

**SWISSPEARL**

# It all starts with ourselves



Sustainability Report 2023





# Table of contents

Letter from the CEO	2
Swisspearl 2023	3
Sustainability at Swisspearl	4
Sustainability impact and strategy	9
Sustainability of our offerings	17
Swisspearl and the UN Sustainable Development Goals	21
Operational sustainability	24
Business integrity and governance	28
ESG performance and accounting principles	31
Appendix	40

# Letter from the CEO

**In spring 2023, we launched our sustainability strategy and released our first-ever sustainability report. The strategy shows our strong environmental and social ambition and commitment. Since its launch we have been aligning our activities and enhancing the innovation roadmaps. I am really happy to see the progress we are making day by day.**

## Business overview

Swisspearl faced a challenging environment in 2023, driven by dynamic markets with rapid changes influencing the construction sector. The previous price increases were followed by rising interest rates, which impacted the cost of money and investments. The construction sector in the European markets reacted tensely to this, which in turn had a partial impact on our demand. I am pleased that we were able to respond to these challenges.

## Sustainability highlights

Our new vision, mission and values form a cornerstone for Swisspearl following the merger in 2022. We finalised them and the roll-out plan in 2023. We are currently in the implementation phase. We have a section in this report to talk more about our new vision, mission and values.

In connection with our vision, mission and values, we set our sustainability direction, statements and long-term goals. Working towards our goals will lead us to our sustainability transformation.

I am very satisfied with the progress we achieved in safety improvements. We achieved a significant reduction in the number of injuries. Our lost time injury frequency rate dropped in 2023

by more than 28% from 2022. Among many improvements, this was enabled by dedicated focus, setting up shared principles for safety work, sharing of best practices and implementing improvements in our operations. We are committed to continuing this work in 2024.

In Swisspearl's value chain, Scope 3 emissions are the biggest, and cement is the single biggest source of CO<sub>2</sub>. Cement manufacturers have already started to shift to more CO<sub>2</sub>-friendly products. In connection with this transition, in 2023 we conducted preparations for a company-wide effort to change our cement from CEM I to CEM II. We aim to finalise the implementation during 2025.

We are on the move in solar energy. As early as the 1990s, Swisspearl began to deal with solar systems and has gained a wealth of experience from the Swiss markets. To shape the future of building, we have developed architecturally and technically high-quality solar systems that offer solutions, not only for the roof but also for facade applications.

Also internally, we are moving ahead with solar. As part of the renovation of the factory roofs at our Swiss site, we have decided to equip them with solar panels. Once the project is completed in 2025, we will have an installed capacity of around 5100 kWp on around 35,000 m<sup>2</sup> of roof area. This will enable us to cover around 40% of our electricity requirements at the site.

## Looking forward

We remain committed to our sustainability strategy. In 2024 we continue its integration into our daily operations. We will further detail our roadmaps and establish short-term targets. Safety remains a priority. The key focus areas in CO<sub>2</sub> in 2024 are a more sustainable product portfolio, waste management and plans for progressing with solar energy. In addition, we are working to take the next steps in our supply chain due diligence tools. At the end of 2023 we started the preparations for the new EU sustainability reporting standards. This will be a significant effort for us, especially in 2024 and 2025.

I would like to take the opportunity to thank our employees and business partners for their sustainability efforts. Their dedication and engagement are crucial on our way to creating and delivering leading building products, solutions and services to our customers.



Marco Wenger  
Group CEO  
20<sup>th</sup> June 2024



# Swisspearl 2023

## Company

- Leading fibre cement manufacturer
- Family owned
- More than 125 years of expertise
- More than 2,200 employees
- Highly engaged international team



## Key figures

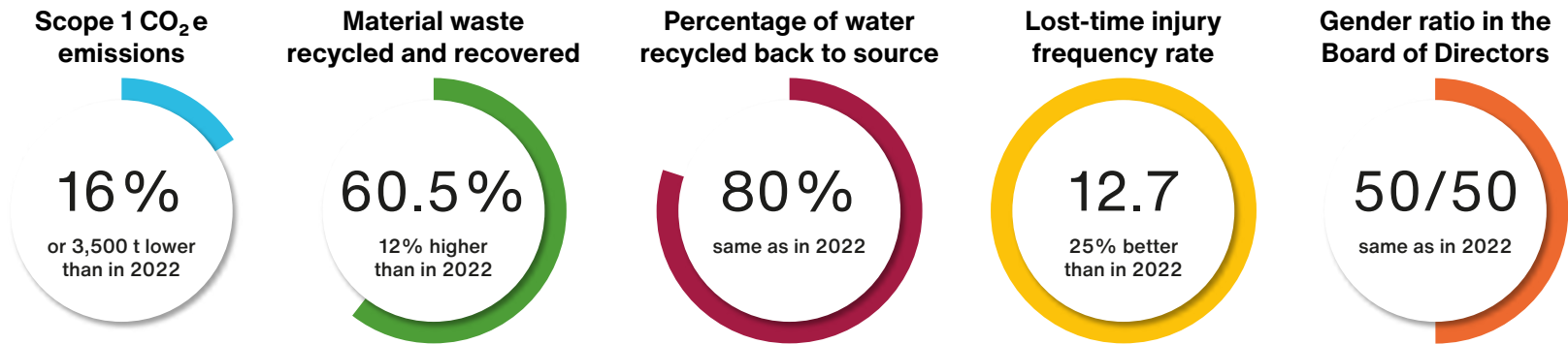


Figure 1. Swisspearl's key figures 2023.

# Sustainability at Swisspearl

Swisspearl is a leading fibre cement manufacturer. Our operations are in Europe, and our supply chain is global. The expected lifetime of products is decades. However, in their applications our products serve multiple purposes and contribute to more sustainable buildings and a healthier environment. Our role is to shape the future of building.

## Swisspearl sustainability definition

In order for all Swisspearl employees, suppliers and partners to engage and work in the same direction, it is of course important to share a common ground for our efforts throughout the company, including how we define the word sustainability.

*For Swisspearl, sustainability means our ability to respond to short-term needs without compromising the ability of future generations to meet their long-term needs. It is about utilising in an enkfähig way, i.e. in a manner which considers future generations.*

*Under sustainability, we include environmental, social and governance aspects (ESG), at Swisspearl and throughout our value chain.*



Figure 2. Swisspearl headquarters, sales offices and production sites.

### The development of a shared vision, mission and values

While coming together from two different groups, we found a common understanding for many important parts such as the brand, a common history, goals and focus topics, product portfolio and structure. One significant aspect, which both companies possessed but which was not aligned with their future direction, was its unique vision, mission and values.

It was therefore essential to define a new vision, mission and values that were appropriate and authentic for Swisspearl. In 2023, we began the process of developing a new vision, mission and values from scratch. These were developed in workshops from Executive General Management level, with the participation of key internal stakeholders.

The objective was to provide a clear direction, define our core values, and ultimately create a larger, overarching purpose. The second objective was to ensure that these three key elements were appealing and understandable to all stakeholders at Swisspearl, including employees, customers, suppliers, local communities and the Swisspearl owner family. Vision and Mission reflect what we have in common and what makes us strong and unique.

### Our Vision – Shaping the future of building

*“As an innovative and creative solution provider in our industry, we foster sustainability and deliver a positive impact today and for the generations of tomorrow.”*

Our vision tells us what we want to achieve, which impact we want to make, and where we want to go.

### Our Mission – Create leading solutions

*“Create and deliver leading building products, solutions and services to our customers through excellence, partnership, scalability and a highly engaged international team.”*

Our mission tells us what actions and activities we need to maintain on a daily basis to achieve our vision, and what attributes we should focus on to make that possible.

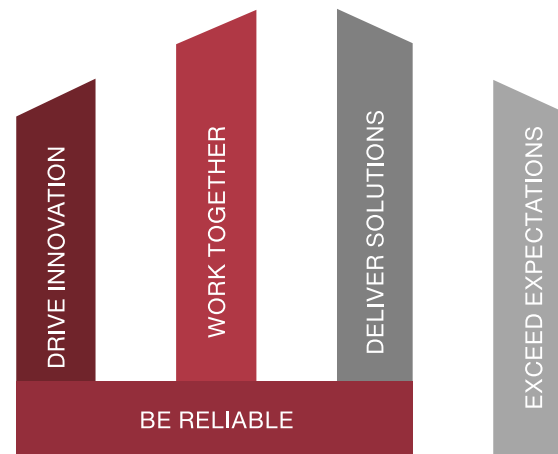


Figure 3. Swisspearl's values.

### Our Values – Our common basis

We at Swisspearl are people of diverse countries, cultures, interests, genders, generations, and backgrounds, connected and aligned under one brand, which serves as our common identity. Despite being rooted in different countries and locations, we always act in the interest of our Group, ensuring that our collective efforts are focused on a singular vision.

Our shared values (Figure 3) are our guiding principles when working with colleagues, managers, customers, partners, suppliers and owners.

In the ongoing roll-out phase of the vision, mission and values, it has been essential that team leaders and local HR introduce these at every location, followed by further discussion in departmental workshops. All employees are encouraged to contribute to the discussion on how they will implement the company's vision, mission and values in their daily work.

Swisspearl's mission, vision and values are also integrated as part of the onboarding process for new employees.



### Swisspearl business model

We are a family-owned manufacturer of fibre cement products for building applications and gardens. The group is headquartered in Switzerland. Swisspearl is run by a functional organisation structure. Swisspearl's main markets are in Europe. Our customer service and technical support activities for sales are decentralised to each of our 15 sales entities. Furthermore, we have market warehouses in several European countries to support efficient global distribution of our products.

We operate eight modern factories located in seven countries – Austria, Czechia, Finland, Hungary, Poland, Switzerland and Slovenia. In these factories we produce our roofing, facade, building & indoor and garden products. In addition, to complete the portfolio Swisspearl buys and resells construction products from other manufacturers, e.g. fixing systems. All in all, Swisspearl with its sales entities and factories forms a strong manufacturing and sales network.

**1,917 tonnes** of dry fibre-cement waste back to our own products in 2023. This equals approximately 80 full truck loads. The integration to circular economy flows is a key challenge for cementitious materials. We work to find value from fibre-cement waste.

### Operational sustainability risk considerations

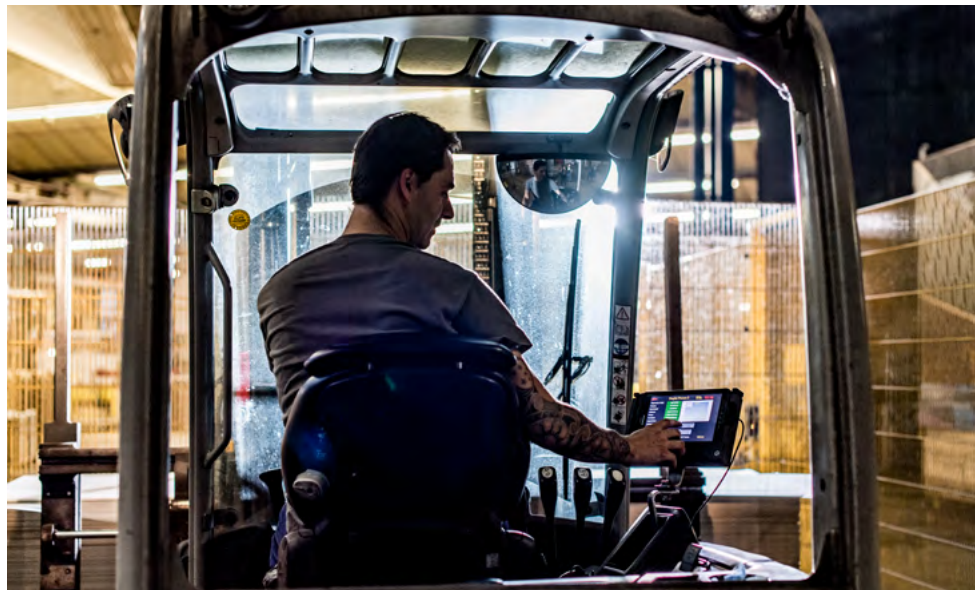
Operational sustainability risks of Swisspearl are mainly related to industrial manufacturing, safety, the global supply chain and regulations. For longer-term, strategic impacts, risks and opportunities, please see the results of the double materiality assessment.

#### Environment

The main environmental risk is the accidental discharge of wastewater from factory processes. Nevertheless, all wastewater from our production processes is treated and cleaned either in our own or municipal wastewater-purification facilities, both of which are subject to systematic operational controls. Furthermore, our water consumption is fairly moderate and, consequently, wastewater volumes are relatively low.

To mitigate environmental risks, we work systematically and meticulously with a full range of environmental matters. In all our factories we have environmental monitoring and continuous improvement practices in place. In addition, the majority of our factories are ISO 14001 certified. Furthermore, Swisspearl is subject to local laws and regulations governing environmental matters. We strive to ensure compliance with all relevant environmental regulations.

We use raw materials, particularly cement, that have a relatively high carbon footprint. We focus on research and development and supplier collaboration to find alternative cement types and other raw materials with a smaller CO<sub>2</sub> footprint. Our cement suppliers are highly committed to decarbonisation. In addition, we investigate options to include recirculated production waste to replace virgin cement.



Our operations consume energy, and that has greenhouse gas implications. Our factories are the major contributors, and the focus is on improving energy efficiency as well as addressing and replacing the use of fossil energy with alternative renewable resources. Already in 2013, our Swiss operations signed a target agreement on CO<sub>2</sub> tax exemption with the Swiss Federal Office for the Environment in order to increase energy efficiency and reduce CO<sub>2</sub> emissions at the same time.

Our factories use water in the manufacturing processes. Swisspearl tracks baseline water stress in our manufacturing locations. None of our factories are in locations where the ratio of total water withdrawals to available renewable surface and groundwater supplies would be at a high or extremely high risk level.

Risks related to other air emissions from our own manufacturing operations are low since our processes do not generate significant fugitive emissions. Similarly, risks related to dust and particle emissions are also low, as cement and other dry, powdery, mineral-based materials are transferred and stored in closed systems. Noise emissions from our factories are controlled and conform to local requirements.

**Swisspearl's value chain**



Figure 4. Swisspearl's value chain

**Social**

We have legal entities in 16 European countries, of which 15 are Schengen countries and 13 are EU member states. We have conducted a human rights risk assessment for our own operations based on the Human Rights Index 2023 in the Human Rights Risk Map. According to the Human Rights Index, the human rights risk in these countries is very low or low. On the Children's Rights in the Workplace Index from June 2023, all countries where we have legal entities were on basic level. This is the lowest risk and impact level of the index.

We are an industrial manufacturer. In such organisations, especially manufacturing, operations also entail safety risks. To mitigate safety risks, we work systematically and meticulously on a full range of safety topics. In all our factories we have safety reporting and continuous improvement practices in place. In addition, the majority of our factories are ISO 45001 certified. Furthermore, our entities are subject to local laws and regulations governing safety matters. We strive to ensure compliance with all relevant safety regulations.

**Supply chain**

Some of the raw materials used by our factories are sourced from geographical areas that may represent elevated environmental, climate and social risks due to different cultures and systems of governmental regulation compared with Europe. To identify and manage risks in our supply chain, we conduct supply chain due diligence in environment, social and governance topics.



## Side story | Swisspearl Toad Tubs

Saving the Toads: Conservation Project



This project was initiated by the conservation organization Naturnetz, which in addition to several permanent locations in Switzerland, also has mobile conservation groups. The fiber cement toad tubs developed in collaboration with Swisspearl have caught on well in the professional world. The clever organic form is well thought out and oriented on the needs of the yellow-bellied toads. The water in the large part of the tub is deeper and remains standing for a longer time. When the animals' limbs are developed enough they can easily climb out from the smaller, shallower area.

The toad tubs are used in clusters, that is, several tubs are placed near one another, and in different micro-conditions—sunny, shady, at the forest's edge—at a distance of two to twenty meters from one another. When animals are still present in these areas, the toads find the tiny ponds. Success can be seen very quickly, which is extremely satisfying for all involved. Naturnetz relies on projects that are carried out throughout Switzerland by those doing civilian service (as an alternative to military duty). Along with a staff of twenty-five and five to ten seasonal employees, as many as 300 civilian servants support the organization with their community work. The toad tubs are still in the developmental phase, the first prototypes are being tested. Several details are being tinkered with.

# Sustainability impact and strategy

## Results of double materiality assessment

Swisspearl Group is in the scope of the Corporate Sustainability Reporting Directive (CSRD). As a whole, Swisspearl is not in scope until 2028, but has nevertheless started the preparations. Double materiality assessment is the foundation of the reporting requirements.

Guided by the European Sustainability Reporting Standard (ESRS) 1, Chapter 3, Swisspearl has conducted double materiality assessment (DMA).

The expected outcomes of the DMA are:

1. Stakeholders to engage with
2. Material sustainability topics in Swisspearl Group and its value chain
3. Financial effects of the identified material sustainability topics

## Stakeholder assessment

The methodology of the stakeholder assessment is explained in the appendix A1.

## Results

The results identify the following stakeholders to be considered for engagement in double materiality assessment:

- Employees
- Suppliers
- Customers
- Authorities
- Banks
- Shareholders/investors

## Stakeholder engagement

We decided not to conduct the stakeholder engagement in the first double materiality assessment. In any case, we report according to the SASB Construction Materials standard that is industry-specific. The standard includes a materiality map. From the perspective of Swisspearl, the map has been prepared by external experts. The material sustainability topics which resulted from the double materiality assessment are well aligned with the topics identified as material in the SASB Construction Materials standard.

## Materiality assessment

The methodology of the materiality assessment is explained in the appendix A2.

## Process

Assessment of materiality followed the process:

1. Identification of impacts, risks and opportunities
2. Summarising the results and generating summaries from the free-text comments with artificial intelligence (AI).
3. Impact assessment
4. Analysing and summarising the impact assessment
5. Deciding final material sustainability topics for Swisspearl

## Impact materiality results

Figure 5 (p.11) presents the results of the impact materiality assessment. The results are aggregated to the same level as the ESRS standards; the main sustainability topics.

Based on the results, the materiality of the main sustainability topics is split into three groups:

- Very high materiality topics
- Medium to high materiality topics
- Very small materiality topics

Very high impact materiality topics play central and decisive role in shaping the organizations performance and long-term sustainability. They require direct attention and action. Medium to high impact materiality topics hold considerable weight in terms of their effects on business operation and long-term sustainability. They warrant attention and proactive management. Very small impact materiality topics are of minimal concern. They are not critical but still warrant attention.

The materiality assessment results are discussed on the level of the main sustainability topics. Therefore, even if some main topic scores low, it can still be that there is an individual sub-topic that has scored highly.

**Very high impact materiality**

Resource scarcity and climate change are megatrends impacting the construction products sector. Aligned with this, the main sustainability topics for Swisspearl with very high materiality are the circular economy and climate change. Both topics are included in Swisspearl's comprehensive sustainability strategy and have long-term goals.

Industrial and end-use operations along the fibre-cement value chain have a significant impact on resource consumption and waste generation. By adopting circular economy principles, environmental footprint can be reduced, resource efficiency improved and value created. The transition to a circular economy and responding to resource scarcity also presents significant opportunities for our business through increased competitive advantage via potentially improved product attributes and added end-of-life value.

At present, there are only some matured and commercially developed recycling solutions for fibre-cement. This is partially impacted by historic reasons, where some countries have set restrictions on reuse and recycling of fibre-cement waste. However, Swisspearl is working to find further solutions for fibre-cement recycling. It is worth noting that several other waste fractions, like wood, plastic, metal and carton are also generated in industrial operations. For these, Swisspearl is today already connected to a significant extent to recovery and recycling flows, especially through the national recycling schemes.

The manufacturing processes along the value chain contribute to greenhouse gas emissions, which have a direct impact on climate change. Climate change also poses risks to our business, including physical risks (e.g. extreme weather events disrupting our operations) and transition risks (e.g. regulatory changes).

Our main raw material is cement and the main energy sources are natural gas and electricity. Nevertheless, Swisspearl already has solar and hydro power generation at present and is investigating further energy opportunities. In materials, Swisspearl has a wide range of projects in own operations and across its value chain to progress in emission reduction. In addition, the factory sites are mainly located next to rivers and lakes and have a range of flood protection measures in place. Furthermore, in our factory locations, the baseline water stress is rather low. The supply chain has a rather high concentration in Europe, with rather low coastal exposure and immediate sea-level rise risks.

**Sustainability impact materiality**

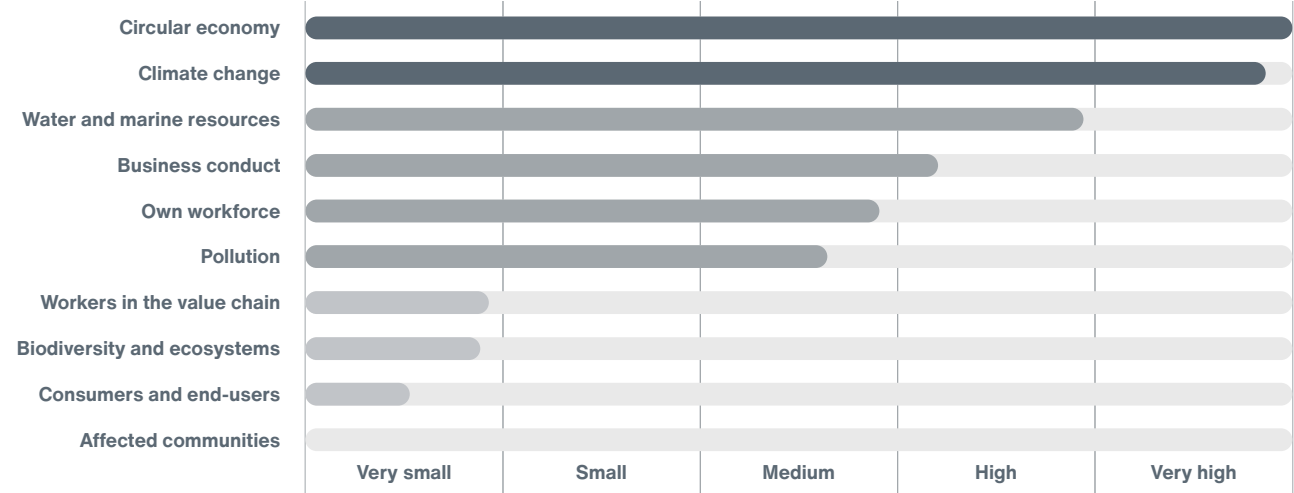


Figure 5. Sustainability impact materiality results

**18% reduction** in natural gas consumption per produced gross tonne – this dedicated work was delivered from 2022 to 2023. Natural gas is the main emission source in our direct emissions. In our Finnish factory we replaced natural gas heating of our buildings with electric heating. In addition, we optimised the drying processes of the boards.



### Medium to high impact materiality

In the medium to high impact group, water and marine resources, business conduct, own workforce and pollution can be found. Similarly to the high impact group, these results are logical for Swisspearl's business and sector.

Water scarcity and marine pollution are major global challenges. In the fibre-cement value chain, some of the raw material and also the fibre-cement manufacturing process require a considerable volume of water. By improving our water efficiency and wastewater management, we can contribute to the sustainable use of water and marine resources and mitigate related risks to our business. All water discharged from Swisspearl's production processes today is cleaned and conforms to the environmental permissions. Water is addressed in Swisspearl's sustainability strategy and we have long-term reduction goals.

Pollution as the main sustainability topic includes the following sub-topics: water, soil and air pollution as well as substances of concern. The manufacturing processes along the value chain generate emissions and waste. Pollution can harm the environment and human health, and lead to regulatory penalties.

The pollution-related topics are mainly discussed in connection with other sustainability topics; circularity, water and marine resources, biodiversity, and ecosystems. Nevertheless, fibre-cement is connected to the mineral value chain, like cement and fillers, which are more prone to the releases of dust and particulate matter. However, our cement suppliers are located in EU countries, where air quality standards are established to control the level of releases. With respect to the substances of concern, Swisspearl is REACH-compliant and does not use substances of high concern. In addition, we continuously work to manage the substances of concern in our value chain.

Ethical business conduct is at the core of sustainability development. Unethical business practices can lead to legal penalties and reputational damage. Swisspearl operates in Europe, where social legislation is highly developed in the fields of health, safety, human and labour rights. Furthermore, it is important to recognise the rapid development of sustainability legislation in the EU during the past five years. We are dedicated to maintaining and developing compliance and risk management systems to ensure our business conduct aligns with legal requirements and societal expectations. Business conduct is an element that is included in Swisspearl's sustainability strategy.

Under business conduct, company culture scored high. Reaching the climate and circularity goals in Swisspearl's solutions requires innovations. In addition, the rapidly developing regulatory and competitive environment set increasing cultural demands. The other topic scoring highly under business conduct was supplier collaboration. The majority of Swisspearl's greenhouse gas emissions are in Scope 3. This explains the fundamental importance of supplier relationships.

Own workforce directly influences Swisspearl's operational efficiency, innovation capacity, and overall business performance. There are several drivers to these, like skills, satisfaction, motivation and well-being, on which the company has an influence. With respect to our own workforce, we have included in our sustainability strategy safety, attractiveness to employees, diversity and volunteerism.

### Very small impact materiality

This group includes workers in the value chain, biodiversity and ecosystems as well as consumers and end-users.

While our direct workforce is a key part of our operations, workers in our value chain have a smaller impact on our business. Yet, we recognise that the treatment of workers in our value chain can affect our reputation and social license to operate. A large share of the workers in our supply chain are in European countries, where human and labour rights are well developed. Nevertheless, fair labour practices throughout our value chain are important and we conduct supply chain sustainability due diligence. We also provide access for remedy for our business partners through our whistleblowing scheme.

Our manufacturing processes have a limited impact on biodiversity and ecosystems. However, we are committed to minimising our environmental footprint and implementing practices that protect and enhance biodiversity. Swisspearl uses cellulose fibres that have their origin in sustainably managed forests. The extraction of mineral fillers for raw material use can disrupt local ecosystems through altering landscapes, affecting soil quality and displacing wildlife. Nevertheless, the sources of our fillers are mostly in EU countries which have well-established environmental standards to manage these effects. We are also working to increase the circularity of materials in our value chain to combat resource depletion. All water used in our production process is cleaned and conforms to the environmental permissions before being discharged back to nature. The REACH compliance of the chemicals used in the products limits the potential leach effects into soil and water.

Consumers and end-users have a rather small impact on our operations. However, we recognise that consumer preferences and behaviours can influence our market position and growth prospects. Swisspearl operates in the business-to-business interphase. For its products, it follows the harmonised European product standards, has installation documentation and Environmental Product Declarations in place. Furthermore, when calculated for entire buildings, the share of life-cycle impact of Swisspearl's products is relatively small. Most likely due to these reasons, responsible marketing practices was the only sub-topic amongst all sub-topics of the category that scored rather high in materiality. However, one individual topic does not lift a main sustainability topic into a high level.

It is notable that none of the sub-topics in affected communities was identified as an impactful topic and therefore it was not included in the impact assessment. This is explained by the fact that our factory sites have operated in their locations for a minimum of 60 years. Therefore, the factories have already been established as an integral part of local communities. From an environmental perspective, the factories also operate within the limits of their permissions.

**Financial materiality results**

The financially material risks and opportunities on the main sustainability topic level for Swisspearl are shown in table A. Based on the results, the most impactful future financial topics are circular economy, business conduct and climate change.

**Table A. Financial materiality risks and opportunities.**

Main sustainability topic	Risk	Opportunity
Circular economy	Yes	Yes
Business conduct	Yes	Yes
Climate change	Yes	Yes
Pollution	Yes	
Own Workforce	Yes	

Sustainability is a global and multifaceted subject. Financially, the core future risks and opportunities are in market relevance in relation to sustainability as well as financial impacts of implementation and regulation of climate change mitigation.

In particular, customer requirements, national and regional regulations and expectations of new talent are developing rather rapidly. In order to progress in sustainability, investments are needed, such as resourcing, technologies, like renewable energy and processes and systems, such as due diligence. Naturally, investments involve both risks and opportunities.

Circular economy includes as sub-topics resource inflows, outflows and waste. These are all relevant from the resource scarcity perspective and also logical considering the rather mild level of fibre-cement integration into the circular economy.

From the financial perspective, corporate culture in business conduct scored highly in both risks and opportunities. In reference to the earlier discussion, the development of the

corporate culture is very relevant for securing and ensuring business growth through sustainability.

Climate change includes in risks climate change adaptation, mitigation and energy, whereas in opportunities it includes energy. This result reflects the thinking that the risks from all sub-topics of climate change can materialise as loosing market relevance and increasing costs. On the other hand, the evident financial opportunity is in finding sustainable and cost-effective energy solutions.

The last two financially material main topics are pollution and own workforce, which both involve risks. In more detail, the sub-topics involved are pollution of water and health and safety of own workforce. This is explained by Swisspearl being an industrial company and having water as a core medium in its production processes.

**Conclusions from materiality assessment**

The findings of the materiality assessment are congruent with Swisspearl's sustainability pillars

- Climate and environment
- Circularity
- Social responsibility and engagement
- Governance

The sustainability statements related to the pillars support the commitment and direction of Swisspearl's vision:

- Shaping the future of building

As a result, based on the double materiality assessment, there are no current needs to adjust the strategic direction of Swisspearl.

# Sustainability statements

The strategic pillars and statements guide our sustainability decisions and activities in both the long-term perspective and in day-to-day operations.

Our sustainability strategy is built on four overall pillars. These four pillars represent Swisspearl's efforts in terms of creating a positive climate, ecological and social impact. Under each of these pillars we have defined clear sustainability statements:



Figure 6. Sustainability statements.



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## Climate and environment

Within this pillar we work to mitigate our climate and environmental impacts.

We aim to achieve carbon neutrality in Scope 1, 2 and 3 by 2040. The main focus in our own operations and purchased electricity is on improving energy efficiency and replacing fossil energy with alternative green sources. In addition, our value chain efforts focus mainly on purchased materials and transport. To achieve carbon neutrality requires significant research and development and partnering from us in order to re-engineer several aspects of the way in which we manufacture our products today. Furthermore, our suppliers need to address their emission sources in order to have a positive impact in the value chain.

Today, a notable share of the waste from our factories is still disposed of at local landfills. We have set ourselves a target of reducing the amount of waste deposited at landfills to zero by 2030. To achieve this, we will systematically continue our own efforts and team up with partners to improve process efficiency and reduce waste, and also find solutions for increasing circularity in our waste.

Running our manufacturing processes requires water. Water is already circulated several times before it is properly cleaned in effluent treatment plants prior to being discharged back to nature. However, supported by technological solutions, we will find ways to close the water cycle further to minimise the water discharged from manufacturing processes to the cleaning processes.

Furthermore, some of our factory processes require very clean water. By re-engineering the processes and utilising cleaning technologies, we aim to stop the use of drinking water in our factory processes by 2030.

## Social responsibility and engagement

Within this pillar, we work on social topics further enhancing the Swisspearl employee experience.

As part of our social responsibility, we are focusing on ensuring the safety of all our employees. This includes our employees at production facilities, at sales and corporate offices in all our locations. We continue to improve the safety procedures and practices currently in place, focus on training and building mindset and behaviour as well as introducing further safety best practices. In addition, for the safety of installers and others handling our products, we provide instructions and guidelines with our packed products, which are also accessible on our websites.

In 2023 we had 2,226 employees in all our entities in 16 countries. Added to this, we have sales agents in other countries. It is important for us that our employees and external stakeholders experience Swisspearl as an attractive workplace. It is our goal to create an attractive culture by further engaging with existing employees in open dialogue, and by taking necessary actions for improvement based on their feedback.

We engage in recognizing diversity within the local and global framework. Our values and code of conduct are the foundation for an open and accepting workplace. Furthermore, together with our other policies, they guide us in ensuring a company where laws, regulations and guidelines are followed. We are fully committed to supporting this from our governance pillar by training our staff, but also by further working with related processes and skills.

Besides providing employment in various locations, we are connected to the community in several other ways. Contributing voluntary work to communities means for us giving time, effort and talent each year without financial gain to projects and activities that aim to provide environmental and social benefits for the community. The community involvement is driven by our local entities.

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### **Circularity**

The concept of the circular economy is a strong facet of sustainable development. We aim to contribute to the evolution of the circular economy model for the fibre cement industry.

Waste is generated at various stages of the product lifecycle for fibre cement products, from production to construction and disassembly sites. As part of our sustainability efforts, our focus is on studying the fibre cement waste generated and exploring new ways to re-use it. To create an impact on this track, we actively engage in on product design, researching and developing novel technologies and processes as well as partnering with various players across our value chain to develop solutions to extract and process the waste to alternative products or convert it into raw materials used in the production of fibre cement or other subsidiary products.



### **Governance**

Within this pillar we focus on further strengthening the common Swisspearl way to manage, behave and operate.

Our values, codes, policies and safety rules form a fundamental part of Swisspearl's governance and social responsibility system. We are committed to finding practices that support embedding these fundamental elements into the organisation to an even greater extent. To achieve this, we will define and implement a concept with the right tools and procedures to anchor the topics into the organisation. We will build content and set up a system to train our employees. Delivering on this statement will strongly contribute to building a common culture for the new Swisspearl group.

To govern our climate action, we are aiming to sign up to the Science Based Targets initiative (SBTi). We are first focusing on bringing our CO<sub>2</sub> emission inventory to the level required by SBTi, before starting the application process. This will provide us with a clearly defined path to reduce emissions in line with the 1.5°C goal of the Paris Agreement. Declaring our commitment to and support for the SBTi means that we will follow the step-by-step process set out by the initiative. This includes, but is not limited to, declaring our commitment, submitting targets for validation, reporting our emissions and tracking progress.

## Green Line House | Warmia, Poland

Mobius Architekci, Warsaw, Poland



The Green Line House in Warmia, designed by Przemek Olczyk from Mobius Architekci Warsaw, won the Grand Prix in the European Property Awards 2019 -2020. We are proud that our Swisspearl roof panels are part of this seminal building. This solitary house remains lonely in a landscape, without adjacent buildings, away from roads. Harsh landscape prompted Przemek Olczyk, an architect and the author of the project, to use transparent and legible tectonics, thus embedding the building in the morphology of the plot.

Skilful adaptation of the architecture to the structure of the plot ensures that the scale of the 500 sqm house does not overwhelm it. Due to the strong winds in this part of the Warmian Lake District, the design employs an atrial layout. The screen of glass walls of the building provides a transparent shield while maintaining important viewing axes for the users.



# Sustainability of our offerings

**Swisspearl solutions are based on aesthetic, durable and cost-efficient mineral composite developed for exterior and interior applications. They offer several environmental, social and economic benefits throughout their lifecycle.**

Fibre cement is an extremely versatile material that can be used in a variety of ways. Our products and solutions offer numerous possibilities for creativity, functional features and performance that can be used in the architecture, design and construction of building envelopes and living spaces. The heart of the success of our products began as early as 1894 in Vöcklabruck, Austria. This is where fibre cement was invented by Ludwig Hatschek. Today, our products are manufactured all over Europe and cover facade, roofing, sub-construction and interior applications. In addition, we have a range of garden products.

**High strength, non-combustibility, and long-term performance**

As a material, fibre cement is an attractive choice for sustainable buildings. The multiple applications in a building envelope deliver several lifecycle benefits. The intended applications are in lightweight constructions. The key characteristics in our solutions are: high strength, non-combustibility, long-term performance and visual malleability. The maintenance requirements of fibre cement boards during their lifecycle are relatively low, ensuring low cost of ownership.

We are dedicated to further expanding the end-of-life recycling opportunities of fibre cement. Concrete recycling solutions are one of the biggest areas of effort in our development activities.

**Safe, healthy, and inspiring living**

Safety is a strong functional attribute in fibre cement products. Most of our products have reaction to fire rating Class A1-2 s1-2 d0, which means the products do not catch fire even in the presence of high temperature or a direct flame. Therefore, Class A rating undoubtedly improves a building's fire behaviour, thereby benefitting the building users and owners. Partition walls and evacuation tunnels are excellent examples where our fibre cement provides safety for building users. Furthermore, the non-combustibility of our products hinders the spread of fires in buildings, thereby protecting the users and limiting the damage caused by the fire.

**Swisspearl products in building envelope**

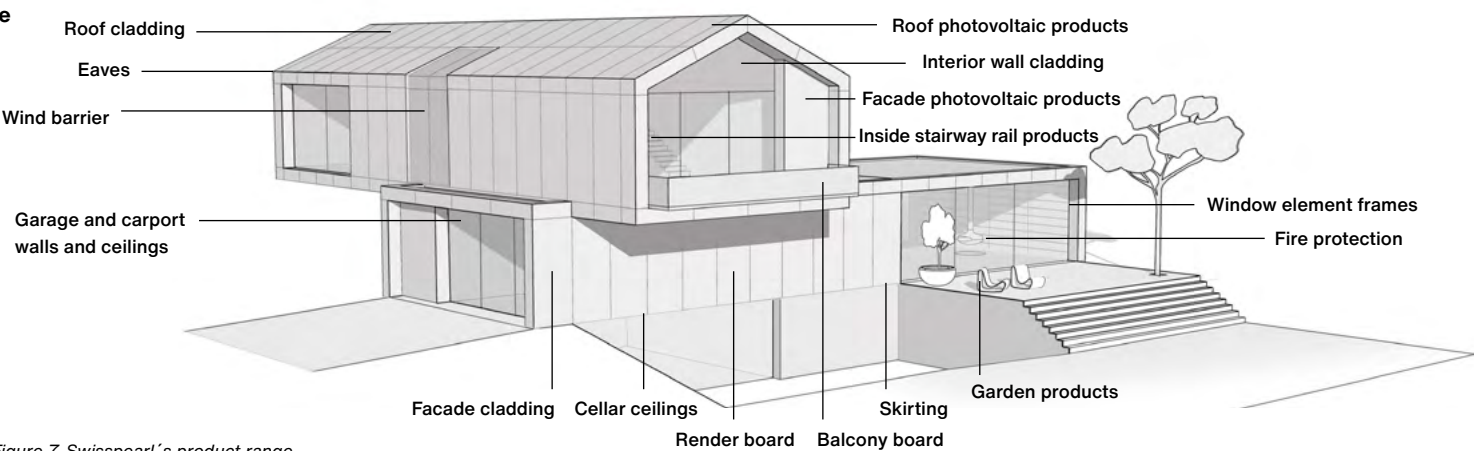


Figure 7. Swisspearl's product range

The alkaline nature of fibre cement products leads to very good fungus resistance. This functional characteristic supports the creation of healthy living environments, thereby reducing health risks. The fibre cement composition also contributes to a healthy living environment, since a relatively low percentage of chemical additives is needed for its manufacture. In addition, the chemical emission and odour rates from fibre cement products are very low. These features are especially important in indoor applications. Most of our indoor products are classified as M1. Building architecture can inspire thought and emotions, both for the building users as well as others in the vicinity of the building. Each construction builds the cityscape that impacts the comfort and feeling of belonging experienced by people. Fibre cement is a versatile, mouldable material with extensive ranges of colours and surface finishes. It offers endless options for orchestrating architectural stimulus and building delightful living environments. The freedom of design is an inspiring characteristic and source of enjoyment for architects as well.

### **Solutions for energy-efficient buildings**

Our products are used in lightweight construction, normally with wooden, steel or aluminium structures and mineral or biobased insulation. When comparing embodied energy, it is lower in lightweight than heavyweight constructions. It is important to note that the benefits of lightweight frames in buildings are recurring, as lightweight construction also often requires a lighter foundation due to lower weight compared to heavyweight construction. The building owner can further reduce the lifecycle CO<sub>2</sub> footprint by using renewable energy, resulting from options available in a truly sustainable lifecycle setting.

According to the European Union's Green Deal, the vast majority of Europe's building stock does not meet modern energy efficiency standards. Our products form part of structures ideal



for energy efficiency renovations to existing buildings with inferior insulation. Fitting the external façade with thermal insulation and fibre cement not only provides a robust solution to drive down heating-related climate emissions and costs, improve comfortable indoor climate and sound insulation, but also to improve the aesthetics of the building.

Swisspearl products have high weather resistance. They are being successfully installed in a wide variety of climates, from extremely high Middle East temperatures to extremely windy, damp and cold northern Nordic coastal areas. It is important to note the extreme temperature conditions of the northern Nordics, where the range can be even less than -40 to over +30°C, all this very well sustained by our fibre cement products.

### **Cost-effective, easy-to-install, and durable**

Our products are a cost-effective solution for the building owners. Our products are easy to install. We can further help the installation by our cutting and drilling services that allow direct and easy installation according to the designs in factory finished quality, without the need to organise any work stages before installation. The value of our factory customisation is further increased on congested construction sites. Customised boards also minimise construction site waste due to only installed volumes being shipped, reducing the transport emissions.

The durability with a 50-year life expectancy and low maintenance requirement deliver a low lifecycle cost compared to many other materials. Characteristics like very good weather and impact resistance contribute to durability. However, we have also thought of the possible maintenance-requiring incidents over the lifecycle of a building and developed an anti-graffiti surface for our facade portfolio. This surface makes it easier to clean the facade in the unfortunate case of graffiti.

#### Documentation for certified buildings

Most Swisspearl products qualify for sustainable building design and construction certifications and are registered and approved in environmental databases. Swisspearl fibre cement products contribute to the various criteria evaluated when certifying buildings under a specific scheme, like DGNB, BREEAM, LEED, Nordic Swan label and Minergie-ECO. Swisspearl can support EPDs on a great variety of our products – and the list keeps expanding month by month. We value the quality and consistency of our products and services and all of our factories operate under the ISO 9001 certificates.

Furthermore, to mitigate safety and environmental risks, we work systematically and meticulously on a full range of safety and environmental topics. In all our factories we have the respective reporting and continuous improvement practices in place. In addition, the majority of our factories are ISO 14001 and 45001 certified. As part of our integration process, we are currently designing the future set-up in respect to quality, health and safety and environmental management systems and expect to have our plans finalised during 2024.



**23 % reduction** in waste to landfill per produced gross tonne during 2022 to 2023. We are committed to eliminating landfill by 2030. This requires finding re-use, recirculation and recovery opportunities for this waste.





**„For me, sustainability starts in nature.”**

## Andrea Kalt

CRM / Marketing  
Austria

„The forest is a place of calmness and a place we should protect. And it is also a playground for children. It's good for their health to be outside in the nature. The health of people working at a company should concern the employer. Here at Swisspearl Austria we ensure that employees have plenty of activities besides work to improve their well-being and we get a lot of positive feedback from them. So I guess we're doing the right things.”

Find out more about us in our sustainability movie:





# Swisspearl and the UN Sustainable Development Goals

**17 Sustainable Development Goals (SDGs) make up the core of the United Nations' agenda of achieving sustainable development by 2030. These Global Goals are a collection of self-contained and simultaneously interlinked goals.**

## Swisspearl's approach

The SDGs were also created for businesses to find areas to work towards within the global sustainability objectives. We have evaluated SDGs and identified those to which we contribute as a business through our own operations and value chain. Our approach has therefore been to carefully map SDGs that have an impact throughout the value chain.

As part of our assessment, we divided the Goals into three categories according to an estimated level of impact. The main impact category includes SDGs where we have the opportunity to deliver the largest overall impact in our value chain. The medium impact category includes SDGs where Swisspearl's contributions can generate considerable overall impact. However, the scope and scale in the value chain are not as large as in the main impact category. The limited impact category includes SDGs where we still have a meaningful, but limited, impact.

## High level summary

The main impact category includes SDGs related to climate action and sustainable production patterns. The medium impact category includes SDGs related to water management, promoting decent work for all, supporting waste reduction in cities and gender diversity. The limited impact category

includes SDGs related to advancing healthy living through efforts to reduce hazardous chemicals and support sustainably managed forests.

## Overview by impact category

The following section provides an overview of the results of our assessment and explains how Swisspearl supports progress towards the Goals.

### Main impact SDGs

As a manufacturing company, Swisspearl is committed to maintaining and continuously improving sustainable consumption and production patterns. Efficient use of natural resources, continuous waste reduction and increasing recycling are pivotal parts of this commitment.

Furthermore, we are committed to climate action. This includes efforts to increase the share of renewable energy as well as technological upgrades of factory processes to reduce total CO<sub>2</sub> emissions. In addition, with key stakeholders, we innovate and develop raw material and product recipe combinations leading to CO<sub>2</sub> reductions.

### Medium impact SDGs

Water plays an essential role in our manufacturing processes. We continuously seek ways to improve the efficiency of our water usage. Furthermore, we conduct sustainable management of water through effective controls and procedures for wastewater treatment processes.

Equal opportunities for all employees are important to us. We do not tolerate any kind of discrimination. We also state this clearly in our Human Rights Policy.

Furthermore, we support decent work by committing to compliance with labour laws and advocating against forced labour, modern slavery and human trafficking. In addition, we conduct continuous safety improvement and promote safety, for example by organising annual safety weeks in factories. We also work to further integrate ESG considerations into the supply chain.

We support waste reduction in cities by seeking ways to reduce construction site waste and explore circularity solutions for fibre cement waste from demolition sites.

### Limited impact SDGs

We support healthy lives by having chemical safety procedures and practices in place as well as aiming to minimise the use of hazardous chemicals. All the cellulose our factories use is from sustainably managed forests. Ensuring chain of custody is how Swisspearl supports the sustainable management of forests and combats deforestation.

Figure 8 places the outcome of the assessment within the SDG framework. In addition, we link the SDGs to our ESG metrics in the chapter "ESG performance".

Swisspearl's impact	SDG	SDG Objective	Relevant SDG indicators	Swisspearl's support
Main		Ensure access to affordable, reliable, sustainable and modern energy for all	7.2.1 7.3.1	Efforts to increase share of renewable energy Efforts and systems supporting continuous energy efficiency improvement
		Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.4.1 9.5.1	Technological upgrades of factory processes to reduce CO <sub>2</sub> emissions per ton Increases in share of research expenditure aiming to reduce CO <sub>2</sub> emissions
		Ensure sustainable consumption and production patterns	12.2.1 12.4.2 12.5.1 12.6.1	Efforts and systems supporting efficient use of natural resources Circularity; Continuous waste reduction and increase of recycling and reuse rates Effectiveness of chemical and chemical waste management Publication of sustainability report
		Take urgent action to combat climate change and its impacts	13.2.2	Technological upgrades of factory processes to reduce total CO <sub>2</sub> emissions Innovation, raw material and recipe development and supplier collaboration to reduce CO <sub>2</sub> emissions
Medium		Achieve gender equality and empower all women and girls	5.1.1	Swisspearl promotes diversity and requires zero tolerance for discriminatory treatment in its Human Rights Policy
		Ensure availability and sustainable management of water and sanitation for all	6.3.1 6.4.2	Effectiveness of controls and procedures for wastewater treatment processes Efforts and systems supporting improvements in efficiency of use of water Monitoring and reporting of high baseline water stress levels at factory locations
		Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.4.1 8.5.1	8.7.1 8.8.1 Efforts and systems supporting continuous safety improvement Integration of ESG considerations, procedures and practices in supply chain Swisspearl takes a clear stand on labour rights and child labour in Codes of Conduct and Human Rights Policy
		Make cities and human settlements inclusive, safe, resilient and sustainable	11.6.1	Seek ways to reduce construction site waste and explore circularity solutions for fibre cement waste from demolition sites
Limited		Ensure healthy lives and promote well-being for all at all ages	3.9.3	Minimisation of use of hazardous chemicals Effectiveness of chemical safety procedures and risk assessments
		Protect, restore and promote sustainable use of terrestrial eco-systems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	15.2.1	Procurement of forest products having certified chain of custody, e.g. FSC or PEFC certification

Figure 8. Swisspearl and the UN Sustainable Development Goals.



## Sommerhus | Mölle, Sweden

Johan Sundberg Arkitektur, Lund, Sweden



The natural colors of the surroundings were the inspiration for the house's color palette. Swisspearl fiber cement panels, balcony railings, and visible parts of the load-bearing structure are built in subdued gray-green hues. The timber facade paneling in Accoya wood has a warm, natural tone and the aluminum frames of the doors and windows are powder coated in black. By combining fiber cement panels on the outer skin and timber cladding on the inner facade surfaces a lively effect has been created on the elevations. Swisspearl panels were chosen for their aesthetics and durability in the long, wet winters. The panels have been cut into long, vertical formats that are nailed to a perforated 25 × 120 cm steel profile.





# Operational sustainability

**Operationally, 2023 focused on establishing common ways of working, optimising the organisation, improving safety and improving efficiency. We reached a significant improvement in safety, prepared the implementation of CEM II and expanded our solar systems.**

## Climate

Cement is the single biggest source of emissions in Swisspearl's value chain. During 2023, a big focus was to prepare for CEM II implementation across Swisspearl sites and kick it off. Through this action, we take part in the emission reduction of the cement industry as more cement producers are moving to it. Therefore, it also secures the supply of suitable cement for fibre-cement products.

In August, 8,000 m<sup>2</sup> of solar system was successfully put into operation in our plant in Niederurnen, Switzerland. The journey continues when, in connection with roof renovation, we will equip seven more roofs with solar systems in 2024 and 2025.

In 2023 we have also focused on energy efficiency. Our energy consumption reduction programme has led to several projects in our manufacturing sites. With regard to natural gas, which is our must-win battle in Scope 1, we have investigated and trialled several actions aimed at reducing consumption. We have not yet proceeded to final implementation with these, as we are progressing cautiously to ensure intact product quality.

We continued building our greenhouse gas emission inventory further. We maintain our aim to build readiness to start the Science Based Targets process during 2025.

In 2023, 11 % of the electricity consumed in our factories was renewable. On top of renewable electricity from the grid, we also used solar and hydro power. Aligned with our long-term goals to increase the share of green electricity, solar power expansion is now in implementation in Switzerland and in investigation in some other selected countries.



## Efficiency improvement

Waste reduction is a key focus area of Swisspearl. Swisspearl's Operational Excellence Team support the factories, in particular, to reduce all forms of waste.

The construction sector faced tougher market conditions in 2023 compared to 2022. The declining demand for construction products also impacted Swisspearl. As a result, the capacity had to be adjusted to the market situation, leading to increased fragmentation of production plans. Despite having lower absolute energy consumption and generation of waste-water and material waste in 2023 compared to 2022, we see that the more fragmented run on the production lines resulted in increased intensities per produced tonne. Nevertheless, the increases in intensities were clearly less than the estimated impact of increased fragmentation. Therefore, we were effective in our efforts to improve energy efficiency and reduce waste.

Under circularity, one aspect of efficient use of resources is to reduce landfill. In 2023 the landfill intensity, the volume of landfill per gross tonne we produced, improved compared to 2022. Key actions here were to increase the share of fibre-cement waste recycling in our factories as well as find new waste management partners.



**Health and safety**

We had a high focus on safety in 2023. We succeeded in reducing the lost time injuries and thereby improving the safety level of our operations. The results of our work delivered a significant improvement in the Lost-Time-Injury-Frequency-Rate (LTIFR) compared to 2022. It can even be said that safety improvement was our biggest sustainability achievement in 2023. We ended 2022 with an LTIFR of 16.9. During 2023 we managed to improve it to 12.7. We are very happy with this improvement, but acknowledge that we still have a long way to go to reach our ambition level. For 2024 we aim to achieve an LTIFR of 8. Therefore, we remain committed, in accordance with our sustainability strategy, to further improving the safety performance.

**Diversity and inclusivity**

During 2023, our Human Resources department focused on data availability and integration.

**Cultural diversity**

In 2023, Swisspearl had legal entities in 16 European countries. The main cultural origins in Swisspearl are in countries where we have production entities. Geographically the manufacturing sites generate a cross-section of European cultures from Switzerland to Finland. However, our sales entities extend the cultural coverage to Western Europe. All in all, Swisspearl is a multicultural work community.

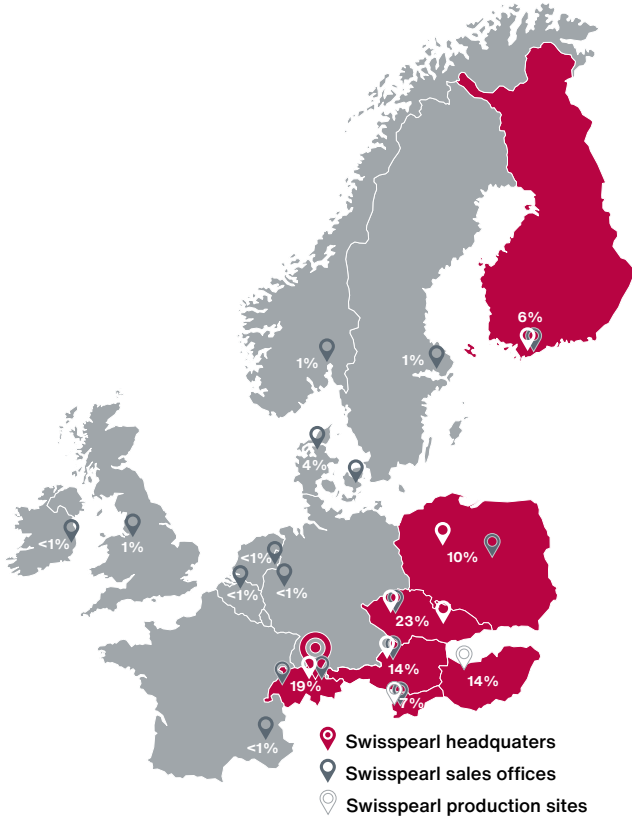


Figure 9. Share of employees in legal entities.

**Seniority**

Swisspearl consists of a mix of employees, from those who have worked for a shorter time to those who have worked in the company for more than 31 years (see figure 10). Having a rather balanced set of seniority groups in the organisation offers several benefits. More senior employees transfer their knowledge and experience to more junior employees, fostering a culture of learning and development. Senior employees also have a better insight into the company's culture, processes, and clients, which can help in maintaining continuity. On the other hand, more junior employees bring new ideas and fresh viewpoints into the discussions, thereby driving innovation.

Share of seniority groups, per years employed

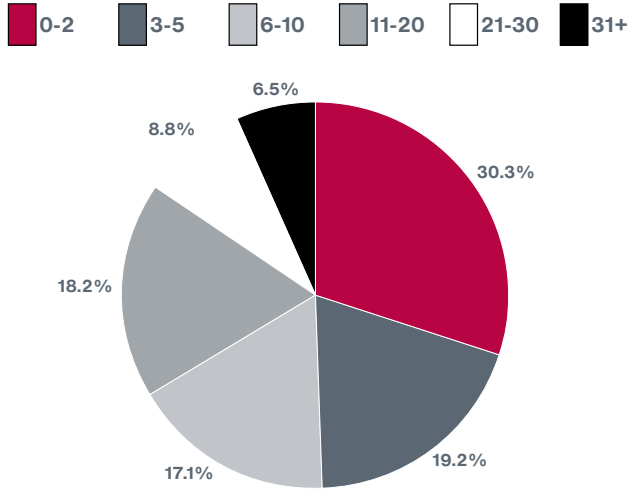


Figure 10. Share of employee groups according to years of employment.

## Gender diversity

As a manufacturing company Swisspearl recognizes the significance of fostering gender diversity. Creating an inclusive environment where everyone can thrive is crucial. While meeting quotas is important, it goes beyond that. By intentionally implementing measures, we contribute to a more equitable and productive workforce.

According to EIT Manufacturing in March 2023, women made up 41% of scientists and engineers in all sectors, and 22% of the manufacturing sector. Furthermore, the Eurostat data gives an indication that in basic manufacturing the share of women is even lower. It seems that the high-tech sector is more appealing among women. Therefore, the attractiveness of industries like Swisspearl is among the less attractive for women.

Table B presents the gender diversity of Swisspearl in different employee groups at the end of 2023. The gender diversity of Swisspearl is well aligned with the earlier presented share of women in manufacturing.

**Table B. Gender diversity of Swisspearl.**

	Female	Male
Blue collar	10%	90%
White collar	32%	68%
All employees	20%	80%
Other management	27%	73%
Board of Directors	50%	50%

Swisspearl includes two groups from company management in its gender diversity reporting: the Board of Directors and Other management levels.

The Board of Directors consists of four members, 2 men and 2 women, meaning both genders are equally represented on the board. The gender composition of the board evidences our commitment to gender equality. It is worth noting that as a family-owned company we also fulfil the targets of the so-called “Women on Boards” Directive that is set for large, listed companies within the EU.

The other management levels include members of our Group Executive Management, Senior Management and other members in our group management incentive scheme. The share of women in other management levels in 2023 was 27.2%.

To overcome the attractiveness challenge and increase the share of women in the manufacturing industry, companies need to evidence their commitment to gender equality. At Swisspearl, the composition of the Board of Directors offers strong evidence. It can promote the company as an equal opportunities workplace to women candidates. Furthermore, we communicate about our commitment to diversity in our sustainability statement, the Code of Conduct and Human Rights Policy. In addition, in cases where we have two candidates of different genders for our management positions, which are equally qualified and have an equal fit of personality and culture for the position and the team, we will select the underrepresented gender.





**„For me, sustainability starts where people need help.“**

## Saied Golabgir

IT / Field Application Engineer  
Switzerland

„There is more than enough food for everyone. It just makes sense to take what is too much and give it to those who got nothing. It is similar with the energy that the sun produces, it's already there. So we use it in a way that is good for the environment and also for the company. Our new facade solar system looks like a regular Swisspearl facade, but is actually a photovoltaic power plant.“

Find out more about us in our sustainability movie:





# Business integrity and governance

**The Swisspearl governance framework is based on management accountability, codes and policies, corporate values and managerial ethics as well as employee business conduct. Swisspearl's governance framework with all its elements supports ethical, responsible and compliant business practices.**

## **Management bodies, accountability and ethics**

Management in the Swisspearl group is based on three management bodies; the Board of Directors, Group Executive Management and Group Senior Management. Division of authority for the management bodies together with codes and policies set segregation of duties and accountability. Our values, together with our Code of Conduct, set the social, ecological and ethical attitude and establish the Swisspearl identity. They set the principles of business conduct and apply to all employees and representatives of Swisspearl.



## **Codes of conduct and policies**

Our policies contain governing principles and procedures to effectively manage an issue for Swisspearl as a whole or parts of it.

Following the approval of

- Code of Conduct
- Supplier Code of Conduct
- Human Rights Policy
- UK Modern Slavery Statement
- Whistleblower Policy

in spring 2023, we continued by formulating a plan to review and establish new policies. However, before implementing the plan, we decided to conduct a double materiality assessment which is a new methodology for Swisspearl and provides further insights into risks.

## **Risk management**

We have recently developed and implemented our supply chain due diligence process and tools. In 2023 we conducted the double materiality assessment, which includes an assessment of sustainability topics considered as risks. Furthermore, we see further risk management-related regulation ahead, especially the EU Sustainability Due Diligence Directive. All in all, sustainability-related risk management in particular is evolving rather rapidly. Therefore, we have decided to review and ensure that our enterprise risk management operates in synchronisation with the new, recently implemented parts. This work is expected to be done during 2024 and 2025.

## **Human and labour rights, including child labour**

Our Code of Conduct and Human Rights Policy strongly advocate for human and labour rights. We recognise our responsibility with respect to international human and labour rights. We strive to promote a working environment characterised by respect, fairness, equality, and where fundamental employee rights are protected. Swisspearl does not accept child and forced labour. Furthermore, we strive to work with suppliers and other business partners that match our values and standards. To further advocate them, the Swisspearl Supplier Code of Conduct sets the social, ecological and ethical standards for all our suppliers. In 2023, Swisspearl was not involved or suspected in any legal proceedings associated with human rights violations. Therefore, Swisspearl did not incur any monetary losses as a result of such processes either.



### Conflict minerals and metals

We do not import or use as part of raw materials any conflict minerals and metals. Furthermore, we conduct a supply chain risk assessment for conflict minerals and metals. For raw materials with identified risks of conflict minerals and metals, we conduct due diligence.

### Bribery and corruption

We do not have operations in areas with elevated corruption or bribery risk. However, we must be diligent in our operations and relationships with customers, suppliers and other business partners to avoid these risks. Our Code of Conduct takes a clear stance against bribery of any kind. Furthermore, the Swisspearl Supplier Code of Conduct serves as an integral code for relationships with suppliers and business partners. In addition, all employees are encouraged to report requests for bribes or facilitation payments immediately, either to their manager, directly to Swisspearl's Legal department or via our whistleblowing system.



### Pricing integrity and transparency

Our values guide all our employees to treat everyone with integrity. Furthermore, the Swisspearl Code of Conduct takes a clear stance against unfair competition. All Swisspearl's business partners are expected to adhere to existing laws that regulate competition, particularly anti-trust and competition laws.

In 2023, Swisspearl was not involved or suspected in any legal proceedings associated with anti-competitive behaviour, including, but not limited to, cartel, price-fixing and anti-trust practices. Therefore, Swisspearl did not incur any monetary losses as a result of such processes either.

### Whistleblowing

At Swisspearl, we are committed to high ethical standards of business conduct and to doing business in a responsible way and with integrity. The scope of our Whistleblower Policy is wider than that required by the EU Whistleblowing Directive. We have included our employees as well as external parties with a working relationship with Swisspearl. Furthermore, we have included those legal entities with fewer than 50 employees as well as allowing anonymous reporting, unless national legislation prevents it. The whistleblowing system and the Whistleblowing Policy can be found on our global website.

### Data ethics

Swisspearl does not currently have a data ethics policy. First and foremost, the data we possess are for our own use. Secondly, the data we possess are, due to the relatively small global size of the business and relatively narrow segment – at most – of only marginal commercial interest to external parties. This significantly reduces the risk of our employees encountering interventions that might lead to data misuse.

As a company, we do not sell the data we hold. Nevertheless, if required by legislation, court or authority decisions, we provide the defined data to the nominated party. In any event, no such requirement arose in 2023.

If we use data from third parties, we expect such third parties to follow the laws and observe ethical considerations in relation to possessing, providing and handling such data.

### Supply chain due diligence

We conduct supply chain due diligence through a process that is aligned with the OECD guidance and includes a set of in-house developed tools. We have identified a need to increase the efficiency and effectiveness of the current set-up. Therefore, during 2023 we have had discussions with several potential partners that provide solutions for supply chain due diligence. We aim to finalise the process during 2024 and select a supply chain due diligence solution that will automate some of our current procedures and provide improvements into the width and depth of supply chain due diligence. This track is also an integral part of the preparations for the EU Sustainability Due Diligence Directive.



**„For me, sustainability starts at home.”**

## **Peter Grønlund**

Business Development Manager,  
Group Sustainability  
Denmark

„My family and I we live here in a eco-village where we try to explore and develop ecological, economical and socialice specs of live. As a local community we try to find new ways of sustainable living and then share the knowledge with others. As head of markets sustainability, I also need to search out of the box to get new input and find new sustainable solutions that could be interesting for us as a company. Taking sustainable actions is essential, because in the end it's not just nature, it's us that will benefit from it.”

Find out more about us in our sustainability movie:





# ESG performance and accounting principles

We are committed to our sustainability statements and continued in 2023 building the transparency foundation to support our progress towards our sustainability goals. Furthermore, we are especially happy with the improvement in our safety performance compared to 2022. Our measures in efficiency work mitigated the negative impact of more fragmented production plans to intensities.

### Disclosure in general

In our disclosure we present our Environmental, Social and Governance metrics for 2022 and 2023. Aligned with our comments in our previous sustainability report, we have focused on the development of our reporting. The metrics of the ESG performance reporting does not yet follow CSRD.

We follow the SASB disclosure standard. In addition, we have also identified other metrics material to our business. We show the connection of our metrics to SASB in the ESG metrics section with relevant SASB codes. Further information on applying SASB metrics can be found in our Accounting principles. In addition, the disclosure highlights those metrics that are connected to our contribution to the relevant UN Sustainable Development Goals. This is shown on the right-hand side of the disclosure with the respective SDG number.

During 2023 we have followed our plans to initiate preparations for the CSRD. We have conducted double materiality assessment. We will thoroughly analyse the results and then proceed with the requirement and gap analysis. Later in 2024, we will start closing the gaps and also start to prepare a roadmap for the Taxonomy assessment.

### Greenhouse gas reporting

In alignment with the SASB we have followed the GHG Corporate Accounting and Reporting Standard. We have included an overview of the main emission categories for our factory operations in Scope 1, 2 and 3, as shown in figure 11.

It is worth noting that we have focused on the main emission drivers with available data. We estimate that the work carried out during 2023 covers at least 80% of our value chain's emissions to a degree of accuracy of more than 85%. In the coming periods, our aim is to build our CO<sub>2</sub> inventory further in order to allow us to commit to Science Based Targets according to our sustainability statements.

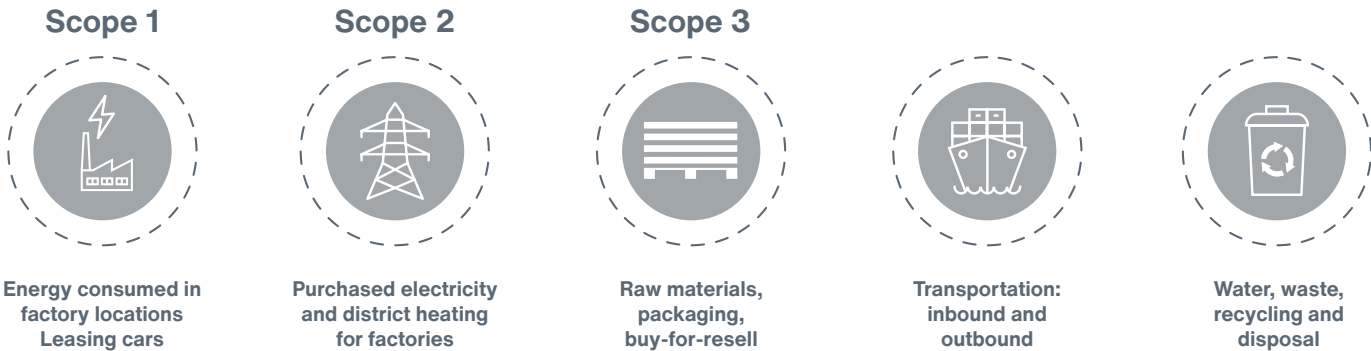


Figure 11. Main emission categories in Swisspearl's Scope 1, 2 and 3 greenhouse gas inventory.

### **Risks management and internal controls over sustainability reporting**

Since the merger of Cembrit and Swisspearl, we have worked on establishing common grounds for sustainability reporting. This work is based on a dedication to bringing ESG data on par with financial data on an auditable foundation.

The companies had differences in the approach to data, units, sources, collection and consolidation. To manage this going forward, we have defined a data collection manual for our most material assets, the factories. During 2024 we will work to firmly implement it.

In terms of completeness and integrity of the data, we see that there are gaps, for example due to some of the data not being collected for years when we would need it. Furthermore, we acknowledge that change of the data definitions and sources is an operational change process. To progress with the completeness and accuracy, we are developing control tools and review procedures, to validate and check the reported data. Furthermore, we see a need to evaluate our current reporting platform and its suitability, especially in light of the coming ESRS-based reporting. For details of our accounting principles, please refer to section [\*Accounting principles on page 35\*](#).

In respect to recalculation of reported greenhouse gasses, we have in early 2024 drafted a recalculation policy. We are currently in the testing and validation phase of that policy. The recalculation of 2022 metrics, which is discussed in Data improvements from last year, is a result of the draft policy. We plan to finalize and approve the recalculation policy during 2024.

When it comes to greenhouse gas emissions in particular, we are heavily dependent on our value chain partners. For emission factors concerning materials, we prioritize Environmental Product Declarations of our suppliers. Nevertheless, many of our suppliers do not yet have them. For this reason, we have used the guidance of the Greenhouse Gas Protocol to establish a hierarchy that supports maximising the emission factor accuracy.

In respect to emission factors for energy, we are using DEFRA and Association of Issuing Bodies (AIB) as the credible sources. Nevertheless, in respect to AIB, their release schedule is not aligned with Swisspearl's sustainability reporting schedule. However, we do not see this as an issue, as we are committed to implementing our long-term goals and focusing on topics we can control. Therefore, changes in the emission base of the national grid electricity will then just come into our reporting systematically with a one-year delay. This is also the driver for the Scope 2 emission increase from 2022 to 2023.

In downstream transports, we work towards common well-to-wheel-based emissions and also increasing year by year the share of transporters reporting their own emissions. To have transparency on these aspects for 2023 reporting, we implemented metrics and visual management. Nevertheless, most of the upstream transports are organised by our partners and therefore, we do not have access to the emission data. In this case, we are using DEFRA as our credible emission factor source for different transport modes.

In respect to the sustainability report itself, we have a multi-stage review process implemented for our management to ensure the coherence of the reported information.

### **Data improvements from last year**

In 2023 we continued improving our environmental, social and governance data. As discussed earlier in this report, our Human Resources department focused on data availability and integration.

In the factory reporting definitions, emission factors and data was reviewed for 2022 and corrected according to the completeness of data available. Furthermore, the definitions for 2022 and 2023 were aligned. As a result, we present in this report revised metrics for 2022. All in all, according to the revision our impact was mainly lower compared to what we reported in our sustainability report 2022. Our original 2022 report will remain unchanged. Nevertheless, we will use the revised metrics for 2022 from now on.

In addition, we improved the quality of our methodologies and data in several other areas, including a significantly increased share of company cars being reported on WLTP-based emission factors, reaching a clearly increased share from spend of transport companies reporting their emissions, and moving from tank-to-wheel to well-to-wheel-based emission methodology.

## Swisspearl ESG metrics

Category	Topic	Indicator	Unit	2023	2022	Note	SASB code	SDG
General								
	Scale of business					1		8
		Total number of employees	FTE	2,226	2,449			
	Geographical presence							8
		% of employees in European entities	% of all employees	100	100			
		% of production sites in Europe	% of tons manufactured	100	100			
Greenhouse gas emissions								
	Greenhouse gas emissions					2	EM-CM-110a.1	13
		Scope 1	t CO <sub>2</sub> -e	18,124	21,654			
		Scope 2 – Location-based + heat and steam	t CO <sub>2</sub> -e	26,070	24,826			
		Scope 2 – Market-based + heat and steam	t CO <sub>2</sub> -e	33,094	30,099			
		Scope 3	t CO <sub>2</sub> -e	280,389	367,102			
Energy management								
	Energy consumption					3	EM-CM-130a.1	7
		Total energy consumed	GJ	637,284	747,426			
		Percentage grid electricity	%	40.1	39.9			
		Percentage oil	%	0.29	0.03			
		Percentage natural gas, CNG and LPG	%	51.8	52.9			
		Percentage diesel	%	0.40	0.64			
		Percentage petrol	%	0.0	0.35			
		Percentage district heating	%	5.8	5.2			
		Percentage alternative fuels	%	0.0	0.0			
		Percentage renewable	%	4.6	4.3			
Water management								
	Fresh water withdrawn					4	EM-CM-140a.1	6
		Total fresh water withdrawn	1000m <sup>3</sup>	1,469	1,408			
		Percentage recycled from water withdrawn	%	80.4	80.5			
		Percentage of water withdrawn in regions with high or extremely high baseline water stress	%	0	0			
	Wastewater generation					4		6
		Amount of wastewater generated	1000m <sup>3</sup>	345	407			

## Swisspearl ESG metrics

Category	Topic	Indicator	Unit	2023	2022	Note	SASB code	SDG
Waste management								
	Material waste generation					5	EM-CM-150a.1	12
		Amount of material waste generated	t	48,535	55,015			
		Percentage of material waste recycled	%	60.5	54.2			
Workforce health and safety								
	Injuries					6	EM-CM-320a.1	8
		All injury frequency rate (AIFR)	Injuries/million working hrs	19.7	26.0			
		Lost time injury frequency rate (LTIFR)	Lost time injuries/million working hrs	12.7	16.9			
		Lost time injury severity rate (LTISR)	Lost days/million working hrs	436	436			
	Training					6		8
		Safety training hours	Training hrs/all employees	3.8	3.7			
Diversity								
	Gender diversity					7		5
		Share of women on the Supervisory Board	%	50	50			
		Share of women in management positions	%	27.2	28.8			
Business integrity								
	ESG in supply chain					8		
		Share of top 100 raw material, goods and transport providers that agree to observe UNGC Principles 1-10	%	97.8	95.1			
	Pricing integrity and transparency					9	EM-CM-520a.1	
		Total monetary losses as a result of legal proceedings associated with cartel, price-fixing and anti-trust practices	CHF	0	0			



## ESG Accounting principles

Note	Category	Topic & Comment
1	General	<p><b>Scale of business</b></p> <p>1. Total number of employees from HR reporting</p>
2	Greenhouse gas emissions	<p><b>General</b></p> <p>1. Reference SASB EM-CM-110a.1 with deviations.</p> <p>2. Base year is 2022 in accordance with the GHG Protocol with deviations.</p> <p>3. Activity data based on purchase invoices.</p> <p>4. Swisspearl reports Scope 1 and 2 emissions from factory locations it owns and controls.</p> <p>5. In any of the Scope 1 and 3 calculations, the possible "biogenic" part of the energy sources has not been accounted for outside of the scopes.</p> <p><b>Scope 1</b></p> <p>6. Scope 1 includes factories of Swisspearl and their emissions from energy consumption, including mobile combustion. In energy emission reporting, energy consumption is supplier-specific, based on invoices and emission factors from DEFRA. For company cars, most of the emission factors are supplier-specific, the rest are from DEFRA 2023 and annual kilometres, either actual or based on kilometres in the leasing contract.</p> <p><b>Scope 2</b></p> <p>7. Swisspearl includes factories of Swisspearl and both location- and market-based emissions by using the Association of Issuing Bodies' (AIB) production and residual mix emission factors. 2023 has been calculated based on AIB 2022 emission factors, as the 2023 factors have not yet been released.</p> <p><b>Scope 3</b></p> <p>8. For raw materials, Swisspearl has prioritised supplier-specific, cradle-to-gate emission factors. However, several raw material suppliers have not conducted the required life cycle analysis. Therefore, they have not been able to disclose emission factors for Swisspearl. For such cases, Swisspearl has focused on the main raw materials and used estimates for them based on other suppliers of the same raw materials and information from trusted sources.</p> <p>Swisspearl has used raw material and packaging purchase data from data warehouse connected to the ERP systems and estimates that 98 % of the material tonnage are included in the Scope 3 emission calculation.</p> <p>Buy for resale products are a new category in the Scope 3. It consist of construction products and accessories from various materials. In total Swisspearl has counted emissions for 88 % of the volumes in 2022 and 77 % in 2023. Out of these volumes, 47 % have supplier specific emission factor, 3-5 % DEFRA emission factors for materials and the rest approximately 49 % application of supplier emission factors for similar products.</p> <p>9. For upstream transports, Swisspearl has included raw materials and used DEFRA 2023 emission factors for each transport mode and well-to-tank emission factors for respective fuel extraction. Swisspearl estimates that upstream transports includes 100% of material volumes in the data warehouse.</p>

# ESG Accounting principles

Note	Category	Topic & Comment
		<p>10. Downstream emissions: Swisspearl combined country-based sales volume data with the transport company-specific emission data. Swisspearl estimates that transport company-specific emissions cover 69% from all sold volumes. The rest is estimated based on the supplier-specific emission reports Based on the reports, we calculated emission factors for the remaining volumes. We assumed that all estimated activities were done by trucks/road and represented by the average mix of those companies who reported their emissions. Furthermore, all transport emissions are either based on supplier-reported well-to-wheel (WTW) emissions or estimated WTW emissions based on supplier reports.</p> <p>11. The rest of the categories included in Swisspearl Scope 3 are based on DEFRA 2023 emission factors. The included categories are pallets, plastic film for packaging, paper and board for packaging, water supply through mains supply network, water returned through sewage system mains drains, cement recycling back to cement (closed loop) and cement disposal to landfill.</p> <p>12. The following categories from Swisspearl have not been included in Scope 3: business travel, employee commuting. However, Swisspearl estimates these emissions to be less than 3 % from Scope 3.</p>

## 3 Energy management

- Energy consumption**
  - Reference SASB EM-CM-130a.1 with deviations
  - Includes energy consumption in factory locations owned and controlled by Swisspearl.
  - Volumes according to purchase invoices based on supplier-specific energy contents and electricity generated on- and offsite by hydro- and solar power.
  - Swisspearl has included in renewable energy the own produced solar electricity and renewable part of purchased grid electricity in Austria, as Austria does not have any untracked and unclaimed electricity in the grid, leading also to the residual mix factor being 0 in the Scope 2 market-based emission accounting.

## ESG Accounting principles

Note	Category	Topic & Comment
4	Water management	<p><b>Fresh water withdrawal</b></p> <ol style="list-style-type: none"> <li>1. Reference SASB EM-CM-140a.1 with deviations</li> <li>2. Total freshwater withdrawn taken from internal operational reporting and based on freshwater intake measurement gauges in the factory locations. Water includes water used in production processes, heat pumps and heat exchangers as well as for sanitary uses.</li> <li>3. Percentage recycled from water withdrawn = <math>\frac{\text{cleaned wastewater from own purification} + \text{wastewater to off - site purification} + \text{water used for heating pumps}}{(\text{Total freshwater withdrawn}) * 100 \%}</math></li> </ol> <p><b>Wastewater generation</b></p> <ol style="list-style-type: none"> <li>4. Percentage of water withdrawn in regions with high or extremely high baseline water stress is based on data of Swisspearl factory locations in the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.</li> </ol>
5	Waste management	<p><b>Waste generation</b></p> <ol style="list-style-type: none"> <li>1. Reference SASB EM-CM-150a.1 with deviations</li> <li>2. Waste figures based on invoicing of factory locations. Internal reporting of waste is conducted quarterly</li> <li>3. % waste recycled = <math>\frac{\text{internal recirculation} + \text{reported external recirculation}}{\text{all material waste}} * 100 \%</math></li> <li>4. Third-party recirculation/disposals have not been audited</li> </ol> <p><b>Wastewater generation</b></p> <ol style="list-style-type: none"> <li>5. Wastewater includes cleaned wastewater from factory wastewater purification and wastewater to off-site purification.</li> </ol>
6	Workforce health and safety	<p><b>Injuries</b></p> <ol style="list-style-type: none"> <li>1. Reference SASB EM-CM-320a.1 with deviations</li> <li>2. All injury frequency rate (AIFR) includes medical and lost-time injuries (MTI+LTI) for all Swisspearl employees, rolling 12 months</li> <li>3. Lost-time injury frequency rate (LTIFR) and Lost-time injury severity rate (LTISR) are for all Swisspearl employees, rolling 12 months, starting from the first full day's absence and then a count full working days of absence</li> <li>4. Reference SASB EM-CM-320a.1.3, Swisspearl uses 1,000,000 working hours, instead of 200,000 working hours.</li> </ol> <p><b>Training</b></p> <ol style="list-style-type: none"> <li>5. Safety training hours is based on all Swisspearl employees, calculated as full-time employees and reported as total for 2023</li> </ol>



## ESG Accounting principles

Note	Category	Topic & Comment
7	Diversity	<p><b>Gender diversity</b></p> <ol style="list-style-type: none"> <li>1. The other management levels include members of our Group Executive Management, Senior Management and other members in the group management incentive scheme.</li> </ol>
8	Business integrity	<p><b>Anti-corruption in supply chain</b></p> <ol style="list-style-type: none"> <li>1. Share of major raw material, transport and buy-for-resale providers that agree to observe UNGC Principle 1-10 is based on commitment documents received from suppliers.</li> <li>2. However, the suppliers that are already a member of UNGCP have been counted directly without commitment documents.</li> <li>3. Share is calculated based on the purchase value of committed suppliers as a share of Swisspearl's total top 100 purchase value.</li> </ol> <p><b>Pricing integrity and transparency</b></p> <ol style="list-style-type: none"> <li>4. Total monetary losses as a result of legal proceedings associated with cartel, price-fixing and anti-trust practices based on information from Swisspearl's Legal department.</li> </ol>

## Side story | Zero-wastewater factory

Our Finish factory in Lohja



Making high-quality fibre cement boards requires a lot of water. In our Finnish factory in Lohja, last year we used more than 21,000 m<sup>3</sup> water making Swisspearl boards for all of Europe. With that amount of water consumption used in heavy industrial manufacturing, you could imagine a lot of waste water being discharged into nature or to public cleaning facilities. That is not the case. Not a single drop of production waste water leaves the Lohja factory. In fact, we do not even have a waste pipe from the factory for this purpose. All of the consumed water ends up as a natural part of the boards – a fibre cement board contains approximately 5% water. The rest evaporates into the air. Water needed in the manufacturing processes, and for clean the machines and facilities, is purified in internal processes and ends up as clean water, used in the boards. In the purification processes, very fine fibre cement “particles” are filtered, separated and collected. Some of these re-enter as raw materials into the products and some are handed over to external partners for use as raw materials in constructions in public facilities. Even though the Lohja wastewater treatment and purification processes are kept in closed loops, they are subject to systematic operational controls. To mitigate the very unlikely environmental risks of discharging wastewater, we work systematically and meticulously with a full range of environmental monitoring and continuous improvement practices in place.

# Appendix

## A1. Stakeholder assessment

### Assessment methodology

The Swisspearl stakeholder assessment was started by listing from ESRS 1 the required stakeholders. Then in a workshop we considered further stakeholders for Swisspearl. The final list of stakeholders for the assessment was:

### Stakeholders

- Authorities
- Banks
- Competitors
- Customers
- Employees
- End users
- Local communities
- Nature
- Non-governmental organizations (NGOs)
- Other workers
- Shareholders/investors
- Suppliers
- Vulnerable groups

Then we conducted individual assessments of stakeholders. This included assessing each stakeholder from environmental, social or governance perspectives. For each of these perspectives we

1. Selected relevant stakeholder(s) for each role:
    - a. Affected stakeholders: individuals or groups whose interests/activities are affected or could be affected – positively or negatively – by Swisspearl's activities and its direct and indirect business relationships across its value chain in this regard
    - b. Affecting stakeholders: individuals or groups whose activities and their direct and indirect business relationships with Swisspearl across their value chain affect Swisspearl's interests/activities in this regard
    - c. Sustainability report users: individuals or groups that are interested in Swisspearl's sustainability statements and reports and therefore read / find information from them
- Further, in selecting the stakeholders, it was instructed that some, but most likely not all, stakeholders belong to more than one of the roles.

2. Rated the impact of selected stakeholders according to defined categories:

### Categories:

- ?
1. Not at all
  2. Very little
  3. Some
  4. Quite a bit
  5. Very much

Therefore, each stakeholder under each perspective received for each role an impact rating from 1 to 5, except ? was 0.

### Results analysis methodology

Each perspective was assessed by using network analyses. In this methodology, an average threshold was used to assess which stakeholders were connected to what perspective; environmental, social or governance. The results were combined in the summarizing results table with the results from the stakeholder management model.

An average impact score was calculated for each stakeholder for each role. Then a median was calculated for each role. The median was set as the threshold for the stakeholder management model.

A three-component stakeholder management model was created for the purpose of understanding holistically which of the stakeholders are best to engage in the double materiality assessment. The model is based on an interestpower-motivation grid. The foundation of this model is a two-directional consideration where each stakeholder role categorises the engagement type of each stakeholder with Swisspearl:

Stakeholder roles (Swisspearl → Stakeholder)	Stakeholder engagement types (Stakeholder → Swisspearl)
Affected stakeholders	<i>Interest</i> from being affected
Affecting stakeholders	<i>Power</i> from ability to affect
Sustainability report users	<i>Motivation</i> from using sustainability reports



The median of the results score data for each role was used as the threshold to separate the results into either the high or low category in the grid. Based on the combination of high/low results for each role, it was defined how Swisspearl should address the stakeholder:

Interest from being affected	Power from ability to affect	Motivation from using sustainability reports	How to address stakeholder
High	High	High	<i>Partner up</i>
High	High	Low	<i>Co-operate</i>
High	Low	High	<i>Manage closely</i>
High	Low	Low	<i>Keep informed</i>
Low	High	High	<i>Keep satisfied</i>
Low	Low	High	<i>Monitor</i>
Low	High	Low	<i>Gain insight</i>
Low	Low	Low	<i>Minimal effort</i>

For each of the addressing categories, the following intentions were identified:

How to manage stakeholder	Intention
Partner up	Generate (strategic) partnerships
Co-operate	Collaborate closely
Manage closely	Provide the necessary support, address concerns, and engage
Keep informed	Provide updates, communicate progress, outcomes and results
Keep satisfied	Inform and consult
Monitor	Observe and check status periodically
Gain insight	Research and ask
Minimal effort	Use time and effort only if needed

Stakeholder groups with the following intentions were regarded as potential for stakeholder engagement

- Partner up
- Co-operate
- Manage closely
- Keep satisfied
- Gain insight

## A2. Double materiality assessment methodology

### Assumptions

Assumptions for the DMA are prepared in reference to ESRS 1 / 3.7 Level of disaggregation:

Swisspearl facts and circumstances:

- All Swisspearl factories
  - Include manufacturing, offices and warehouses
  - Are based on fibre-cement manufacturing + most also painting and customisation
  - Have very similar technological foundations
- All Swisspearl sales entities
  - Include sales and customer service office, some also warehouses
  - Are selling same/similar products, mostly based on fibre-cement and related accessories

### Therefore;

- No significant variations of material impacts, risks and opportunities across countries and sites
- No need for site- or country-specific disaggregation in double materiality assessment
- Swisspearl double materiality assessment is conducted on the group level and an opportunity given for participants to add comments during the assessment and e.g. highlight specific local variations

### Double materiality assessment process

The assessment was carried out using the following process:

1. Identification of impacts, risks and opportunities
2. Summarising the results and generating summaries from the free text comments with artificial intelligence (AI)
3. Deciding the sustainability topics for impact assessment and feeding the AI summaries as guidance to impact assessment
4. Impact assessment
5. Summarising the free text comments with AI and feeding financially relevant summaries as guidance to financial assessment
6. Analysing and summarising the impact assessment and financial assessment results
7. Deciding final material and financial sustainability topics for Swisspearl

### Identification of impacts, risks and opportunities methodology

In the identification of impacts, risks and opportunities (IRO), the following steps were carried out:

1. Revision of sub-topic definitions in ESRS
2. Data collection
3. Graphical interpretation of the results (impacts, risks, opportunities graph)
4. Qualitative assessment of inputs
5. Decision-making on the chosen impacts, risks, and opportunities for the impact assessment

In the identification of IRO, participants were asked to review the 93 ESRS sustainability topics listed in ESRS 1, Appendix A, AR 16. For each listed topic the participants were asked to answer yes (1) or no (0) for four questions in respect to Swisspearl and its value chain:

- Do they identify the topic as actual negative impact
- Do they identify the topic as actual positive impact
- Do they identify the topic as potential negative impact (in other words risks)
- Do they identify the topic as potential positive impact (in other words opportunities)

In case they answered yes to any of the above categories, they were asked to submit a comment and name the impacts, risks, and opportunities related to that topic.

Furthermore, after each section, structured according to the ESRS standards, the participants were asked to list potential additional sustainability topics that they did not find, but considered material for Swisspearl and its value chain. One topic was proposed: Remote work. This was included in the impact assessment.

After the Identification round, the most important topics from each ESRS category were selected for the materiality assessment for a closer review of the impact and likelihood.

Selection of the ESRS topics was based on the aggregate score of combined criteria using three dimensions out of four:

- actual negative impact
- potential negative impact
- potential positive impact

The decision to leave one dimension out was grounded on the qualitative analysis of the participants' comments, which indicated more substantial contributions concerning the three other dimensions. Aggregate scores were calculated as a sum of the average values of the three abovementioned criteria.

After applying the primary threshold level for determining the topics, a qualitative review of the results (comments, category results) was carried out, which introduced a few changes. It was decided that to ensure a balanced approach, the highest rating topics (aggregate score) from each category is aimed to be included. However, after the review, one category was completely excluded based on the significantly lower scores (affected communities).

Qualitative comments from the identification sequence were summarised by using AI and a quality check by a human to be included as descriptions of topics in materiality assessments.

#### **Assessment of material impacts methodology**

The assessment of material impacts included the following process steps:

1. Data collection
2. Graphical interpretation of the results
3. Qualitative assessment of the results
4. Decision-making on the material topics

In the impact materiality assessment, participants were asked to assess the identified ESRS topics (consolidated with their own comments from the previous round) to assess the magnitude of impacts and their likelihood.

For each ESRS topic, the following criteria were applied in the materiality assessment:

- Scale of risks/negative impact
- Scope of risks/negative impact
- Irremediable character of risk/negative impact
- Likelihood of risks
- Scale of opportunities/positive impact
- Scope of opportunities/positive impact
- Likelihood of opportunities

A topic is considered material and will move to the reporting stage if the aggregate score is higher than the selected threshold regarding one or the other of the following criteria for negative or positive influence.

- 1.1 Negative impact
- 1.2 Risk score ((scale + scope + irremediable character + probability)/4)

#### **2.1 Positive impact**

#### **2.2 Opportunity score (Scale + Scope + probability)/3)**

Selected threshold is higher than 3 and higher than moderate.

A qualitative assessment was also conducted. Based on that, secure employment for workers in the value chain was left out.

The results of impact materiality were then aggregated to the level of the ESRS standard topics. The aggregation was done by first summing up within each standard the average score of each sub-topic in each of the following components; negative and positive impact, risk and opportunity. These sums were then divided by the total number of sub-topics within each standard. The impact of the number of topics in the standards was thus equalised. This made the scores represent the comparable importance of the standard topic.

#### **Assessment of financial effects methodology**

The assessment of financial materiality included the same 43 topics as material impacts assessment. The following process steps were carried out:

1. Data collection
2. Graphical interpretation of the results
3. Qualitative assessment
4. Decision-making on the material topics



Participants were asked to assess financial impacts, risks and opportunities as a combination of the likelihood of occurrence and the magnitude of the financial effects with the following criteria, where each had a 5-level qualitative scoring:

- Financial impact negative
- Likelihood of negative financial impact
- Financial impact positive
- Likelihood of potential positive impacts

The applied threshold for financial materiality was defined with the aim of highlighting such topics that have material influence on Swisspearl's development, financial position, financial performance, cash flows, access to finance, or cost of capital over the short, medium, or long term. As an outcome, the following threshold was used:

- Substantial/moderate financial negative effect (higher than 3) that is also more likely than not (higher than 3) (on a scale from 1 to 5)
- Substantial/moderate financial positive effect (higher than 3) that is also more likely than not (higher than 3) (on a scale from 1 to 5)



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