Sustainability reporting

BERGS

An international wood products Group

Content

The cover shows one of the houses produced and sold to the private market by the Wood Solutions business area.

Linax's decking from its subsidiary Bitus.

This is Bergs

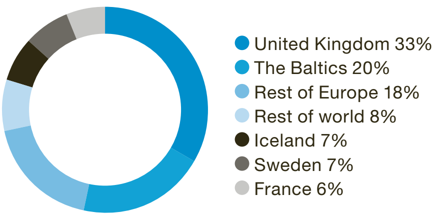
Bergs owns and develops companies that process wood.

The Bergs Group consists of some ten independent subsidiaries with clear profit responsibility that develop, produce and market processed wood for various applications. With many years of experience with wood and with great expertise in further processing, we contribute to building a sustainable society based on renewable raw materials from sustainably managed forests in the Baltic Sea region.

We operate in Sweden, Latvia, Poland and the UK and sell to around 30 countries. The largest markets are Scandinavia, the Baltic States, the United Kingdom, Iceland and France.

The head office and Group management are located in Sweden. The company's shares were listed on Nasdaq from 1984 until December 2023 when our Icelandic principal owner Norvik acquired Bergs. This means that after almost 40 years as a listed company, Bergs has now returned to private ownership.

Sales by market



Business areas

24%

Doors & Windows

The business area includes marketing, design, manufacture and installation of high-quality and made-to-measure windows and doors. The market consists of both owners of private homes with high demands on quality and appearance, as well as a contract market for major renovation projects in culturally and historically valuable environments. Production takes place at the company's own production facilities in the UK, Poland and Latvia.

20%

Furniture & Components

The business area comprises the manufacture of furniture and furniture components based on renewable wood raw materials. With high demands on quality, capacity and sustainability, wood raw materials are processed into furniture and components that are packed and distributed to users in a large number of countries. Manufacturing is carried out at two units. One in Sweden (Lycksele) and one in Poland (Skoczow).

22%

Wood Solutions

The business area comprises a wide range of processed wood products used in design, construction, renovations, home improvements, public and private outdoor environments and furniture production.

Most products and applications within Wood Solutions are based on effective wood protection such as impregnation, heat treatment or other effective wood protection that ensures protection against rot and fire and significantly extends the life of the products with minimal maintenance. The business area also includes the design and manufacture of single-family homes. Operations are conducted at several facilities in Sweden, Latvia and the UK.

27%

Sawn Wood

The business area includes the processing of timber that is sawn into boards and planks of varying dimensions and lengths and sold to international industrial customers for further processing. It operates a sawmill in Latvia. Certified raw materials are sourced from sustainably managed forests in the Baltic Sea region.

7%

Energy & Logistics

Within Energy & Logistics, Berg conducts operations in pellet production and logistics. Production takes place at a modern plant for the production of pellets and heating logs in Fågelfors, Sweden and at a facility in Latvia. Port and logistics operations are conducted at a separate facility in the south-east of England.

Note: Figures refer to share of group net sales Jan–Dec 2023, pro forma, 12 months.

Sustainability in Bergs

Bergs shall be a long-term sustainable company. Berg's sustainability strategy and the active measures the company takes to live up to the strategy can actively influence development in the direction of reduced CO2 emissions, contribute to more resource-efficient and clean value chains and healthy local communities.

What is sustainability for Bergs?

Berg's success depends on the ability to create value that meets stakeholders' wants and needs for sustainable products while taking into account economic, environmental and social impacts in the creation of that value. Sustainability work within Bergs must therefore be characterized by a long-term approach. Our aim is that the work we do should primarily benefit processes we can influence directly, but also in the role of procuring raw materials and services linked to our overall offer. Therefore, it is essential that the work we do creates trust among our investors, customers and other stakeholders.

Good basic conditions

Wood is the only renewable building and construction material that also binds and stores carbon dioxide throughout its lifetime, contributing to a reduced climate impact compared to other building materials. The combination of creating mainly custom-made products made of wood with a very long lifespan, together with an efficient and industrialized production process of responsible value chains, is Berg's biggest contribution to sustainable social development.

Products manufactured and sold by Berg's subsidiaries contribute to long-term sustainable development. Windows and doors that are made to last for generations, building components for house production that can replace other materials such as steel, aluminum, plastic and concrete are some examples where Berg's business creates alternatives that contribute to healthy and circular value chains, where resources are used optimally and where the working environment, safety and sound business principles are given great importance.

Integrated sustainability and community engagement go hand in hand with long-term value creation. It permeates all stages, from investment calculations, factory set-up, raw material sourcing, production and marketing and sales. It is essential for Bergs to operate in a sustainable manner and to be a positive force on issues within its sphere of influence.

Laws and regulations

We are closely monitoring the different regulatory frameworks at national, EU and global level so that we are prepared for future adjustments and gradually adapt our reporting to them. We will deepen our work in particular on the EU CSRD, which will be the overarching framework that will also align future reporting to increase comparability between different companies and sectors. An important factor to consider is the dual materiality perspective and conducting dialogues with key stakeholders.

Sustainability strategy

Sustainability strategy and goals for Bergs

SUSTAINABLE DEVELOPMENT GOALS

Long-term profitability

An EBITDA margin of more than 9%.

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Responsible supply of raw materials

Percentage of certified timber 82%

Traceability on glass, aluminum, steel and ceramics.

14 LIFE BELOW WATER
15 LIFE ON LAND

Fossil-free world

No own fossil fuel emissions

Halve transport emissions

13 CLIMATE ACTION
7 AFFORDABLE AND CLEAN ENERGY

Resource efficient and clean value chains

No wastage of timber raw material

No contamination of groundwater

6 CLEAN WATER AND SANITATION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Safe, equal and fair workplaces

Halve the number of accidents

Better gender balance

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY

Vibrant local communities

Striving for local value chains and short transports

10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

Values and ethics

All employees trained in values and sustainability

Strategic suppliers to Berg's subsidiaries must sign a commitment to comply with the Group's Code of Conduct.

1 NO POVERTY
2 ZERO HUNGER
4 QUALITY EDUCATION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Important events in 2023

Continued transition to electricity

Solar cells have been installed at several of the group's production facilities to increase the share of renewable electricity. This initiative has continued in 2023 and the total power that is now self-generated amounts to 528,000 kWh.

A gradual shift to electric power is underway for both production vehicles such as forklifts and cars.

Decommissioning of the sawmill in Estonia

During the fall, the Board of Directors decided to close the sawmill operations in Estonia and the subsidiary Laesti. The background was weak profitability, high production costs and major future investment needs. The discontinuation is part of the transformation of Bergs where products with higher value added will be prioritized.

Implementation of the adopted code of conduct

Efforts have been made to implement the Code of Conduct adopted in 2022. A special e-learning course has been completed and all employees of the respective subsidiaries can take both the course and the examination to ensure that the knowledge and understanding of its content is well known in all parts of the group. Not all companies were able to join in 2023, which is why this programme continues and includes procedures to capture new employees.

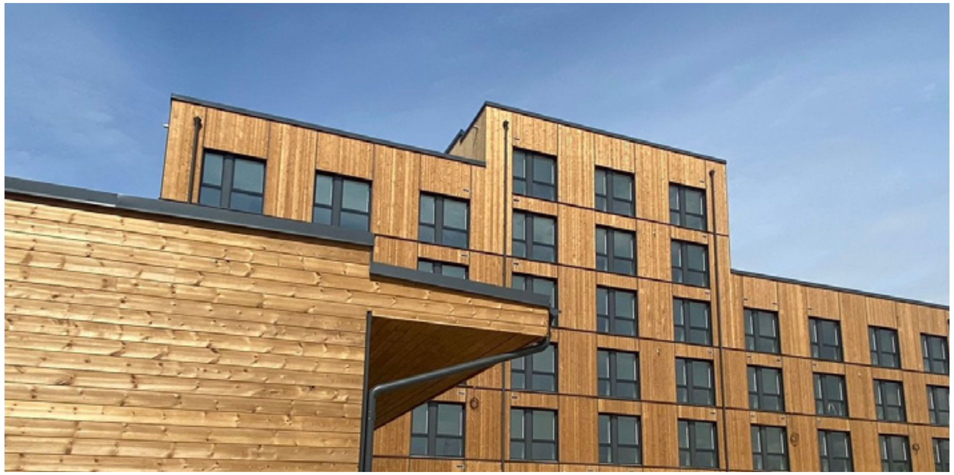
Bergs grew through new acquisition in Sweden and Poland

Bergs acquired Hedlunda Holding AB in June. Hedlunda is a state-of-the-art manufacturer of wooden furniture and components with production facilities in Sweden (Lycksele) and Poland (Skoczów). The company employs about 400 people and has a turnover of about SEK 600 million. With the acquisition, a new business area Furniture & Components was established.

Bitus launched heat-treated wood

To meet the market's need for sustainable building materials, Berg's subsidiary Bitus launched a new range of wood protection consisting of heat-treated wood.

The initiative involves continued development towards more highly refined products in wood protection and sales to customers who value aesthetically pleasing wood products with an attractive sustainability profile. Heat-treated wood provides an alternative wood protection and complements Bitus' existing products consisting of pressure-impregnated, linseed oil-treated and fire-resistant wood. During the year, Bitus Thermo has received Swan certification, both as a raw product and a finished product where we offer both decking and facade panels.



Berg's work on sustainability

Berg's sustainability work is based on Agenda 2030 with the 17 overarching sustainability goals set by the United Nations. These objectives integrate social, environmental and economic dimensions, which form the basis of sustainable development. On this basis, a Sustainability Strategy has been adopted, adapted to the company's activities.

Organisation

The Bergs group's overall business strategy is based on strong decentralization, where each subsidiary has a long delegated responsibility that includes long-term development and profitability. However, issues related to sustainability, including the Sustainability Strategy, are centralized, binding and non-negotiable. In this respect, Bergs is measured and perceived as a group, and work on these issues is given high priority by the board, group management and a central function established for the business. The sustainability strategy is an integral part of the company's overall strategy.

The Group's sustainability work is led and coordinated by the Group's Head of Sustainability. He or she reports directly to the Executive Management. The sustainability strategy should be acknowledged and complied with in connection with investments, it should support the management of the subsidiaries to work on continuous improvement and it should be a living policy document.

Governance and management

Berg's operations are organized in five different business areas where entrepreneurial subsidiaries act independently. Berg's management model involves a high degree of delegated responsibility with the authority to act in line with the market, with ongoing monitoring and reporting. Group management is responsible for monitoring the outcome of the sustainability goals, including climate-related goals, risks and opportunities. The sustainability work is reported monthly and the outcome of the sustainability work is reported once a year.

Each subsidiary drives the sustainability work linked to the strategy. They are also responsible for driving sustainability work related to customer satisfaction, marketing efforts, energy use and energy optimization, for example through stakeholder dialogues and ongoing customer surveys.

Division of responsibilities

Board of Directors

- responsible for the Sustainability Strategy

CEO and group management

- The CEO and group management report to the board on issues related to the sustainability strategy.
- CEO and group management are measured on outcomes of sustainability targets
- The CEO and group management are responsible for the implementation of and compliance with the Code of Conduct.

Subsidiary managers

- Fixed points on sustainability issues for subsidiary management that are debriefed and monitored and reported to the CEO.
- Subsidiary managers are measured on outcomes of sustainability targets

Head of Sustainability

Responsible for collecting data and ensuring compliance and adherence to decisions related to environmental aspects, safety, responsible value chains and sound business principles.

- Ensures regular reporting from subsidiaries
- Monthly reporting on developments, deviations or other significant issues to the group management.
- Accident and incident reporting
- GDPR issues
- Ensures compliance with certifications
- Responsible for whistleblowing function

The Bergs Group's sustainability framework consists of the following elements:

Common guidelines in the form of a vision, Code of Conduct and policies for how Berg's subsidiaries should act in a responsible, socially and environmentally sustainable way.

Strategic focus areas covering all of Berg's subsidiaries where targets and KPIs in priority areas are described.

The materiality and risk analysis is based on the subsidiaries' business model and its value chain and the impact on sustainability in general.

Monitoring and reporting takes place in each subsidiary, which is responsible for monitoring targets and areas for improvement and compliance with guidelines and policies.

There is **coordination and support** at group level, which also provides inspiration, training, networking and exchange of experience.

Sustainability strategy

Berg's operations, which include processing of wood in selected niches, aim at long-term value creation in which environmental considerations, economic profitability and social considerations must interact. The aim is for the products and services produced to be sustainable in the long term and perceived as such by the market and other stakeholders. The activities of each subsidiary within the group must not generate negative impacts or cause damage according to EU environmental objectives.

The strategic focus areas of the strategy are measured and evaluated and these are: (see also page 8)

- Long-term profitability
- Responsible supply of raw materials
- Resource efficient and clean value chains
- A fossil-free world
- Safe, equal and fair workplaces
- Vibrant local communities
- Values and ethics

Centralized and decentralized
Bergs has the greatest impact on sustainability by being an active and responsible owner where the various subsidiaries conduct their own sustainability work, while observing the Group's overall strategy, goals and KPIs.

At group level, there are fewer than 10 people, and the various subsidiaries employ around 1 500 people and carry out all industrial activities. The head office thus has a limited direct impact in the area of sustainability compared to the subsidiaries, but through active board work, Bergs is a driving force and has high demands on the subsidiaries' development and compliance in this regard.

By developing sustainable businesses consisting mainly of wood raw material from responsibly managed forests in the Baltic Sea region, where quality products with a long lifespan are manufactured for demanding customers, at a good remuneration, long-term values are created. Bergs is convinced that a common concern for the environment and fellow human beings is a prerequisite for positive development for the group and our various stakeholders.

The various subsidiaries face different challenges and offer internationally leading products in areas that contribute to sustainable construction, aesthetic and cultural-historical values, energy efficiency, safety and a good working environment.

Compliance and follow-up
Code of Conduct
The Code of Conduct is the Group's policy for sustainable business and is an important part of its sustainability efforts. The guidelines and principles are the minimum requirements to be met by all subsidiaries and their suppliers. For the companies included in Bergs, this is ensured through active board work to ensure that the companies meet Bergs' requirements in this area.

In the wholly owned subsidiaries, Bergs works as an active owner, making demands and guiding the respective company management. Sustainability issues are of great importance in the companies and activities are continuously carried out that advance the companies' positions, whereby new and more challenging targets can be adopted.

A clear instruction is that sustainability is a recurring item at all board meetings and anchors Berg's central KPIs and adds its own relevant key figures with associated goals. The common central KPIs are reported to Bergs for compilation and analysis on an annual basis and presented to the group management.

All other group-wide policies and governance documents are communicated to the management of each subsidiary. Berg's participation in boards ensures compliance with agreed policies and guidelines.

Sustainability goals

Sustainability component	Group objectives	Time frame	Action plan	Outcome 2023	Outcome 2022	Outcome 2021
Long-term profitability	Bergs aims to have an EBITDA margin of more than 9%.	Targets set in 2021	Continuous monthly follow-up with each subsidiary.	Neg.	10.1%	16.5%
Responsible supply of raw materials	At least 82% of procured timber must be certified. Each subsidiary must ensure traceability of raw materials and inputs such as glass, aluminum, steel and ceramics. Environmental performance requirements for glass, with the highest possible proportion of recycled glass.	2025 Milestones: 2022: 68% 2023: 70% 2024: 80% 2025: 82%	Procure as much certified wood as possible. Securing the supply chain. As high a proportion of recycled glass as possible and dialog with suppliers on quality, performance, etc. The sale of windows with a U-value of 1.0 or less and the sale of doors with a U-value of 1.2 or less shall be pursued.	78% (98% inklusive Controlled Wood)	70% (94% including Controlled Wood)	67% (94% including Controlled Wood)
Fossil-free world	Zero fossil emissions from scope 1+2	2030 Interim target (tons of CO2e): 2022: 1+2 = 9,000 2023: 1+2 = 8,000 2024: 1+2 = 7,000 2025: 1+2 = 5,000	Increase the share of self-sufficient energy use with, for example, solar panels on the units. Energy efficiency, sealing leaks, shutting down machines. etc. Update company car policies in the units that promote electric options. When purchasing machinery, focus on electrical options. In new construction, climate-efficient solutions should be prioritized.	6,600 ton CO2e	7,000 ton CO2e	9,000 ton CO2e
	Halve 2021 fossil emissions from scope 3.	2030 Interim target (tons of CO2e): 2022: 3 = 29,000 2023: 3 = 28,000 2024: 3 = 27,000 2025: 3 = 26,000	Demand more sustainable transport options. Requiring transport providers to provide fossil-free alternatives in the first place	32,500 ton CO2e*	20,700 ton CO2e	29,000 ton CO2e

* The increase is mainly due to acquisitions in 2023.

Sustainability goals, *continued*

Sustainability component	Group objectives	Time frame	Action plan	Outcome 2023	Outcome 2022	Outcome 2021
Resource efficient and clean value chains	Reduce waste by 10% from reference 2021	2022	Reduce the amount of own waste and purchased inputs. Sort more consciously and follow up.	1,267 tons of discarded waste	854 tons of discarded waste	1,222 tons of discarded waste
	Zero pollution of groundwater	Ongoing	Keep measuring and checking.	No new known pollutants in 2023	No new known pollutants in 2022	No known pollution in 2021
Safe, equal and fair workplaces	Improve the gender balance of employees and ensure safe and fair workplaces.	2025	Work according to the annual agenda with regular sustainability/safety committee meetings, risk analysis and safety rounds. Conduct employee surveys in all units. All entities should connect to the group-wide digital reporting system.	73% men	77% men	80% men
	Reduce accidents with sick leave of 24 hours or more LTA (Lost Time Accidents) to 8 accidents per 1 million hours worked by 2025. (0 is the vision)	2025 Milestones: 2022: 13 2023: 12 2024: 10 2025: 8	Work according to the annual agenda with regular sustainability/safety committee meetings, risk analysis and safety rounds.	6 accidents with sick leave of 24 hours or more per 1 million hours worked reported in 2023.	6 accidents with sick leave of 24 hours or more per 1 million hours worked reported in 2022.	6 accidents with sick leave of 24 hours or more per 1 million hours worked reported in 2021.
Vibrant local communities	Striving for local value chains and short transports	Ongoing	No quantifiable targets set			
Values and ethics	All employees trained in the company's core values and sustainability work. Strategic suppliers to Berg's subsidiaries must sign a commitment to comply with the Group's Code of Conduct.	2023	Review of the Code of Conduct for all employees through presentations and e-learning. Establish/create a routine/structure for supplier control.	Training was ongoing in 2023 and continues in 2024	Training was ongoing in 2022 and continues in 2023	Code of Conduct presented in 2022

Sustainability components

Long-term profitability

Bergs has a strong financial position

Economic growth creates the financial conditions to achieve all the SDGs. This is expressed in SDG 8 (Decent work and economic growth) and SDG 9 (Sustainable industry, innovation and infrastructure).

Work during the year
The year's financial results were affected by a weaker market, particularly in the Sawn Wood and Wood Solutions business area, where Berg's subsidiaries supply wood-protected timber and structural timber for construction and renovation. Demand has continued to be good for custom-made windows and doors. The acquisition of Hedlunda Holding, which includes furniture manufacturing, broadens the group's product portfolio and helps to reduce dependence on a few products and become less vulnerable to economic downturns.

Responsible supply of raw materials

Clear targets for raw material

Bergs is a major player in the European timber market and takes responsibility for ensuring that its timber comes from sustainably managed forests. The company's goal is that by 2025 at least 82 percent of the wood raw material will be certified within one of the two established programs, FSC® C106624 (Forest Stewardship Council®) or PEFC (Programme for the Endorsement of Forest Certification). These systems verify the forest owner's commitment to social and environmental values. Responsible forest management links to most of the 17 SDGs, as shown in the 2017 United Nations Forestry Strategy. Well implemented forest management and harvesting is particularly relevant for SDG 15 (Ecosystems and biodiversity) and, more indirectly, for SDG 14 (Oceans and water resources).

Work during the year
The strategy in Bergs is to gradually increase the share of processing. It also means that the subsidiaries also become dependent on raw materials other than wood. Glass, aluminum and ceramics make up an increasing part of the value chain, which is why these products and suppliers are mapped based on the requirements of the Group's sustainability strategy. For example, priority is given to the purchase of window glass produced from recycled glass, where the Group's suppliers currently have a recycling rate of between 25–40%.

This year, Bergs is also reporting Controlled Wood as it provides a more accurate outcome related to the production that is conducted.

Fossil-free world

Towards goal fulfilment

One of the biggest challenges for our society is to drastically reduce the human impact on the global climate. The forestry industry has an important role in climate work by enabling a circular bioeconomy, which can reduce our dependence on fossil fuels. Well-managed forests absorb and store a lot of carbon from the atmosphere. In addition, renewable forest products replace materials and energy based on fossil fuels. Wood construction is particularly effective for a transition to a more fossil-free society and Bergs thus delivers a significant climate benefit. Climate-smart wood and bioenergy products are directly related to SDG 13 (Combat Climate Change) and SDG 7 (Sustainable Energy for All). At the same time, the forest industry must also reduce its own fossil fuel emissions, both as a climate action in itself, but also to be a consistent and credible supplier of climate-positive products. Bergs has adopted two goals – to completely eliminate its own fossil emissions in its operations by 2030, and to halve the 2020 emissions from procured transport by 2030.

Work during the year
Monitoring shows clear improvements and that many businesses have a closed system where dependence on fossil fuels is gradually decreasing. Investing in solar panels also helps.

Resource efficient and clean value chains

Challenges with new materials

A high yield of valuable raw materials and minimized impact on the surrounding environment is an important factor in sustainability. A high yield is desirable both from a societal perspective as we need to look at how our consumption patterns affect the climate and natural environment, but also for the company's financial return. Relevant SDGs are SDG 12 (Sustainable consumption and production) and SDG 6 (Clean water and sanitation). The company has set a sustainability target of zero wood waste by 2022. Leakage of potentially harmful chemicals to groundwater will be eliminated by 2025.

Work during the year
Targets have been achieved for Zero wood waste and Zero groundwater pollution. The predominant input for Bergs is certified wood raw material from sustainably managed forests. As further processing within the group increases, this means that the share of glass, steel, fittings, paint and insulation is gradually increasing.

Safe, equal and fair workplaces

Progress on safety and security

Safe and equal workplaces are a key component of business sustainability. Legislation provides the basis for ensuring good working conditions for all employees. In addition, happiness, productivity and innovation can be stimulated when the work environment is inspiring and engaging. SDG 3 (Health and well-being) and SDG 5 (Gender equality) are key here. Workplace accidents are always a failure for the company and its management. Unfortunately, even with high ambitions and rigorous safety regulations, accidents still happen. Monitoring workplace accidents is important and justifies its own sustainability target – to halve the number of Lost Time Accidents (LTAs) from 2020 to 2025.

Work during the year
At least two safety/sustainability committee meetings in each unit.

- 428 reported events in 2023
- Annual review of organisational and social work environment (OSA in Swedish) and occupational health and safety work (SAM in Swedish) for all Swedish units, 1x/year.
- External environmental audits with risk analysis for all Swedish units once a year.
- 858 completed and documented risk analyses and health and safety audits.

All employees have been informed of the Group's Code of Conduct and some subsidiaries have completed an e-learning course with a test of the content.

Vibrant local communities

Local value chains

Berg's production units in Sweden, Poland, the UK and Latvia are mostly located in rural areas. These regions are negatively affected in various ways through depopulation, low investment in public services and declining private sector jobs. Local companies like Bergs play an important role in the local community, not only as employers but also through local procurement of products and services. In addition, purchases from subcontractors in the local area provide a capital inflow to the local economy. Conversely, a vibrant local community is a prerequisite for the recruitment and retention of skills by the company. There are thus mutual benefits between the company and the local community, which relates to SDG 11 (Sustainable Cities and Communities). In addition, SDG 10 (Reducing Inequality) is captured in terms of reducing urban-rural gaps. No quantified sustainability target has been defined for this component.

Work during the year
The acquisition of Hedlunda Holdings has added two new sites. Partly in Sweden and partly in Poland.

Procurement of inputs should, as far as possible, be done in geographical proximity to minimize transportation. Quality and price must work together.

Values and ethics

Requirements increase with growing group

Berg's sustainability strategy covers different perspectives that both we and our stakeholders influence and can influence. This strategy for the company is fully in line with the ambition to promote sustainable development, as defined by the 2030 Agenda and its 17 Sustainable Development Goals. This also includes aspects related to poverty, human rights, food security, education, peace and inclusive societies, and partnerships in the company's sustainability strategy. A sustainability target has been set for all employees to undergo training on values and ethics and the company's sustainability work by 2023.

Work during the year
The group-wide Code of Conduct has been formulated and adopted. The Code has been translated into six languages and information will be provided in all workplaces. A whistle-blowing service has been established to detect inappropriate or illegal behavior. More information on the Code and whistleblowing is available on the Group's website.

Work has begun on implementing the Group's Code of Conduct for strategic suppliers.

Value creation in Bergs

What does Bergs do?

Berg's business concept is to own and develop companies that produce and sell processed wood products to demanding customers in selected markets.

The group consists of about ten subsidiaries in four countries, ten manufacturing units, about 50 showrooms and a 29% ownership in a development company, Wood Tube.

The total number of employees is around 1 500.

Customer offer
Berg's various subsidiaries provide high quality wood products to demanding customers mainly in Europe. Customers include builders' merchants, industrial companies and private individuals who develop or renovate buildings or other wooden structures. A large part of the production consists of specially ordered windows and doors.

Long service life
Most of the group's products are designed and manufactured to last for a very long time.

Resources	Strategy		Value created
Customer relations (about 400 customers)	**Sustainable value growth through**		**For customers** New business opportunities. More efficient and sustainable operations
A decentralized and efficient organization	***Organic growth***	***Acquisitions***	**For employees**Attractive workplace with development opportunities
More than 1 500 employees	Active investments in case of assessed potential	Complementary activity or market	**For society**Functioning local communities. Jobs. Tax revenues.
Significant expertise in wood processing, furniture production, window and door manufacture.	Decentralized responsibilities and powers		**For owners**Value growth and dividends
Efficient and well-invested production facilities			

Beneficial substitution
Products from group companies often have properties that allow them to replace alternative steel or concrete products. This means that CO2 is stored in the wood for as long as the structure remains in place.

Events in 2023
Around 78% of the group's supplies originate from responsibly managed forests in the Baltic Sea region.

In 2022, all supplies from Russia and Belarus ceased due to sanctions. This has meant that these volumes are now primarily procured from Scandinavia and the Baltics.

Sustainability in the supply chain
Berg's various suppliers play an important role in the value chain. As a significant purchaser of input goods for its own production and various services, Bergs has both a responsibility and an opportunity to set requirements related to sustainability. For example, suppliers are encouraged to follow the company's code of conduct. The Group and its subsidiaries seek close and long-term cooperation with business partners to jointly promote sustainability throughout the value chain.

Over time, Bergs will develop the work with the various supply chains in order to obtain written commitments from strategic suppliers regarding the Group's Code of Conduct.

Subcontractors to Bergs are a combination of private and state forest owners and raw material agents who supply the group's sawmills, wood protection plants, pellet factories and other raw materials for the manufacture of windows, doors, furnitures, houses and garden products.

From these various suppliers, Berg's subsidiaries purchase goods and services worth a total of SEK 2 300 million. It breaks down in volume as follows:

Turnover volumes 2023 (previous year in brackets)
- Wood: 493 192 m^{3}fub (614 373 m^{3}fub) (roundwood)
- Wood: 384 061 m^{3}s (327 897 m^{3}s) (sawn/planed)
- sawdust: 168 225 MWh (124 218 MWh)
- Cutter chips: 31 518 m^{3}s (43 251 m^{3}s)
- Chemicals: 1 050 370 liters (730 731 liters)
- Diesel: 1 105 000 liters. 156 000 liters of these are purchased as fossil-free (1 166 142 liters, 130 172 liters of these are purchased as fossil-free).
- Electricity consumption: 41 891 000 kWh. 24 405 000 kWh is purchased as fossil-free. (46 349 348 kWh, 29 795 767 kWh is purchased as fossil-free)
- Water consumption: 29 765m^3
- Self-generated electricity: 528 000 kWh.

Value chains in Bergs




Windows

A specially ordered window consists of a combination of wood, glass, aluminum/steel (schematic 30/40/30) For wood raw material, there are established purchasing procedures and an overall Group target of 80 percent certified wood. There is no equivalent target for glass and steel, but the proportion of recycled glass should be as high as possible, given the product characteristics, and the distance to the manufacturer should be short to minimize dependence on transport. From 2022 onwards, supplier data will also be collected for glass.

The proportion of recycled glass is between 25–40%.




Furniture

Purchase of wood raw material

The company buys wood raw material from local and sustainable sources. All wood purchased must be FSC certified.FSC® C106624 (Forest Stewardship Council® It also reduces the environmental impact of transport.

Wood processing and furniture production

At the production site, the purchased wood raw material is transformed into furniture and furniture components. The business is characterized by the application of advanced technology and skilled labour to ensure high quality and precision throughout the manufacturing process.

Quality control

The production process includes rigorous quality checks for both furniture and components to ensure that they meet any industry requirements and, above all, customer specifications.

Packaging and storage

The products are mainly packaged in corrugated cardboard to facilitate transportation and protect the products from damage.

Distribution and Delivery

Organize the transport and distribution of finished products to various warehouses around the world. Work with logistics partners to ensure fast and reliable delivery to customers and retail locations.

Wood protection

The input for wood preservation activities is sawn timber. To increase longevity and to improve properties, there are various methods of protection against e.g. rot and insects. Wood can be heated in a heat treatment to achieve the desired properties. Another method is vacuum impregnation under heat, where impregnating liquid is added and distributed in the wood, giving the wood improved properties. Linseed oil treatment involves cooking wood after impregnation in linseed oil to provide even better protection and an attractive color. After impregnation, the wood is dried to remove excess moisture and become carpentry-ready. Impregnated wood may need further processing after drying, such as planing, sanding, milling or painting.

After processing, the impregnated wood is stored and transported to customers or other outlets such as builders' merchants or to larger projects and construction companies.

Impregnated wood is then used by end customers to build different types of structures such as houses, fences, outdoor furniture, garden decorations or balconies.

Products with wood protection can withstand harsh environments, have a very long lifespan and are based on a renewable raw material.

Berg's subsidiaries comply with all requirements and regulations related to the production of industrial wood protection.

Sawn timber products

Sawmill operations require access to forests and long-term sustainable forest management. Forests supplying trees for further processing have often been cleared, thinned and fertilized during the tree's life cycle, which is between 70–90 years depending on geographical location and local quality. Bergs mainly buys roundwood from forests whose forestry is certified according to FSC® C106624 or PEFC. See also Berg's objectives on responsible sourcing of raw materials. Bergs essentially buys pine and spruce from forests in the Baltic Sea region. After harvesting, the trees are transported to the sawmill where they can be further processed.

At the sawmill, the trees are sawn into planks and boards of various sizes and dimensions, as well as additional steps such as planing and sizing. After sawing, it is common for wood products to be dried to reduce the risk of shrinkage and deformation.

After processing, the finished product is transported to end customers or retailers such as builders' merchants.

Sawn wood products are then used for various applications, such as houses, furniture, floors, fences or garden decorations. By-products such as wood chips and shavings are sold to the pulp and paper industry and for energy production.

Environmental impacts are mainly related to transportation. The raw material is renewable and the products are part of a circular cycle.

Stakeholder analysis

Berg's activities affect the outside world. These include other companies, employees, society at large and environmental interests. Our primary stakeholders are customers, consumers, employees, shareholders, suppliers and local communities. These groups are directly related to our long-term viability. In addition, there are a number of other stakeholders.

Success depends on the ability to create the world that meets the needs of different stakeholders while taking into account economic, environmental and social impacts.

During the year, a general stakeholder analysis was carried out, but the aim is to create a structure for continuous dialog with the various stakeholders in order to be able to report on external wishes and developments over time with the aim of reporting annually in the future. The ambition is to coordinate data from customer surveys, employee surveys, questionnaires, supplier evaluations and customer meetings in order to create a more structured process that can be followed over time.

Stakeholder	Requirements and expectations	Value created	Communication channel
Customers and final consumers	• High quality products • Low climate impact throughout the value chain • Consideration of human rights in the supply chain • Responsible transport and logistics • Part of a circular cycle • Aesthetic values • High level of service	Customers' commitment to sustainable development is increasing. Bergs focuses on delivering high quality products and services that contribute to our customers' productivity and long-term sustainability. Processes and products are mainly certified. Customers get access to a circular cycle.	Showrooms, Construction Trade, Code of Conduct, Whistleblowing function, site visits and dialogue in procurement. Annual report/sustainability report, Subsidiaries' websites
Staff and the Board if Directors	• Healthy and safe working environment, well-being of employees • Gender equality and diversity in the workplace • High business ethics • Total climate impact across the value chain • Long-term sustainable value creation • Attracting, retaining and developing staff	Salaries and benefits. Staff appraisals, skills development, wellness and preventive health and safety measures. In 2023, the group has paid SEK 517 million in salaries and other staff costs.	Employee surveys, performance reviews, Code of Conduct.
Investors	• Long-term sustainable value creation • Transparency and risk management • Ethics and anti-corruption • Low climate impact throughout the value chain • Consideration of human rights in the supply chain	• Dividend • Growth in value • Participation	Website, annual general meeting, quarterly reports, annual report/sustainability report, presentations, etc.
Authorities	• Legal and regulatory compliance	In 2023, there were no significant breaches of applicable legal, environmental or health and safety legislation.	Financial statements, internal and external audits.
Society and the public	• Transparency • Local community engagement • Low climate impact throughout the value chain • Consideration of human rights in the supply chain	Bergs strives to be a strong citizen that complies with laws and regulations and contributes to sustainable development.	website, study visits, annual report and sustainability report
Suppliers	• Low climate impact throughout the value chain • Consideration of human rights in the supply chain • Impacts on biodiversity from key raw materials • Ethics and anti-corruption • Circular and renewable packaging • Transport and logistics	Long and mutually profitable and trustworthy relationships	Code of Conduct annual report and sustainability report

Materiality analysis

Berg's sustainability strategy is fundamentally based on a materiality analysis, in which Berg's key stakeholders were identified and their expectations analyzed. The analysis is based both on which stakeholders we create value for, but also which stakeholders we depend on to run our business.

The analysis is also based on a mapping of existing operations that includes the subsidiaries' value chains and an impact analysis based on the dual materiality perspective.

The result explains why the sustainability strategy is structured the way it is. It is thus a weighted picture of the Stakeholder Analysis together with the Materiality Analysis that has resulted in Berg's Sustainability Strategy and the various focus areas that govern the future sustainability work. See the strategic focus areas described on pages 8 and 9.

THE IMPACT OF THE ACTIVITY ON THE ENVIRONMENT

High		• Responsible supply of raw materials	• Fossil-free world
Means	• Resource efficient and clean value chains	• Vibrant local communities	• Values and ethics
Low			• Safe, equal and fair workplaces • Long-term profitability
	Low	**Means**	**High**

IMPACT OF SUSTAINABILITY ISSUES ON THE COMPANY

Environment
Social
Governance

Risk factors

Exposure to risk is a natural part of doing business. Risk management aims to identify and prevent risks from occurring and to limit any damage from these risks.

Bergs categorizes its risks as financial risks, economic, market and external risks, operational risks and sustainability risks. Below are the risks identified by Bergs and how they can be mitigated. The section also provides a quantification of the risk for some key parameters.

Risk area	Description	Mitigating factors
Financial risks		
Currency risk	Bergs operates internationally and is exposed to currency risks from various currency exposures, mainly EUR and GBP.	Operational management to try to match revenues and costs in currencies other than SEK. Income and expenses in foreign currencies can be hedged in accordance with the Group's financial policy.
Financing risk	The risk that the group does not have the right capital structure or cannot obtain financing for its operations.	The Board and management constantly monitor the capital structure and the need to refinance operations.
Liquidity risk, SEK m	The risk that the group is unable to meet its payments due to insufficient liquidity or difficulty in obtaining credit from external lenders.	The Board and management continuously monitor the Group's liquidity reserve, which consists of cash and cash equivalents and unused credit facilities. The Group's policy is that at least 5% of net sales should be immediately available.
Interest rate risk	The Group's interest rate risk arises from short-term and long-term borrowing, where a sharp increase in interest rates can affect the Group's results and position.	In line with the Group's financial policy, the average duration of fixed interest rates should be short.
Credit risk	Credit risk arises from cash and cash equivalents and balances with banks and credit institutions and credit exposures including outstanding receivables and contracted transactions.	The Group's trade receivables are spread over a large number of customers and historically credit losses have been low. Trade receivables can be secured by credit insurance or by using different types of documentary management, such as letters of credit. Cash and cash equivalents are only placed with credit institutions with a high credit rating.

Risk area	Description	Mitigating factors
Economic, market and external risks		
Global market and macroeconomic risks	Bergs operates in a cyclical and global market driven by macroeconomic factors.	Bergs operates in many markets and has different product offerings, such as sawn timber, houses, windows, doors, garden products and pellets.
Trends and drivers of the wood industry	Bergs operates in a competitive and cyclical market. Prices and volumes of sawn wood products are largely dependent on the balance between supply and demand at the global level with large variations over time. The cost of raw materials represents a large proportion of the value of the product, especially for sawn timber, and makes Bergs sensitive to price developments and the availability of raw materials.	Bergs works constantly to be a competitive producer of wood products and focuses on efficiency in production, quality, logistics and constantly reviews the production structure and investment allocation. By broadening the product range towards more refined wood products that have more stable profitability over time. By developing long-term customer relationships where customers will choose Bergs in challenging market conditions. Bergs currently procures raw materials from different suppliers and regions and strives for long-term relationships.
Legal and political risks	Bergs operates in different jurisdictions and is subject to local rules and laws. Changes in regulations and laws may affect the group's operations. Any trade conflicts may have a negative impact on the group.	Bergs meets these risks by working with risk assessments and, if necessary, obtaining external expertise. By partnering with locally based companies, political risk can be reduced.
Legal and compliance risks	The risk that Bergs may violate anti-corruption, anti-money laundering, trade compliance, competition law compliance and data integrity laws may result in fines, damages and other financial loss and damage to Bergs' reputation.	Group support and advice on laws and regulations to subsidiaries. Publication of governing documents such as policies and guidelines Mandatory training on the Berg Code of Conduct for all employees and refresher training for certain categories of employees. Relevant training at local level. Implementation of tools to monitor compliance at group level. Provide the whistleblowing system - both internally and externally. Follow-ups, self-assessment surveys and audits in cooperation with an external auditor. Ensure that strategic suppliers acknowledge the content of Berg's Code of Conduct.

Risk area	Description	Mitigating factors
Operational risks		
Business interruption and property damage	Damage to production equipment can have a negative impact, both in terms of direct property damage and in terms of business interruption.	Bergs carries out regular maintenance on its production equipment and has good internal procedures at each production unit. The Group also has insurance coverage against business interruption and property damage.
Environmental risks	The Group conducts activities subject to authorization and notification in several jurisdictions. The Group's activities give rise to air and water emissions and noise. Historic activities, in particular impregnation, may give rise to costs for measures.	Bergs meets risks by ensuring that the companies have all the necessary permits and agreements and meet the given security, reporting and control requirements. In the case of new acquisitions, a review of environmental risks is carried out and costs for these are handled contractually and should not be charged to Bergs.
Customer dependency	There is a risk that a few customers account for a large part of the turnover.	No single customer accounts for a large part of the group's turnover. The risk is managed by having multiple customers in multiple markets.
IT-related risks	Bergs depends on IT systems and hardware to run its business. Disruptions to these systems or hardware pose a risk of disruption to production and the ability to complete deliveries to customers on time. Risk of unauthorized access to the systems.	Bergs constantly reviews its IT environment and strives for an IT environment that can quickly handle disruptions. The group has established information security procedures and processes for monitoring and control.

Risk area	Description	Mitigating factors
Sustainability risks		
Emissions/Fossil emissions	Berg's operations involve the use of fossil fuels, mainly for internal transportation and logistics to and from facilities.	Increase the mix of biofuels in existing vehicles and machinery and gradually shift to electric vehicles. Set emission requirements in the procurement of transport and logistics services and reward suppliers with a clear sustainability profile.
Energy use	Industrial production leads to the use of energy. The risk is that Bergs does not have access to renewable energy.	Bergs continuously measures its energy consumption in order to reduce the consumption of non-renewable energy. When investing, energy efficiency is a parameter. Increased investment and use of self-generated electricity in the form of photovoltaic cells on own sites.
Organization and skills management	Bergs depends on attracting, recruiting and retaining the right people. The risk of not being perceived as an attractive employer. Lack of employee engagement can have a direct negative impact on a company's brand, position and performance.	Communication of the group's activities and core values can facilitate recruitment. Being a larger group provides opportunities for development in different parts of the business. A common code of conduct clarifies what is right and wrong. Targets for gender equality are set.
Lack of health and safety	Occupational health and safety is strategically important for Bergs. Failure to work in these areas can increase the risk of ill health.	Bergs works systematically to ensure and improve the work environment. Bergs measures and monitors key health and safety indicators. Improvement activities are identified and implemented. Bergs promotes wellness activities for employees.
Corruption and competition law	Corruption and irregularities are likely to occur. Bergs risk being involved in unethical business.	Bergs has adopted an anti-corruption policy and guidelines for compliance with competition law. A Code of Conduct that applies to all employees covers this topic. All staff are trained in the Code of Conduct and made aware of the risks. There is a whistleblowing function where irregularities can be reported by both employees and external stakeholders.
Lack of equality and diversity and discrimination	Bergs operates in a traditionally male-dominated industry.	Bergs has a stated ambition to improve the balance among employees and is an issue that is highlighted prior to each rector's reappointment.
Climate change and the environment	Climate change, regulatory changes, production restrictions, carbon taxes and other transition measures may affect the availability of raw materials and the company's ability to operate.	Group management and subsidiaries continuously monitor environmental and climate risks that may affect operations and access to input materials and energy. Developing improved environmental performance such as better insulation of windows and doors can make an important contribution. To also help make the case for wood as a sustainable material choice in favor of plastic and other more fossil-dependent building materials.

Risk and sensitivity analysis

	Value/volume per year	Change	Gives approximate effect
Price developments			
Selling price of sawn timber	240,000 m³sv	+/–5%	+/– SEK 30 million
Purchase price of sawlogs	460,000 m³fub	+/–5%	+/– SEK 15 million
Exchange rates			
Net inflow, EUR	SEK 60 million	+/–5%	+/– SEK 3 million
Net inflow, GBP	SEK 104 million	+/–5%	+/– SEK 5 million
Net inflow, USD	SEK 28 million	+/–5%	+/– SEK 1 million
Processing costs			
Salaries and fees	SEK 513 million	+/–5%	+/– SEK 26 million
Electricity*	SEK 46 million	+/–10%	+/– SEK 3 million
Loan interest rates (change in interest rate)	SEK 397 million	+/–1%	+/– SEK 4 million

* Taking into account electricity price hedges and physical fixed price contracts in 2023.

Auditor's opinion on the statutory sustainability report

To the Annual General Meeting of Bergs Timber AB (publ.), reg. no. 556052-2798

Tasks and responsibilities
It is the Board of Directors who is responsible for the sustainability report for the year 2023-01-01 – 2023-12-31 on pages 2–21 and that it has been prepared in accordance with the Annual Accounts Act.

Focus and scope of the audit
Our review was conducted in accordance with FAR's recommendation RevR 12 *The auditor's opinion on the statutory sustainability report*. This means that our review of the sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this audit provides a sufficient basis for our opinion.

Statement
A sustainability report has been prepared.

Kalmar, 12 March, 2024

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