) to contribute to the achievement of this goal.

## Circular Economy

The wood-based panel production is a great way to incorporate the principles of circular economy. That means we can bring back into production a material that has already been used. We create a technological and business environment that allows us to introduce the recycled wood in a wider product portfolio. In the process of sourcing wood in our work, we have established clear priorities:

**1st choice** - recycled wood;

**2nd choice** - sawmill residue;

**3rd choice** - sustainable forestry wood.



# Sustainable Forestry Management



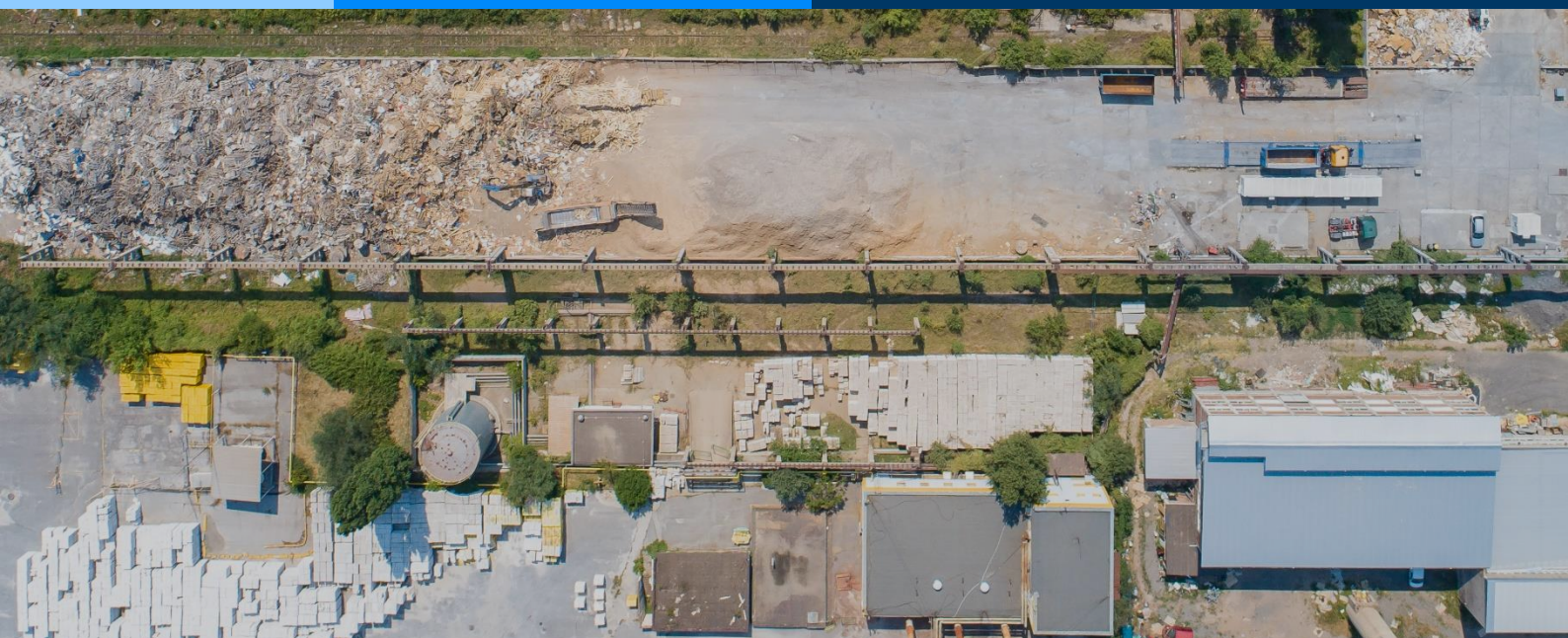
The ways we produce and consume nowadays are changing radically. In line with our commitment to responsible resource use and position towards the circular economy, we maintain a responsible raw material approach in our operational network 24/7. We are aiming to reintroduce all natural resources following use to the life cycle to maintain their value as long as possible while minimising waste generation. When purchasing wood raw material, we comply with the legislations.

We supply wood-based panel products certified by the Program for the Endorsement of Forest Certification schemes ([PEFC](#)) or Forest Stewardship Council® ([FSC](#)® License code: FSC-C018728). These products are made of a material from well-managed FSC®-certified forests, recycled materials, and other controlled sources.

Together with our suppliers, we strive to achieve the lowest possible environmental impact.

- › We ensure the lowest possible environmental impact to soil, water and air;
- › We try to recycle as much of our waste as possible and we encourage other producers to do so as well;
- › We handle, use, store and neutralise chemicals in an environmentally, healthy and safe way;
- › We are a member of the **Economic Chamber of FSC**. The Forest Stewardship Council is an international non-governmental organization that promotes environmentally appropriate, socially beneficial, and economically viable management of the world's forests;
- › We support the [FSC](#) (License code: FSC-C018728) Vancouver Declaration for more sustainable sourcing of forest products and increase in the use of materials from responsibly managed forests.

Kronospan is aware that as a holder of the FSC certification we must guarantee that our products are manufactured in a responsible manner, providing environmental, social and economic benefits. The FSC provides a widely accepted approach to global forest management. In line with that, we strive to manage our raw materials in a sustainable way while maximising customer satisfaction.



## Input materials and waste management

Wood is our main source material. Its esthetic and physical features are widely known and acknowledged. Wood is also an important part of the long process of recycling and reusing - for end products and green energy. That makes its life cycle close to CO<sub>2</sub> neutral. If grown and used sustainably, wood could be one of the solutions on our way to a more environmentally friendly industrial production and economy. The efficient use and reuse of wood is one of the most essential daily tasks that we at Kronospan are committed to. Wood as a construction material has several advantages compared to concrete and steel:

- › Wood acts as a CO<sub>2</sub> store and has a carbon neutral footprint;
- › Wood is a sustainable material;
- › Wood is reusable and promotes the circular economy;
- › Wood has a combination of strength and lightness, and possesses insulating properties.

We monitor and carry out our waste disposal, recycling and upcycling processes in line with the standards of the Environment Laws legislation. In terms of waste management, we adopted a zero waste program in our offices and facility. To that end, we placed recycling bins in order to separate waste by class. At the manufacturing process two main types of waste can be found. The first type is generated from the raw material itself during peeling, shredding and transferring, while the second type is the final waste from the various processes - burning, assembly, stacking, transportation and the auxiliary materials (adhesive components) and consumables of the used equipment (filters, oils, packaging, etc.). Since the first type of waste can be entirely reused or recycled, here we strive to achieve zero waste. Our aim is to add this type of waste into the prepared product and/or to obtain energy for production. The second type of waste we try to minimise as much as possible by ensuring an optimal combustion process and thus reducing the amount of waste slag or ash; by using recyclable oils and filters for machines and equipment; by increasing the share of electric machines for loading and unloading and transport activities; and by using recyclable packaging materials. In order to achieve this at Kronospan, we have adopted an appropriate work system to minimise waste. All of the waste generated in our facility is disposed of or recycled, based on the waste type, by firms certified in compliance with the Waste Management Regulation. We also upcycle the sub-products and wood chips arising from our production and use as raw materials in the manufacturing process. As a result, we are able to reduce significantly the carbon footprint of our production and to minimise waste as much as possible on the production line. Compared to previous years, we started recycling more and collected 16,097 tons of non-hazardous waste throughout the facility was recycled in 2021 - 2022.

## Hazardous Waste

The hazardous waste contains information about materials that are explosive, inflammable, combusive, that emit flammable gases upon contact with water, that oxidise, involve organic peroxide, toxic, corrosive, that emit toxic gases upon contact with air and water and that have toxic and eco-toxic features, as well as about their amounts and recycling abilities.

All hazardous waste generated, total of 29 tons, in our manufacturing facility is forwarded to our business partners who hold licenses for recycling hazardous waste. In those facilities, the waste is disposed of and eliminated, or it is recycled to produced heat in terms of energy.

### Total waste generated, recovered and sent to disposal in metric tons



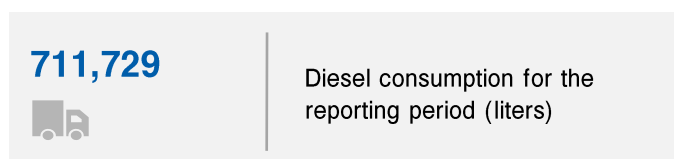
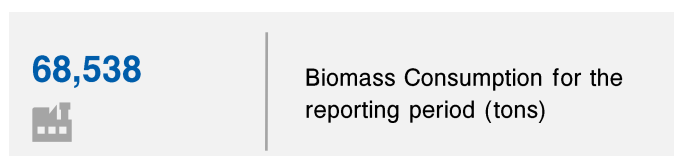
## Energy and GHG Emissions Management

As part of the forestry products industry, one of our critical responsibilities is to use energy in an efficient matter. To ensure we meet this responsibility, we carry out studies with our staff meticulously to guarantee we use energy efficiently and operate our systems in the most energy-efficient way. In 2021 - 2022, the total electricity consumption of all our locations was reported to be **113 GWh**. Considering our leading role in the industry and growing production capacity, we lead the company's transformation in order to minimise our energy consumption per production unit.

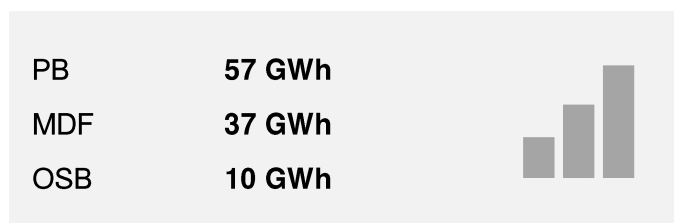
We report monthly consumption data in energy consumption breakdowns for forklift charge stations used on production lines and for lighting throughout the facility.

In 2021 - 2022, a total of 109 GWh of electricity was reported to be consumed on our production lines. The top electricity consuming products are listed as Particleboard (PB) (52% of our electricity consumption), and MDF and OSB follow with 34% and 9% of the consumption, respectively. You can find detailed energy consumption breakdowns in the “Environmental Performance Indicators” section.

## 2021 – 2022 Energy Consumption Breakdown by Resource



## Production Line Electricity Consumption



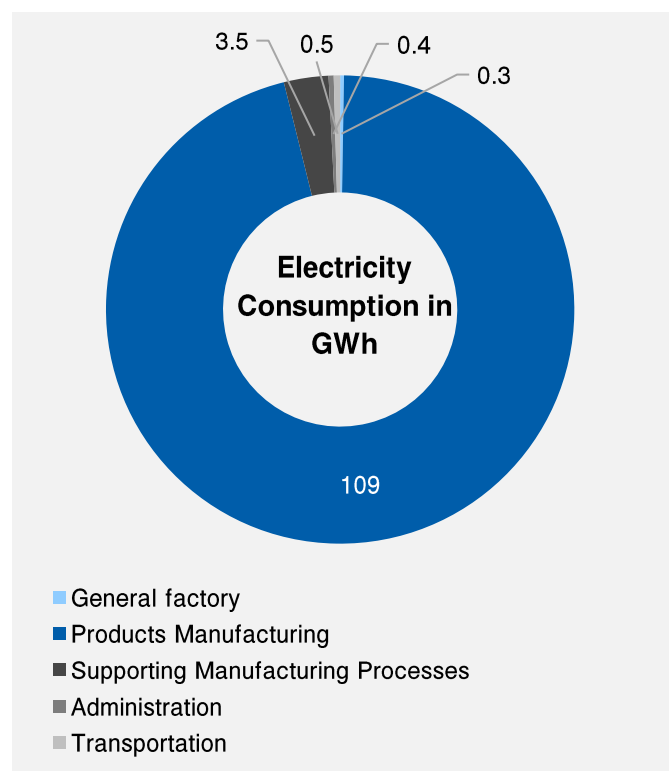
We were able to come closer to the emission reduction targets we set by saving 129,864\* tons of CO2eq emissions in the reporting period through the replacement of fossil fuels with biomass.

Climate change is one of the most important global issues we face today, and as we are witnessing its impact, we cannot ignore it. As often cited on international climate change platforms, the main reason for climate change is the increase of the greenhouse gas emissions caused by human activity. And so we act today so that the amount of greenhouse gases in our atmosphere, caused by the higher demand for fossil resources due to the industrialisation, urbanisation and population growth processes, do not impact our planet and our future irreparably.

There is only one Earth, and at Kronospan Bulgaria we care about acting today as individuals, corporations and as a global community because tomorrow may be too late.

Kronospan Bulgaria takes important steps to reduce our carbon footprint as a part of its commitment to protect natural resources and to combat climate change. “Circular Economy and Responsible Resource Management” and “Emission “Management” are among the material topics for our sustainable production cycle that is part of our corporate identity, and so we take relevant actions accordingly. To that end, our facilities are equipped in accordance with notion of Using the “Best available technics”, such as “Scrubber System”, “Electrostatic Filters” and the associated “Emission Control System (ECS)” for total organic carbon. With the help of our proprietary Emission Control System (ECS) we manage to prevent TOC (total organic carbon).

While we guarantee that we manufacture in accordance with the gas emissions chimney limits as defined in the Industrial Air Pollution Control Regulation, our Emission monitoring system allows the Ministry of Environment and Waters to monitor and control the levels 24/7. We have been transparent about our carbon footprint, arising out of our environmentally responsible production. We monitor the annual emission amounts with an environmental study group and our management team, and we constantly improve our processes in order to continue reducing our carbon footprint. The actions we have taken to that end include changing all lighting in all our facilities and offices to LED and electric forklift procurement. In line with our “Circular Economy and Responsible Resource Consumption” principle, we significantly reduced our fossil fuel consumption, which has the biggest impact on the greenhouse gas emissions, and we have gradually increased the use of biomass that was generated within the facility.



\* Kronospan Scope 1 and Scope 2 emission calculations were based on the International Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, and this standard was used as a guide when developing inventory

## Approach to Life Cycle Assessment (LCA)

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Kronospan's most important objective is to maintain its production of low carbon and carbon neutral wood products, ensuring its added value for the environment and the company's responsible growth. In this context, we analyze our production through a life-cycle approach to assess the cradle-to-gate GHG emissions profile of our MDF, OSB and PB, which make up the majority of our product range. We are guided by the requirements of the GHG product life cycle standard (GHG Protocol), especially for the embodied carbon and carbon removal aspects of our analysis. In this context, we assessed the supply of raw materials (e.g. wood, methanol and urea) – their production footprint and shipping to the facility, the footprint of the energy use and waste production from our facilities and compare it to the carbon contained within wood and wood residues used in our products.

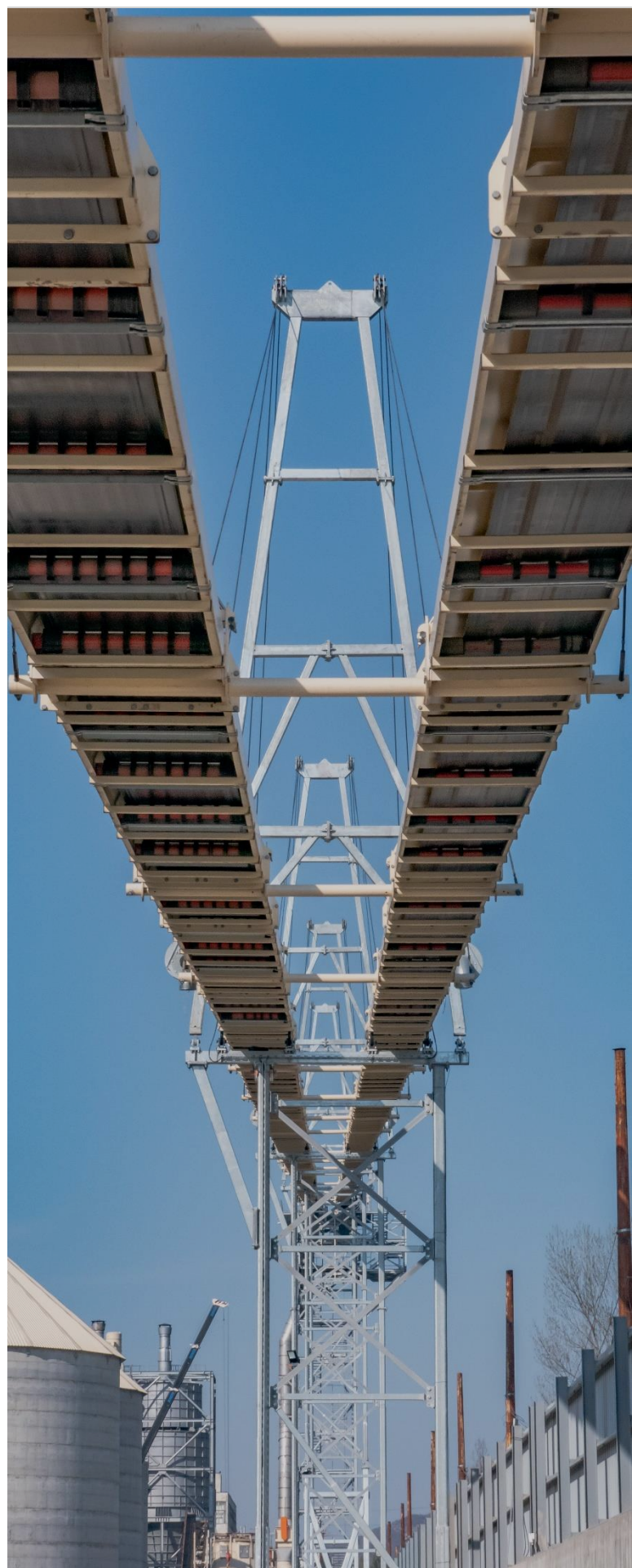
Based on established science and industry research, we assess our products as not contributing to climate change (carbon neutral). The amount of CO<sub>2</sub> absorbed in our materials from the atmosphere, through photosynthesis and wood growth, is considerably larger than the amount of all greenhouse gases released throughout the manufacturing of our products, including for the non-wood raw materials. Our lasting high-quality products with high wood content effectively trap atmospheric CO<sub>2</sub> for their entire lifespan. Furthermore, a large part of our wood-based raw materials is sourced from recycled wood, which further reduces the footprint of the final product. The rest of our input wood material is sourced from sustainable managed forests (FSC certified), which does not result in deforestation or significant emissions from land use.

In Kronospan we always strive to improve our understanding of the company's interaction with the environment. Therefore, we have committed to performing a detailed life cycle assessment on the carbon footprint of our main product categories (OSB, PB and MDF).

## Water Management

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We are aware that our water resources are under threat because of climate change, and we closely follow developments concerning water stress in Bulgaria and globally. We recognize the need to use our local resources efficiently, and we carry out recycling projects to ensure the sustainable management of our water resources.





## Corporate Footprint

As a company that does not compromise on transparency, for the 2021 - 2022 reporting period we calculated and shared our corporate footprint arising out of our consumption in Burgas and Veliko Tarnovo within the framework of **Scope 1, Scope 2 and Scope 3**.

**Scope 1 emissions** are direct emissions by the company from controlled resources. In other words, **Scope 1 emissions** are those emitted to the atmosphere as a result of the firm's internal operations. In this context, our Scope 1 emissions include emissions arising out of the diesel fuel use for company and operational vehicles, and the consumption of natural gas when needed. The consumption of biomass, which is widely used as an energy source throughout our facility, is presented separately since according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard biomass is considered as carbon neutral fuel and is thus not counted as emissions in Scope 1.

**Scope 2 emissions** include those emissions that are indirectly generated after the consumption of energy purchased by the supplier. Kronospan's Scope 2 emissions arise from production facilities and electricity use in offices. **Scope 2 emissions** were calculated by using the location-based emission factor.

The emission factor of biomass, which is a sub product arising out of production that we cannot reintroduce to the production line, is accepted to be zero as per Article 36 of the "Communiqué on Monitoring and Reporting of Greenhouse Gas Emissions". The relevant details are shared in the tables at the end of the report.



## Scope 3 Emissions

We have conducted an extensive analysis of our **Scope 3 emissions**. These are indirect emissions that we do not directly control but that we may be able to influence. They include:

- › Emissions from our suppliers in providing us with goods and services;
- › Emissions associated with the use of our products and services by our customers.

We have undertaken a qualitative assessment of the extent to which we can influence and reduce emissions in the most material categories. Further details of the methodology and results for each relevant category are also shown. The estimation of **Scope 3 emissions** is a very approximate process. The values given in the table are not precise and are not intended to be read as absolute figures. Rather, they provide an indication of where the most significant emissions in our value chain arise and help us target our actions.

We use an electronic data collection process to gather our data. Energy usage data is based on invoices from our energy suppliers. Those bills are based on the supplier's estimated readings.

*The vast amounts of sustainably sourced timber and recycled wood in our products (>90% of the average product composition by weight) store a considerable amount of CO<sub>2</sub> (up to 1.8 kgCO<sub>2</sub>e/kg wood product). This stored CO<sub>2</sub> more than offsets the emissions from Kronospan operations and makes the company's products climate neutral in a cradle-to-gate scope.*

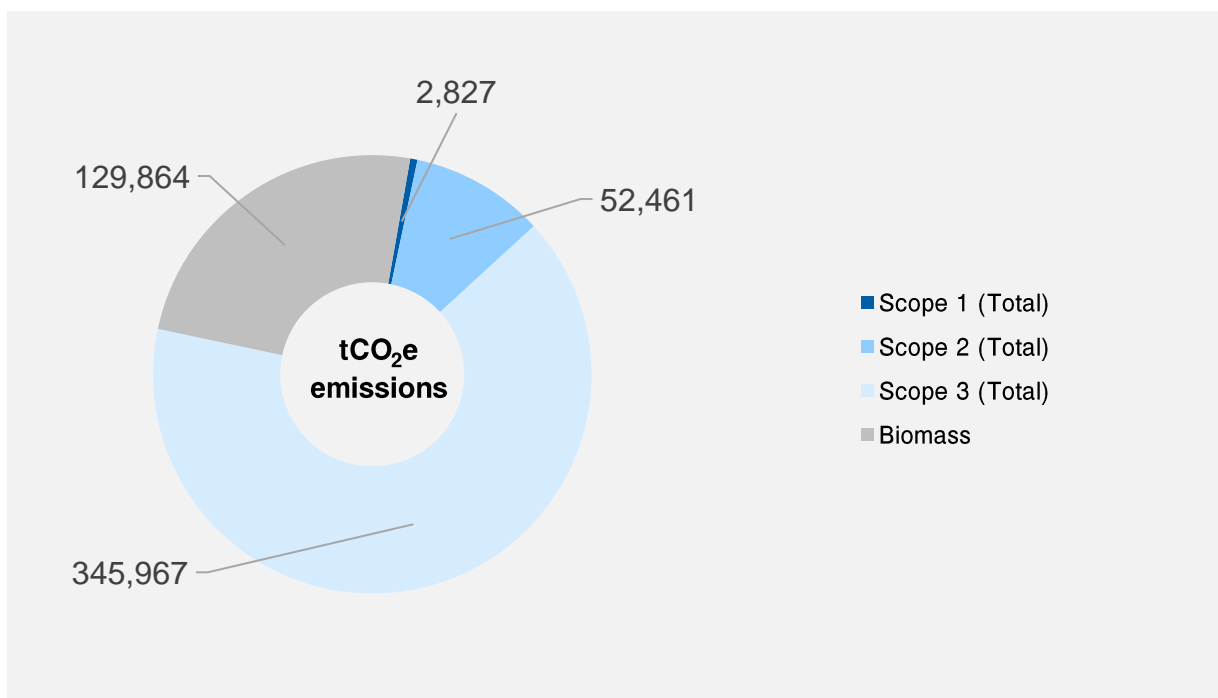


Figure: Scope 1, 2 & 3 greenhouse gas emissions



# We Grow with Positive Governance while Including our Stakeholders



# We Grow with Positive Governance while Including our Stakeholders

## Business Ethics & Regulatory Compliance



Good corporate governance is our way to ensure business continuity and quality in every situation, when our colleagues and business partners are involved. We realize that the existing rules and procedures enable our people to make conscious and right decisions, therefore we aim to integrate business ethics and integrity principles in our everyday lives as much as possible.

## Code of Conduct

All Kronospan companies adhere to a set of corporate governance rules, including the Code of Conduct that has been communicated to all employees and is available on <https://kronospan.com/static-pages/content/company/Kronospans-code-of-conduct.pdf>

Awareness, knowledge and appropriate conduct in all business dealings as key principles are communicated with our employees through organised events. The compliance with the Code of Conduct is supervised by our internal audit function.

The employees are required to report suspected violations of the Code of Conduct to their manager, the legal department or the internal audit team. This can be done anonymously and under no circumstances will disciplinary action be taken against an employee making such a referral, even if after investigation no violation is discovered.

- 1 We act both in compliance with the law and with integrity
- 2 We are committed to a free market and compete fairly
- 3 We are opposed to any kind of active and passive bribery
- 4 We control the giving or receiving of gifts
- 5 We support our local communities
- 6 We foster fair employment conditions and take care of our employees' health and safety at work
- 7 We act to protect the environment
- 8 We keep proper written records
- 9 We handle sensitive data with the greatest care
- 10 Your contact partners in case of doubts, difficulties or problems

## Antitrust Policy

Kronospan is a firm supporter of the free market and considers the Antitrust Law the free market's most important tool for ensuring fair, unrestricted competition.

We promote free trade and fair competition at all times and do not support, condone or tolerate any actions leading to cartels, vertical agreements, abusing a dominant position or illegal exchange of information.

Our Antitrust Policy describes typical places / events, where a prohibited exchange of information or illegal agreements between Kronospan and its competitors might occur, and train employees how to behave during an antitrust authorities investigation at Kronospan's premises.

If an employee becomes aware of the existence of a cartel or any violation of antitrust rules, they are encouraged to report it.

All Guidelines and Policies are available through intranet. They are easily accessible for each Kronospan employee because they pop up when opening a webpage. Therefore, we can say with confidence that 100% of our employees are informed about the company's anti-corruption policies and procedures.

Trainings on anti-corruption topics were regularly held for both employees and the members of the management team,

During the reporting year, there was no identified or reported incident of misconduct, related to corruption, at any level.

## Stakeholder Engagement

With the value chain operations being a significant part of our everyday work, it is important for us to maintain regular and close contact with all our stakeholders, to frequently check their pulse and strive to meet their needs and requirements in every aspect.

The communication with all our stakeholder groups is coordinated in a transparent and timely manner. Through the process of preparation of this report, we established a new occasion for stakeholder engagement, dedicated solely to sustainability matters, and we plan on building upon it in the upcoming years.

We maintain a continuous, transparent and open communication model with our employees who are the one of our company's most important assets and represent the largest share of our stakeholders.

We keep our employees informed and engaged via the company's intranet portal. Moreover, we have monthly formal Management meetings where the most important topics are discussed with the local top management, which is then communicated down the line by every mid-level manager.

Interoffice Memorandums are also used as means of communication distributed to all the employees.

The most valuable way of communication with our customers, our most important stakeholders, is through customer visits.

With another important stakeholder group of ours – the suppliers, we maintain close contact through regular in-person and online communication.

Other stakeholder groups we are in contact with include public institutions, NGOs and business associations we are members of.

















Through social responsibility and local development projects we manage to build and maintain strong and fruitful connections with the community.

The illustration below represents the different ways in which we engage with our different stakeholder groups.



### Planned policy improvements

We plan to introduce an Anti-Bribery and Anti-Corruption clause in the framework agreements, which are to be signed in 2023 and/or in the General Terms and Conditions.

Stakeholder	Communication Channel	Communication Frequency	Purpose of Stakeholder Engagement	Key Projects and Initiatives for Purpose Driven Stakeholder Engagement
 <b>Employees</b>	Meetings, Internal IM, teleconference	Continuous 	Build and keep strong team with qualified and dedicated people	Competitive social package, good work environment, HIPO programs, opportunities for internal and external trainings
 <b>Senior Management</b>	Meetings, internal IM, teleconference	Continuous 	Build and keep strong team dedicated to the company priorities and targets in order to achieve sustainable company growth and communicate the ideas upstream and downstream	Weekly/monthly management meetings; Quarterly holding meetings
 <b>Non-Governmental Organizations (NGOs)</b>	NGO meetings	Periodically 	Sustainable partnership	Sustainable forest management, circular economy, waste management
 <b>Universities</b>	Visits, internship programs, projects	Periodically 	Long-term partnership, build employer branding, attract and prepare young people for further hirings.	Internship, Dual education system, Skill.ED Project
 <b>Customers</b>	Meetings, teleconference	Continuous 	Create and maintain stable and trusting partnerships to aid mutual growth and development.	Partnering projects for Marketing purposes (showroom building) Partnering projects with humanitarian purposes, e. g. building furniture for victims of natural destructive events like earthquakes and floods or building furniture for local schools and universities. Partnering projects for tender participation.
 <b>Suppliers</b>	Meetings, teleconference	Continuous 	Sustainable partnership, added value, commitment, growth	Tender procedures, Site tours/ visits, Clear procedures
 <b>Public Institutions</b>	In person, telephone	Continuous 	Various types of inspections; participation in environmental formats organized by the Municipality	Fulfillment of the conditions of IPPC and conformities with legal basis; Discussion and presentation of BAT and best working practices in wooden industries.
 <b>Local Communities</b>	In person, telephone	Periodically 	Sustainable partnership, added value, commitment, growth	Open doors days

## Membership in Business Associations



Kronospan Bulgaria is active in the business community and our managers are actively participating in meetings and events, ensuring that the voice and needs of our industry are well communicated and heard.

### We are members of the following business associations:

- 1 Branch Chamber of the Wood Processing and Furniture Industry
- 2 GS1
- 3 German-Bulgarian-Industrial Chamber of Commerce
- 4 FSC
- 5 Bulgarian Institute of Standardization
- 6 Bulgarian Chamber of Commerce and Industry
- 7 Burgas Chamber of Commerce and Industry

## Customer Satisfaction

The satisfaction of our clients is among the most important objectives of our business. It is at the core of our culture to put the clients' needs first and empower our people to meet the expectations in terms of product and service quality to the utmost level.

The Kronospan Sales Policy applies to all Kronospan sites and sales teams. We strive to build strong and lasting relationships and to maintain the image of Kronospan as a reliable partner. We have internal practices in place that monitor the speed and reliability in order to provide the best service to our customers.

We strongly believe that growing together is the best way to grow.

Quick order delivery without sacrificing customer satisfaction or quality is key to our work.

Considering our industry dominance, we always feel both pride and responsibility in being the preferred firm for our clients. We guarantee E1-standard production, timely delivery and openness to feedback, and we strive to remain the first choice of our clients.

Our Client and Sales team, which maintains close contact with our clients, has specific set targets that determine the number of visits they have to conduct at the clients' premises annually. The collected feedback following the visits is used for improvement and development. In the 2021/22 period, we made more than 5,000 meetings with customers despite the COVID-19 limitations in order to meet our clients' needs and expectations.

We have a well-developed claim management system, whereby the priority is on resolving claims and signals quickly. We have a fully operational CLAIMS email for customers to send their claims and complaints. Despite this automated functionality, we believe in the benefits of the personal communication. During our visits on site we encourage our clients to share with us even the slightest concerns about any quality issues they might have.

Our clients are able to communicate their complaints directly to our sales representatives. We use most of the modern day communication channels to reach our customers, including social media and various web-based inquiry modules.

During our presentations we distribute the so-called Customer Feedback Questionnaire, and we use the results as guidance to improve our performance.

# We Care About Our People & Local Communities

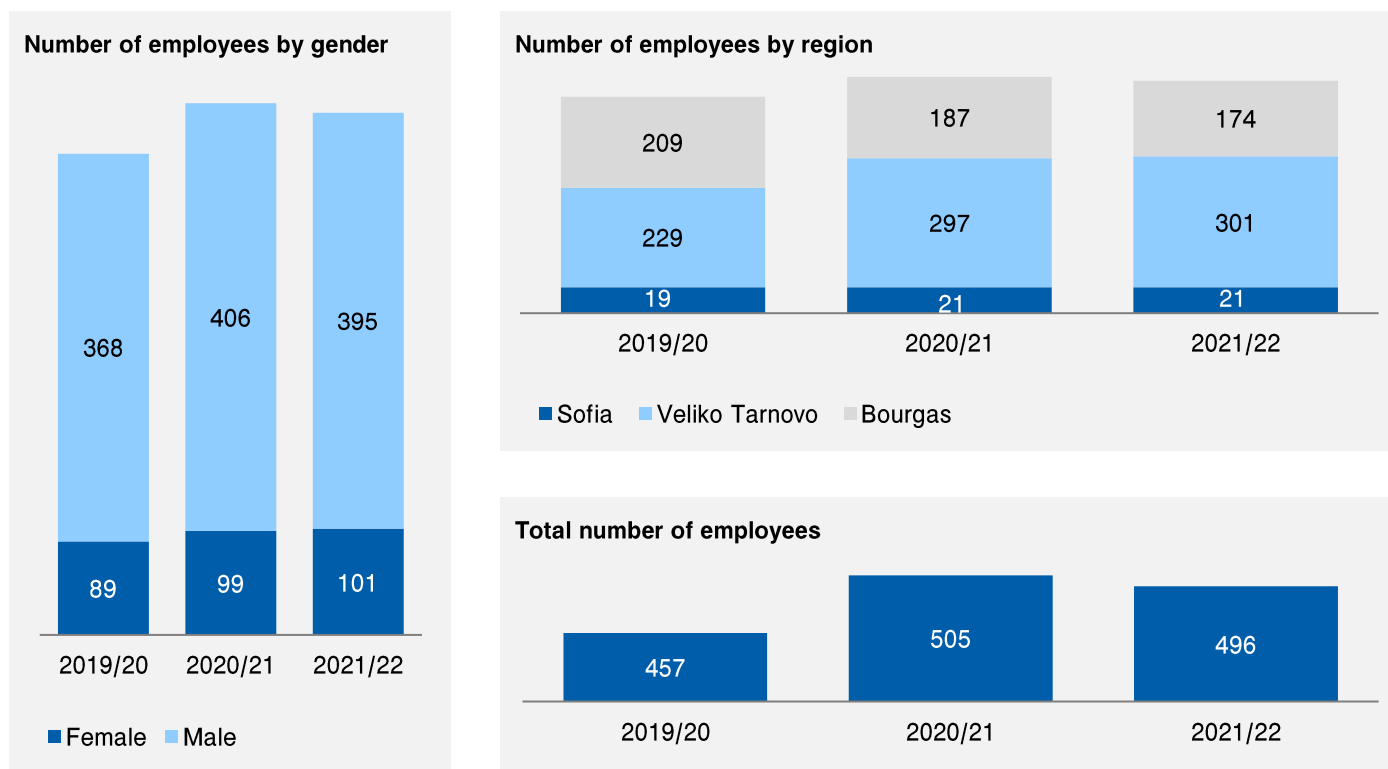


# We Care About Our People & Local Communities

The most valuable asset of each company are its employees. Therefore, Kronospan is devoted to making a great workplace for our employees through offering competitive benefits and everything else they need to be successful in their job and to be able to offer a high-quality service to our customers.

**By the end of the reporting period of 2021/22 we had a total of 496 employees.**

**Chart: Number of employees\* by gender and by region per year**



All employees have a permanent working arrangement with Kronospan. There are neither any temporary employees, nor such with non-guaranteed hours. Almost all employees have full-time contracts, besides one employee that works on a part-time basis at our Bourgas site.

Beside our own workforce, we also indirectly provide employment to a certain number of people in our Sales, Security and Cleaning departments. Therefore, the total number of workers is as shown in the table below:





Decline in number of workers, who are not direct employees, is due to the remodeling of the cooperation with the cleaning firms, whose services were sub-contracted.

**!** During the reporting period the total number of new hires was 95.

\* Method used to account for the number of employees is per head count and at the end of the reporting period.

Table: Number of individuals within the organization's governance bodies, by gender:

	Male 		Female 	
	#	%	#	%
2019/20	7	64%	4	36%
2020/21	7	64%	4	36%
2021/22	7	64%	4	36%

During the reporting period, the majority of our company leaders belonged to the age group 30-50 years old – a total of 10 people, and one colleague is under 30 years old. However, this is a progress from the previous year when 100% of the top management were aged 30-50 years old.

## Policy on non-use of child labor

The company complies strictly with the regulatory framework on the subject. Persons under the age of 18 are not being employed. An exception is made for persons who have an employment contract with us as part of their dual form of education. For their employment, the relevant procedure was followed and permission was obtained from the Labor Inspection.

## Attraction of new employees

Generally, job advertisements are being published on our job portal. The recruitment process depends on the job position we want to fill.

Kronospan cooperates with the Forestry University, Sofia and the Technical University, Gabrovo.

There are available internships for students from the High School in Veliko Tarnovo and dual education programs implemented in Burgas for students from the Technical High School. Our participation in the National Careers Day and other job fairs is another way of attracting new employees.

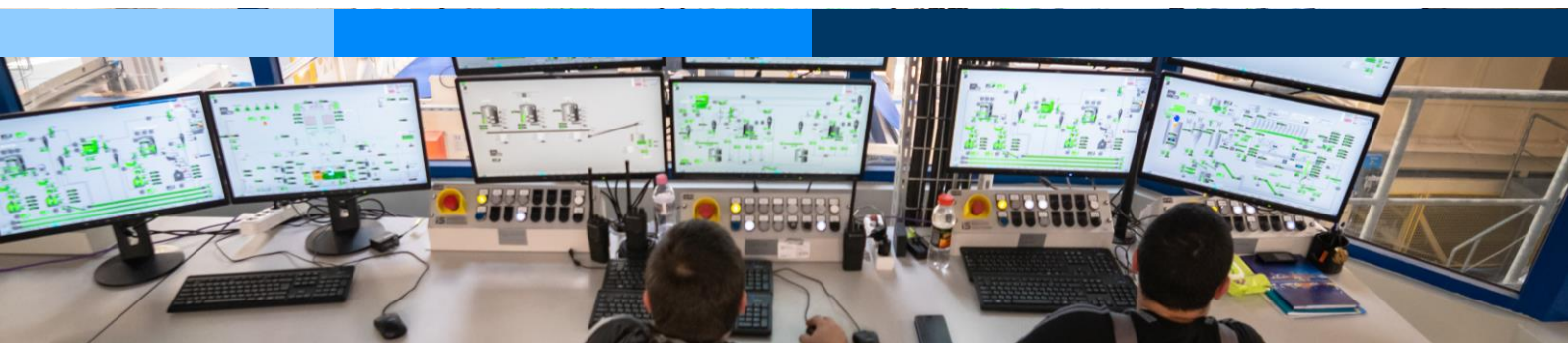
## Employee retention

We realize the importance of creating a workplace that our employees are satisfied with. Our HR department is dedicated to offer not only a competitive remuneration, but also to help equip our employees with the appropriate skills and guidance for their further success. Part of our corporate culture is providing education that enables the acquiring of professional and personal skills relevant to each person's position and level. We also aim to provide timely and constructive feedback so that performance can be communicated regularly.

## Education Opportunities & Upskilling

Under Krono Academy, we provide more than 100 trainings designed by Kronovision - our training and meeting center located in Slovakia.

With our MOODLE portal - an online platform open to all employees, where trainings can be rewatched and training notes and certificates can be accessed, we remove the glass ceiling in learning and development for all our internal stakeholders.









## List of trainings provided during 2021/22













During the reporting period our employees were provided with training in different fields suitable for different target groups. Total unique number of employees who participated in trainings is 129

**More than 200 hours of trainings were offered during 2021/22 with monetary value exceeding 20,000 EUR.**

Field of training	Target group	Training title	Duration of the training (In days)	Number of participants
 <b>Sales</b>	Sales team	Customer service, online sales	2	3
	Maintenance team	Welder 2nd degree	1	2
 <b>Production</b>	Sander Operators	Quality control for sanders	2	10
	Refiner Operators	Training for refiner operators	3	11
		Training for refiner operators	1	8
	Logyard Drivers	Training for logyard drivers	3	11
	Forklift Drivers	Training for forklift drivers	2	25
	Recycling Timber Buying	Yearly reports for NIS for recycling	1	1
	Head of electricians	Testing the group of electricians	1	1
	Electricians	Grecon	1	1
		Work with fluorine-containing gasses	1	1
		Work with ionizing devices	1	2
	Workers on lifting equipment	Health and safety during work with gas equipment	1	33
Workers with gas equipment	Health and safety during work on lifting equipment	1	14	
 <b>Purchasing</b>	Purchasing manager	Gain status "Active" for purchase and sale of electricity	2	5
 <b>Finance</b>	Chief Accountant	IFRS	2	1

# Regular feedback and performance evaluations

Regular performance meetings are of paramount importance to us. All employees are evaluated by their supervisors or the respective department leader through 12 established evaluation criteria.

	Performance motivation and initiative		Communication and presentation skills
	Efficiency, practical, effective planning, well organised, prioritises well		Assertiveness
	Quality of work		Criticism and improvement
	Work related knowledge, product knowledge		Cooperation in the team (teamwork) /team management
	Creativity, innovation and independence		Overall business comprehension
	Ability to work under pressure		Absence (Health / illness)

“Employee and Performance Appraisal” is a questionnaire form that assesses performance through the above mentioned criteria, but also requires assessment of achieved targets from the previous period and setting new targets for the next period.

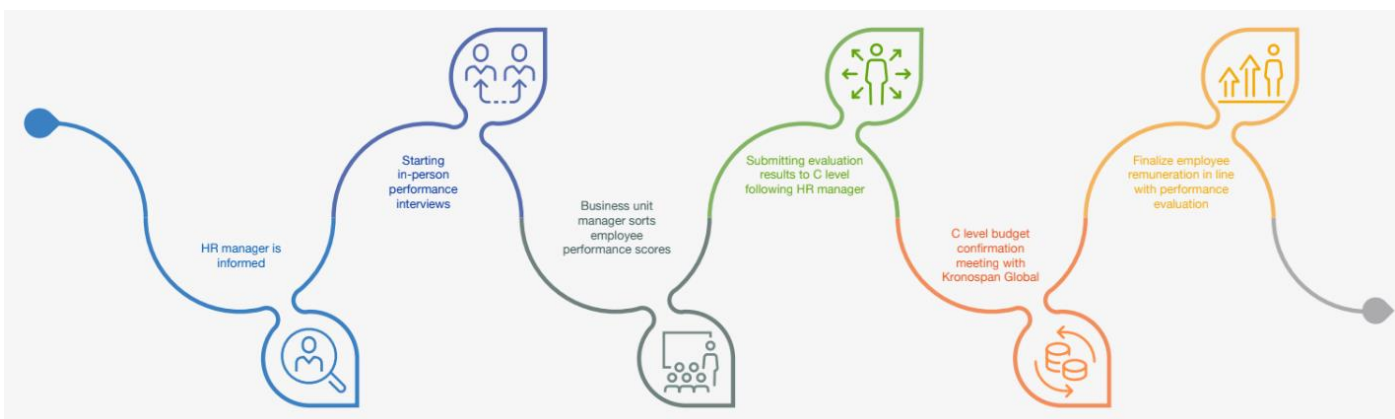
Integral part of the evaluation is also to recognize the three greatest strengths of an employee, and the two most important areas for development.

Regarding the occurrence of evaluations, for white collar workers the performance is reviewed once a year, and for blue collar workers the performance is done once every two years.

Performance evaluation meetings, which our managers prefer to be held in February each period in planned work timelines, are assigned automatically when the time comes, and the business unit manager sends an e-mail including the relevant planned time to the HR Manager.

The business unit managers evaluate the employee performance and then meet with the employee in person to provide a score using the five criteria. Based on the scores, the business unit employees are ranked, and the evaluation results are prepared by the HR Manager and approved by the General Manager.

Our performance evaluation process, carried out transparently and fairly, is monitored meticulously by our managers and the Board of Directors.



## HiPo

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High Potential (HiPo) employees are those employees eligible for promotion based on their current role and their profile. As explained in detail, the results of the performance meetings determine which employees are to be promoted. In that regard, the current working conditions and the knowledge of foreign languages of the employee are being considered. The objective of the program is to train successors and competent employees for the future by evaluating our active and potential workforce. While planning the development journeys of our candidate stakeholders, evaluations are carried out in a fair manner.

## Remuneration and benefits

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Our employees are granted equal opportunities regardless of the background, identity and characteristics, so the minimum monthly starting salary we offer both our female and male employees is BGN 1,000

The average salary ratio is slightly in favor of our male colleagues, who receive BGN 1,880 compared to the average salary of women – BGN 1,730

The social benefits provided by the employer are vouchers for food, or so-called safety food according to Ordinance 11 / 2005, additional medical insurance and preferential conditions when using the services of partners of the company.

The employer has decided to provide one-time assistance at the expense of social costs. The aid is provided after a meeting of a committee composed of representatives of the company's employees.



## Grievance mechanisms

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Every worker and employee is aware that in the event of a complaint, they have the right to file one.

The complaint needs to be submitted in written or oral form, with guaranteed discretion, to the Human Resources department. Depending on the nature of each case, the head of the Human Resources department determines the next steps.

In case that the complaint addresses the Human Resources department, the employee should reach out to the management of the company through the technical assistant of the management. The procedure for submitting a complaint is regulated in the Guidance for internal labor order.

The minimum number of weeks' notice, which is typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them, is 30 days.

## FSC Self-assessment

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Kronospan Bulgaria conducts an up-to-date self-assessment, the main responsible for which is the Sales representative. The self-assessment is carried out at least once a year and is sent to the certification body before the audit.

During this exercise it is regularly controlled how the company approaches the following labour-related issues:

- › Prevention of child and forced labour;
- › Discrimination in hiring and employment;
- › Freedom of association and right to collective bargaining.



## Diversity & Inclusion

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Kronospan introduced a No discrimination policy in 2017. The company grants and protects the right to equal opportunities in employment, regardless of employees' sex, age, religion or belief, nationality, colour, race or ethnic group.

No incidents of discrimination have been reported or identified during the reporting period.

## Community Investment and Charity

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We closely monitor our impact on the surrounding world, just as we also have a strong focus on how changes in the society can have an impact on our company.

### Kronospan Foundation

The Kronospan Foundation was founded in 2011 by the global wood-based panel manufacturer Kronospan. Our mission, vision and values are rooted in the core principles of the company, focusing on reinvesting resources into local communities and promoting sustainable development.

The mission of the Foundation is to actively serve the people and the communities Kronospan operates in by engaging in projects that promote social, economic and cultural development. By doing so, we want to place a special focus on what we believe are the moral foundations of a healthy society – protecting and preserving our natural environment as well as providing our children with the necessary educational opportunities in order to be successful in life.

## The work of the Kronospan Foundation is imbued with our core values

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We believe that all people have an inherent ability to make a change in their lives and broader communities. Instead of imposing solutions on individuals, we choose to support communities and people in the way they think is best. We RESPECT the collective interests, strengths and the local cultures at all times.

Every day and in every step of each project we strive for EXCELLENCE in what we do. For us, this is the only way to work, because in the end, we envision results that are sustainable and make an impact.

INTEGRITY is the glue to our mission, our vision and our values. We value the integrity of all of our actions and we believe it is essential to our work.



## From Kronospan to the community

Kronospan on a global scale is a socially committed organization. Proof for this is the work of the Kronospan Foundation based in Romania: <https://kronospanfoundation.org/>. In that context, Kronospan Bulgaria is involved in various projects in several areas:

### 1 Supporting education

### 2 Afforestation

### 3 Help for Ukraine

**1** In connection to the first area, Kronospan takes part in the **so-called International Competition of Projects "skill.ED"**, organized by the Foundation. The main goal of this project is to support vocational technical education, and it is aimed at vocational schools in the countries where Kronospan operates. All vocational schools in Bulgaria have the right to participate.

Entrants must creatively demonstrate how action can be taken to improve and develop vocational education and are judged on the following aspects: impact, originality and concept.

In 2022, the project of PG "Tsanko Tserkovski" Pavlikeni - winner of the first edition of the competition, was financed. The funding was worth 40,000 euros.

**2** Kronospan is partnering with SU "Vladimir Komarov" in Veliko Tarnovo. The company has financed the equipment of a specialised study room, provides mentors and space for conducting production practices, provides lecturers who are involved in conducting regular classes and thus help students to get as close as possible to the atmosphere of a real working environment.

For another year, the company provides 5 scholarships for the best students from the "Automation of Continuous Processes" and "Automation Fitter" majors.

**3** Regarding the green ideas/initiatives in the city of Burgas, Kronospan Bulgaria is partnering with NBU "Mikhail Lakatnik", which is the first eco-school in Central and Eastern Europe, awarded with the prestigious "Green Flag" award.

Teachers and students, supported by the company's team, conduct open lessons on Ecology on the territory of the plant in Burgas. These non-traditional lessons cover topics, such as the recycling of wood waste, the usage of biomass for green energy, the implementation of purification filters in the production, the capture of carbon dioxide, and the overall idea of the circular economy.

**4** The dual form of education has been realized at the Kronospan's site in Bugas. To date 3 students from PGMEE from Burgas have been appointed to work. Our desire is to introduce this form in Veliko Tarnovo from the next school year, which is why we are currently looking for like-minded people among the secondary schools in the region.

**Last year, Kronospan restored the wooden bridges along the eco-trail "Springs and Caves near the village of Mladezhko" in the municipality of Malko Tarnovo.**

**5** The facilities were severely damaged after the floods, and thus, one of the most popular tourist routes has become inaccessible. The restoration of the bridges on the eco-trail received a plaque for special merits during the eighteenth edition of the "Velvet Festival" ". The award is related to another initiative of the company, aimed at the protection of nature, and the preservation and sustainable development of the forest.

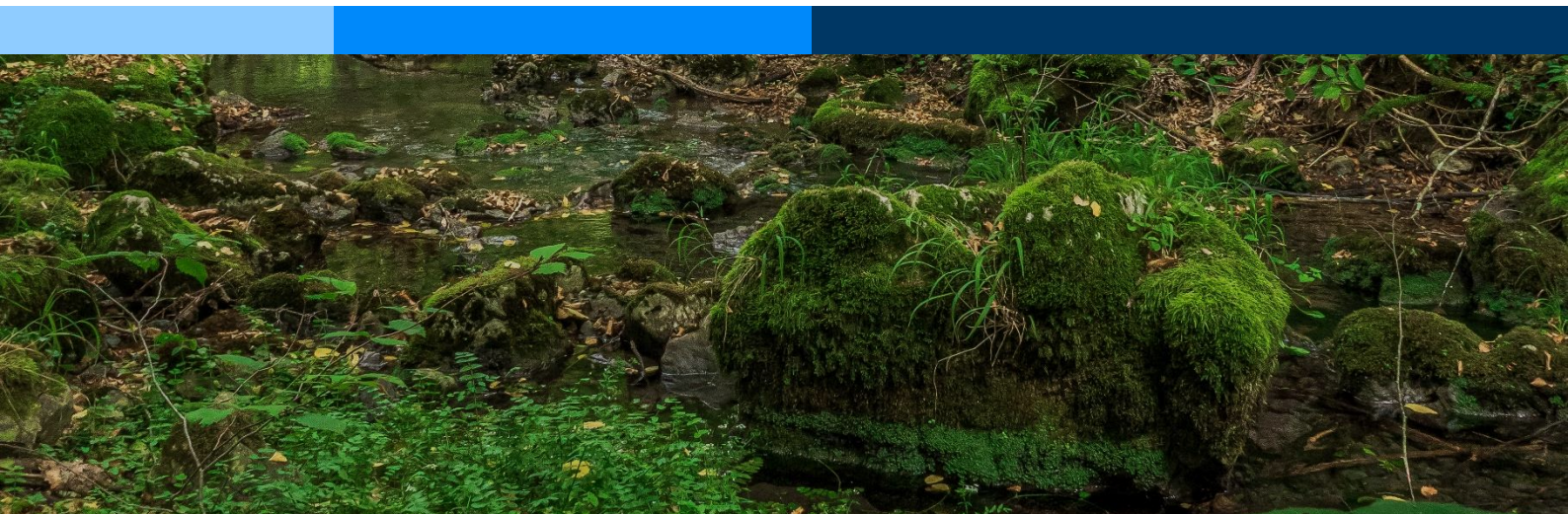
For more details follow the [link](#).

On 25-27.03.22 the 10th edition of the "Three Hills" cup was held - an international orienteering competition with a host SKO Trapezitsa 1954.

**6** Over 400 participants measured their strength in different age groups - from 10 to over 65 years old. Kronospan supported the organisation of the competition, as Mr. Radovan Caha - Production Director of Kronospan Bulgaria EOOD took part in it. After a contested race in the various disciplines and routes, but also many smiles, the winners of the first places were awarded by Mr. Tsaha. The event ended with a joint afforestation at the "Momina Krepost" Competition Center in the Xilifor area with participants SKO Trapezitsa 1954 and Kronospan Bulgaria, along with promises for future joint initiatives.













**7** Support for the national Conference "To think ecologically for the future", organized by the University "Prof. Dr. Asen Zlatarov, Burgas - donation for the organization and presentation on the circular economy model and on the recycling of wood waste.

**8** Helping the Municipality of Burgas to deal with the consequences of the storm in September 2022 - provided a truck and containers, as well as workers of the company to remove the damaged trees from the city to the landfill in Burgas.



# GRI content index

<b>Statement of use</b>	Kronospan Bulgaria EOOD has reported the information cited in this GRI content index for the period 1st October 2021- 30th September 2022 with reference to the GRI Standards.
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI standard	Disclosure	Location	SDG
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	About Kronospan	
	2-2 Entities included in the organization's sustainability reporting	About the Report; About Kronospan	
	2-3 Reporting period, frequency and contact point	About the Report	
	2-4 Restatements of information	N/A – this is the first Sustainability Report	
	2-5 External assurance	N/A – the information is not being externally assured	
	2-6 Activities, value chain and other business relationships	About Kronospan; Our Product Portfolio; Kronospan Value Chain	
	2-7 Employees	We Care About Our People and Local Communities	 
	2-8 Workers who are not employees	We Care About Our People and Local Communities	
	2-9 Governance structure and composition	Organizational Chart	 
	2-10 Nomination and selection of the highest governance body	Corporate Governance	 
	2-11 Chair of the highest governance body	Organizational Chart	
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance	
	2-14 Role of the highest governance body in sustainability reporting	Materiality Assessment	
	2-15 Conflicts of interest	Corporate Governance; Antitrust Policy	
	2-16 Communication of critical concerns	Grievance Mechanisms	
	2-17 Collective knowledge of the highest governance body	Explanation: Members of the Board were participating in the process of preparation of this Sustainability Report	
	2-22 Statement on sustainable development strategy	Our Strategy	
	2-23 Policy commitments	Code of Conduct; Antitrust Policy; Policy on non-use of child labour	
	2-24 Embedding policy commitments	Code of Conduct; Antitrust Policy; Policy on non-use of child labour	
	2-25 Processes to remediate negative impacts	Grievance Mechanisms, Timber Suppliers Risk Assessment	
	2-26 Mechanisms for seeking advice and raising concerns	Grievance Mechanisms	
	2-28 Membership associations	Memberships in Business Associations	
	2-29 Approach to stakeholder engagement	Stakeholder Engagement	

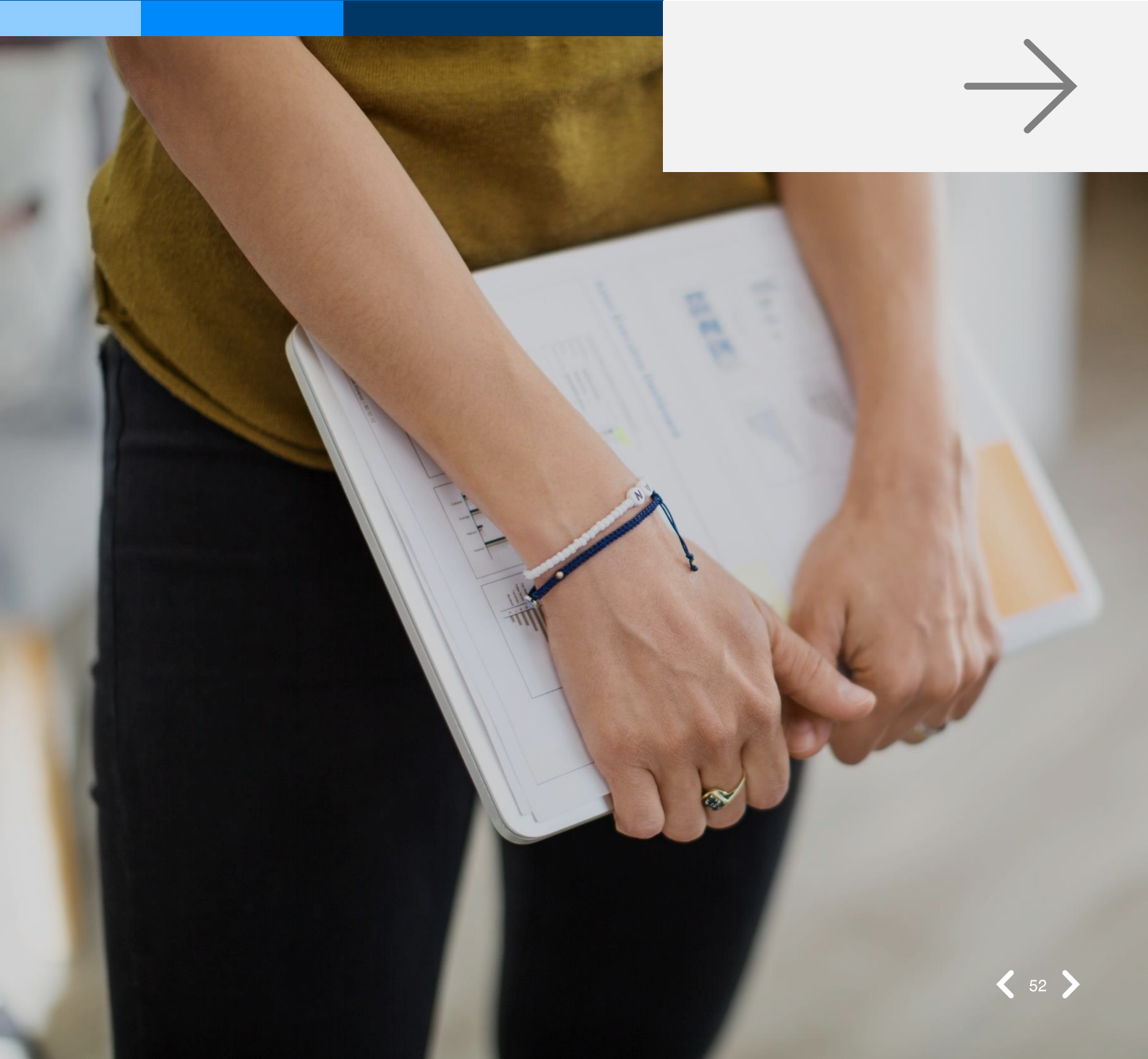


GRI standard	Disclosure	Location	SDG
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	Materiality Assessment	
	3-2 List of material topics	Materiality Assessment	
	3-3 Management of material topics	Occupational Health & Safety; Responsible Economic Growth; Carbon Neutral Production	
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	Responsible Economic Growth	 
<b>GRI 202: Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Remuneration Benefits	  
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	Relationships with Suppliers	
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	Antitrust Policy	 
	205-2 Communication and training about anti-corruption policies and procedures	Antitrust Policy	
	205-3 Confirmed incidents of corruption and actions taken	Antitrust Policy	
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	Input materials and waste management	 
	301-2 Recycled input materials used	Input materials and waste management	 
	301-3 Reclaimed products and their packaging materials	Input materials and waste management	 

GRI standard	Disclosure	Location	SDG
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	Energy and GHG Emissions Management; Environmental Performance Indicators	
	302-2 Energy consumption outside of the organization	Energy and GHG Emissions Management; Environmental Performance Indicators	
	302-3 Energy intensity	Energy and GHG Emissions Management; Environmental Performance Indicators	
	302-4 Reduction of energy consumption	Energy and GHG Emissions Management; Environmental Performance Indicators	
	302-5 Reductions in energy requirements of products and services	Energy and GHG Emissions Management; Environmental Performance Indicators	
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	Water management	
	303-2 Management of water discharge-related impacts	Water management	
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	Energy and GHG Emissions Management; Environmental Performance Indicators	
	305-2 Energy indirect (Scope 2) GHG emissions	Energy and GHG Emissions Management; Environmental Performance Indicators	
	305-3 Other indirect (Scope 3) GHG emissions	Energy and GHG Emissions Management; Environmental Performance Indicators	
	305-5 Reduction of GHG emissions	Energy and GHG Emissions Management; Environmental Performance Indicators	
	305-6 Emissions of ozone-depleting substances (ODS)	Not Applicable	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not Applicable	
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	Input materials and waste management	
	306-2 Management of significant waste-related impacts	Input materials and waste management	
	306-3 Waste generated	Input materials and waste management	
	306-4 Waste diverted from disposal	Input materials and waste management	
	306-5 Waste directed to disposal	Input materials and waste management	

GRI standard	Disclosure	Location	SDG
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	Timber Suppliers Risk Assessment	
	308-2 Negative environmental impacts in the supply chain and actions taken	Timber Suppliers Risk Assessment	
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	We Care About our People and Local Communities	  
	401-3 Parental leave	Parental Leave	 
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	Grievance Mechanisms	
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	Risk Management and Emergency Preparedness; Occupational Health and Safety	  
	403-2 Hazard identification, risk assessment, and incident investigation	Risk Management and Emergency Preparedness	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety	 
	403-5 Worker training on occupational health and safety	Occupational Health and Safety	
	403-9 Work-related injuries	Occupational Health and Safety	  
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	List of trainings provided during 2021/22	   
	404-3 Percentage of employees receiving regular performance and career development reviews	Regular Feedback and Performance Evaluations	  
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	We Care About our People and Communities	 
	405-2 Ratio of basic salary and remuneration of women to men	Remuneration and Benefits	  
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	Diversity & Inclusion	 
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	Policy on Non-use of Child Labour	  
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	Community Investment & Charity	

# Appendixes



# Social Performance Indicators

Table: Total number and rate of new employee hires during the reporting period, by age group and gender

	<30 years old	30-50	over 50
<b>Male</b>	20	49	8
<b>Female</b>	5	12	1
<b>Total</b>	25	61	9

## Parental Leave

Criteria/gender	2020/21		2021/22	
	M	F	M	F
Total number of employees that were entitled to parental leave	8	5	12	4
Total number of employees that took parental leave	8	5	12	4
Total number of employees that returned to work in the reporting period after parental leave ended	8	3	12	4
Return to work rate of employees that took parental leave	100%	60%	100%	0%*
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender.	4	3	10	n/a*
Total number of employees returning from parental leave in the prior reporting period(s)	8	0	0	7
Retention rate of employees that took parental leave, by gender.	50%	60%	83%	n/a*

\* The parental leave is still ongoing, the mothers did not come back to work there for it is zero

# Environmental Performance Indicators

Table: Greenhouse gas emissions calculation

Emission source	Consumed amount	Unit	Emission factor (kgCO <sub>2</sub> /unit)	Emission factor unit	Emissions (tCO <sub>2</sub> )
<b>Combustion of fuels</b>					
Natural gas	4,002,042	kWh	0.200	kWh	802.87
Biomass	68,538	tons	1.90	kg wood (residue)	129,864.16
Diesel (passenger and operational vehicles)	711,729	liter	2.72	liter	1,935.63
<b>Refrigerant use – 5% leakage from equipment</b>					
R410A	856.60 (in use)	kg	2,088	kg refrigerant	89.39
<b>Electricity</b>					
Electricity from the national grid (BG)	113,306,718	kWh	0.463	kWh	52,461.01

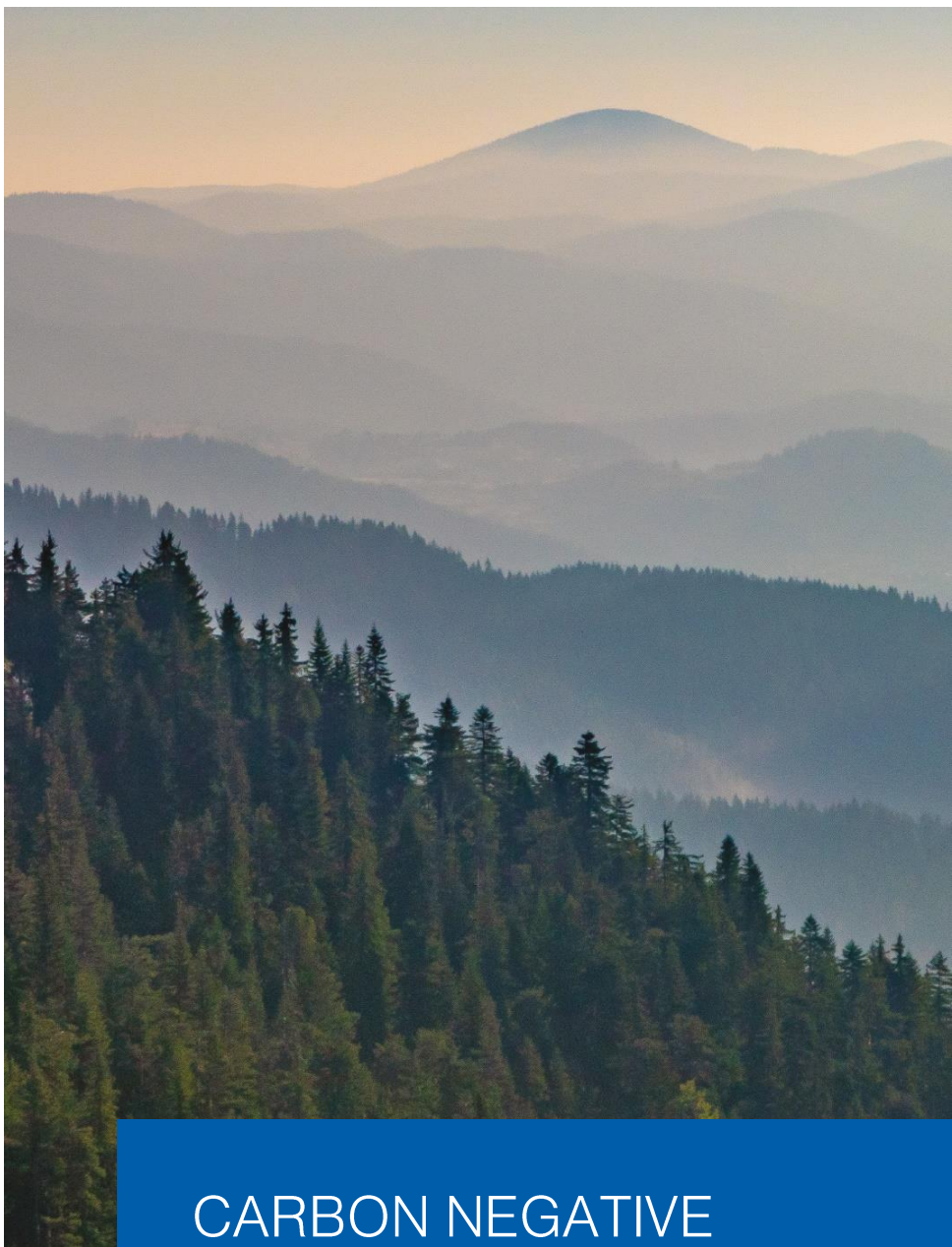
\*Emission Factors: a coefficient that describes the rate at which a given activity releases greenhouse gases (GHGs) into the atmosphere.

Table: Scope 1, 2 & 3 greenhouse gas emissions

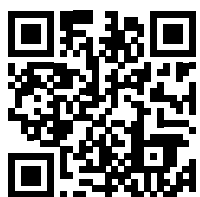
CO <sub>2</sub> emissions* Location-based	Unit	Emissions for reporting period 2021 – 2022
Scope 1 (Total)	tCO <sub>2</sub> e	2,827
Scope 2 (Total)	tCO <sub>2</sub> e	52,461
Scope 3 (Total)	tCO <sub>2</sub> e	345,967
<b>Total Scope 1 and 2 GHG emissions</b>	tCO <sub>2</sub> e	55,288
<b>Biomass</b>	tCO <sub>2</sub> e	129,864

Table: Breakdown of electricity consumption

Manufacturing process description	Electricity Consumption in GWh
General factory	0.3
Products Manufacturing	108
PB	57
MDF	37
OSB	10
Supporting Manufacturing Processes	4
Administration	0.4
Transportation	0.5



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