

SWISSPEARL

Swisspearl Norge AS Account for Transparency Act



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1. Swisspearl in brief

Swisspearl Group (“Swisspearl”) is a leading manufacturer of fibre-cement products for building applications. The group is headquartered in Niederurnen, Switzerland. The group companies are owned by Swisspearl Group AG.

At the end of 2022 Swisspearl had 2477 employees. Swisspearl Norge AS, formerly Cembrit AS, is part of Swisspearl and conducts sales for the Norwegian market. The headcount of Swisspearl Norge AS was 25,5 employees at the end of 2022.

Swisspearl is run by a functional organization structure, operationally led by the executive management. The functions are structured into sales, value chain and support functions. Furthermore, each legal entity in Swisspearl has a local leader, responsible for running the local operations.

Swisspearl Norge AS is located in sales function, in the Nordic sales region and managed by the local Managing Director, according to the directions from the Executive Director for the Nordics sales region.

Swisspearl operates nine modern factories located in seven countries – Austria, Czechia, Finland, Hungary, Poland, Switzerland and Slovenia. In these factories we produce our roofing, façade, build and indoor and garden products. In addition, to complete the portfolio Swisspearl buys and resells construction products from other manufacturers, e.g. fixing systems. Swisspearl’s main markets are in Europe. Our customer service and technical support activities for sales are decentralised to each of our national markets. Figure 1 describes the Swisspearl value chain.

Swisspearl value chain



Figure 1. Swisspearl value chain.

2. Status of affairs in Swisspearl

2.1 Cembrit sales process

During the first half of 2022 Cembrit Holding, including Cembrit AS, was in company sales process as the former owner Solix was aiming exit. In June 2022 Cembrit was sold to Swisspearl. Therefore, during 2022 and 2023 the company sales and integration process into Swisspearl have been a high priority also in Swisspearl Norge AS.

2.2 Integration to Swisspearl

Swisspearl has established functional organization, where Swisspearl Norge AS belongs to the Nordic Sales Region. In respect to human rights and decent working conditions Swisspearl Norge AS follows the local laws and regulations. In addition to legal compliance, corporate conduct and business ethics are utmost important in Swisspearl. In order to form a common culture throughout the company Swisspearl Norge AS is bound, in corporate conduct and business ethics, to follow the corporate codes, policies and guidelines.

2.3 Due diligence logic in Swisspearl

During the integration Swisspearl has designed the operative due diligence model, figure 2. This model approaches due diligence from two perspectives; Own operations and supply chain. Swisspearl has designed the model based on OECD guidance, figure 3.

The due diligence of own operations is integrated to the daily work of the organization. Depending on the local laws and regulations, national deviations in respect to compliance requirements may exist.

The due diligence of the supply chain is conducted centrally by the Sourcing Department, supported by Group Sustainability, focusing on the entire supplier base of the company, and conducting the process steps according to a prioritized effort.

The designed due diligence logic allows a consistent approach on both own operations and supply chain. Furthermore, it clearly splits the efforts according to group internal and external due diligence target groups. This provides opportunities to develop uniformity in due diligence approaches especially towards the external target groups.



Figure 2. Operative due diligence model of Swisspearl.

The due diligence model presented above has been taken as the goal when building the due diligence model for the new company. However, in reference to the chapter 4, the due diligence regulation is currently evolving nationally and regionally within the European

Union and therefore further development of the current design can be expected to take place in the coming years.

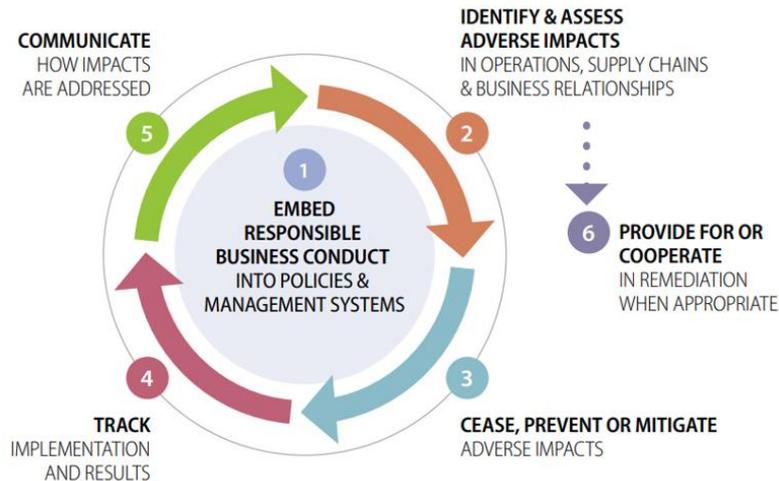


Figure 3. OECD guidance on due diligence. OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct

3. Account for due diligence 2022

In general sustainability risks involved in Swisspearl’s business are mainly related to industrial manufacturing, safety, the global supply chain and regulations. Further elaboration of the company sustainability risks can be found from the annual sustainability report, www.swisspearl.com/sustainability-report-2022.

This due diligence account explains efforts in Swisspearl in 2022 to deliver improvements in building transparency regarding the production of goods and the provision of services, especially in respect fundamental human rights and decent working conditions as defined in the Transparency Act, Åpenhetsloven in Norway and concerning Swisspearl Norge AS.

3.1 Due diligence methodology overview

In reference to figure 2, Swisspearl Norge AS due diligence methods and alignment with the Swisspearl Group are described in the table 1. Since Swisspearl Norge AS is part of Swisspearl Group, the supply chain due diligence is conducted centrally by group sourcing function.

Table 1. The due diligence methods in use for Swisspearl Norge AS

Target of due diligence	Methodology
Swisspearl Norge AS	Own operations
Swisspearl factories supplying Swisspearl Norge AS	Own operations
Raw material suppliers supplying Swisspearl factories	Supply chain
Product suppliers supplying Swisspearl Norge AS	Supply chain

3.2 Due diligence of own operations in Norway

Due diligence of own operations is based on principles, procedures and practices embedded to the daily work in the organization of Swisspearl Norge AS and governed by the managerial responsibilities according to the local legislation.

3.2.1 Own operations human rights risk assessment

General human rights and child labour country risk in Swisspearl

General human rights country risk assessment for own operations is conducted by analysing the human rights and child labour scores for the countries where Swisspearl has legal entities from the information available in the following sources:

- Human rights, 2022 [Human Rights - Our World in Data](#)
- Child labour/Children's Rights in the Workplace Index [Workplace \(childrensrightsatlas.org\)](#)

The outcome of the analysis is that human rights risk is very low or low in all countries where Swisspearl has legal entities. In child labour all countries are on low risk level.

Human rights risk assessment for Swisspearl Norge AS

Swisspearl has conducted a human rights risk assessment and identified the main topics of impact and risk. In order to conduct the assessment Swisspearl constructed a long list of human rights topics by using the following sources of information:

- Draft European Sustainability Reporting Standards ESRS S1 Own workforce
- The International Covenant on Civil and Political Rights (ICCPR)
- The International Covenant on Economic Social and Cultural Rights (ICESCR)
- Key commitments ILO Declaration on Fundamental Principles and Rights at Work

Swisspearl assessed from the long list the topics where company was found to have an impact. For the impact topics grouping was conducted to identify the aggregated main topics. The outcome of the assessment can be seen in table 2. Table 2 also describes for each main topic the procedures and practices that are integrated to our operations to manage adverse impacts, monitor our performance and provide access to remedy.

Table 2. Swisspearl human rights risks and system for own operations

Topic	Business conduct	Equal treatment and opportunities for all	Health & Safety	Working conditions
Means to manage				
Swisspearl values	x	x	x	x
Code of Conduct	x	x		x
Human Rights Policy		x		
Daily management	x	x	x	x
Legal compliance	x	x	x	x
Individual and team training programs		x		
Safety responsibilities			x	
Health and safety systems			x	
Contracts			x	x
Work planning and management				x
Monitoring performance				
Daily management	x	x	x	x
Appraisals	x	x	x	x
Exit interviews	x	x	x	x
Health and safety reporting			x	
Safety risk assessments			x	
Union contacts				x
Human resources data and metrics		x		x
Access to remedy				
Own manager and/or HR	x	x	x	x
Grievance procedures	x	x	x	x
Whistleblowing system	x	x	x	x

3.2.2 Governance

Cembrit had codes and policies in place. Since the acquisition Swisspearl has worked on the formulation of the following key codes and policies concerning the human rights in own operations:

- Group Code of Conduct
- Group Human Rights Policy
- Group Whistleblowing Policy

The above codes and policies for the entire Swisspearl Group have been approved by the Swisspearl Board of Directors on 15th May 2023. It is notable that in the whistleblower policy, the scope is wider than that required by the EU Whistleblowing Directive. We have included our own 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. The whistleblowing system and the Whistleblowing Policy can be found via our global website, www.swisspearl.com/company/whistleblowing.

3.2.3 Safety

Swisspearl is subject to local laws and regulations governing safety matters and strives to ensure compliance in all entities.

Swisspearl Norge AS is a sales entity. This means office work and for some employees travelling to meet customers as well as visits to our manufacturing entities. The Norwegian entity has also a warehouse to store products.

In respect to the office the safety risks are on normal level. The office is in good condition, relatively recently renovated and furniture adjustable for ergonomics. The office has rooms for meetings as well as separated space for lunch. All in all office conditions for work are good.

Main physical safety risks are in warehouse operations. However, the employees there are well trained and according to the Swisspearl safety reporting there were no lost time injuries in Swisspearl Norge AS during 2022. In case lost time injury would take place, it would be investigated in Swisspearl Norge AS by Swisspearl safety investigation tools to find causes and corrective actions.

Swisspearl Group is an industrial manufacturer. In such organisations, especially manufacturing operations entail safety risks. To mitigate safety risks we work systematically and meticulously with a full range of safety subjects and procedures. In all our factories we have safety monitoring and continuous improvement practices in place. In addition, the majority of our factories are ISO 45001 certified.

Since the acquisition of Cembrit by Swisspearl, focus has been in building harmonized safety baseline. This has included during 2022 integration of safety data and start common safety reporting. The safety reporting includes all entities, also Swisspearl Norge AS.

3.2.4 Individual work relationship

The following list provides an overview of the key mechanisms in place for the work relationship with Swisspearl Norge AS:

- All employments are based on the right of self-determination of the employee for whether or not to pursue professional development and goals with Swisspearl.
- Foundation of work relationships are for all employees a written employment agreement in a language that they understand.
- The employment agreements are based on the applicable local laws, regulations and agreements. Furthermore, all entities maintain a personnel file on every employee.
- Working hours, holidays and notice time are referred to in the employment contract.
- There are no dormitories in any of Swisspearl entities.
- As part of introduction of new employees, we introduce the Code of Conduct.

3.2.5 Collective work relationship

Swisspearl Norge AS respects the freedom of association as applicable according to the local jurisdiction. In principle:

- Respect the right to freely associate, form or join organisations and to bargain collectively in accordance with recognized international standards, local laws and regulations.
- Also recognize the right of our employees to refrain from collective bargaining.

3.2.6 Forced and child labour

In respect to the forced and child labour Swisspearl Norge AS follows the principles:

- In our recruitment process, we ensure that staff are legally entitled to work in Norway. When using external recruitment partners, we expect them to ensure the legal entitlement of candidates.
- Legal minimum ages, types and times of work and requirements for protective restrictions on young workers are followed.
- The employees are not under any bond, debt, or other obligation to Swisspearl and their IDs and/or passports are not withheld by the company.
- The employees are free to resign from their employment at any time without penalty and according to the agreed notice period.

3.2.7 Discrimination

At Swisspearl Norge AS, we value all people as unique individuals. We want a working environment based on respect and mutual trust. We have zero-tolerance for all kinds of discrimination. Our Human Rights Policy provides the following guidance:

- Treat your colleagues equally, with dignity and respect and build trust regardless of race, colour, religion, political conviction, gender, age, national origin, sexual orientation, marital status or disability, or any other characteristic protected by national or local laws.
- Do not tolerate discriminatory treatment of any kind, nor towards job applicants or business partners, be it direct or indirect, physical or psychological, verbal or non-verbal.

3.2.8 Access for remedy

Swisspearl Norge AS encourages the following means for access to remedy:

- Contacting own manager or HR
- Having grievance procedures in place
- Use of the company whistleblowing system

3.3 Supply chain due diligence

Supply chain due diligence is based on prioritized risk management process, including supportive tools. Swisspearl is in process of building and rolling out the ESG risk management process and tools.

3.3.1 Pre-screening

When a new supplier is considered and found potential, pre-screening is conducted. Pre-screening includes finding out basic information about the company from the internet. Search is done by using with company name for example the following words: lawsuits, sanction, human rights, child labour, pollution, corruption, bribery, fraud, experience, chemicals and waste.

Results of the search are used when considering the potential business relationship with the supplier and also documented to the folder of the supplier. Later the pre-screening results are used in the on-site audit preparation, in case such audit will be conducted.

3.3.2 Country and industry risks assessment

Country and industry risk assessments are part of the supplier evaluation.

Country risk assessment includes assessment of the following factors/sources:

- Air Pollution/Our World In Data
- Human Rights Protection/Our World In Data
- Child labour/Children's Rights in the Workplace Index
- Corruption/ Corruption Perceptions Index
- Baseline water stress/ World Resources Institute

The above factors are evaluated into the following categories:

- High
- Elevated
- Medium
- Low

This evaluation delivers a prioritized country risk portfolio.

During 2022 and first half of 2023 Swisspearl has integrated purchase data for both Swisspearl and Cembrit and prepared a country risk overview for the entire spend for all materials and transports.

The spend delivers the financial substance and prioritization into the country risk portfolio and further allows financial ranking of suppliers in high risk countries.

For assessing industry risk Swisspearl uses the S&P ESG Sector Risk Atlas.

Results of country and industry risk assessment are used in when considering the potential business relationship with the supplier. Later the risk profiles are used in the on-site audit preparation, in case such audit will be conducted.

3.3.3. Supplier code of conduct

In case Swisspearl proceeds to business relationship with a supplier, supplier code of conduct will be part of the supplier contract. Swisspearl Board of Directors has approved for Swisspearl Group a Supplier Code of Conduct on 15th May 2023.

The Supplier Code of Conduct provides the foundation for our continuous engagement with business partners and dialogue in good faith on their ethical, social and environmental performance. Business partners are responsible for ensuring compliance with the Supplier Code of Conduct. This Supplier Code of Conduct is an integral part of our relationships and part of all contracts with business partners.

The first focus in the Supplier Code of Conduct roll-out will be those suppliers having formal supply contracts with Swisspearl. Furthermore, Swisspearl plans to add the Supplier Code of Conduct available to all suppliers on the web site, in order to refer to it in supplier relationships.

3.3.4 Commitment on UN Global Compact

The Ten Principles of the UN Global Compact offers a good framework for businesses upholding their basic responsibilities to people and planet and also set a stage for long-term improvements and success.

Swisspearl follows top suppliers in spend that agree to observe UNGC Principle 1-10. It is followed as a share that is calculated based on the purchase value of agreeing suppliers from the total purchase value of asked suppliers. The share of agreeing top 100 suppliers of Swisspearl is 95,1 %. Top 100 suppliers represent 85 % of total purchase value of Swisspearl.

3.3.5 Self-assessment questionnaire

Self-assessment questionnaire is conducted to the high risk category suppliers. Current questionnaire assess supplier status on environmental, social and governance matters through 173 questions. Swisspearl has used the guidance of Ceres in building the questionnaire.

Supplier answers provide a summary report highlighting potential risk positions. In case risk positions are found, Swisspearl engages with the supplier into detailed discussion and understanding the status of affairs. These discussions may, based on the investigation outcomes, lead to agreement of corrective actions that are the followed through.

Information gathered in self-assessment phase is documented and used in the on-site audit preparation, in case such audit will be conducted.

During 2022 Swisspearl has tested the self-assessment questionnaire on four suppliers. Next steps, is to prepare a high ESG risk suppliers into different spend groups and request a supplier self-assessment by starting from the highest spend group.

3.3.6 On-site audit

After the self-assessment questionnaire Swisspearl considers the need for an on-site audit. In case it is decided to proceed with the audit, Swisspearl has developed an on-site procedure based on the UN Global Compact Principles, focused on the what business can do section under each principle.

On-site audit procedure starts by summarising the previous ESG intelligence to the audit preparation sheet. Conclusion of the preparation is a list of attention points. The audit itself includes a set of 128 questions across all the 10 principles. Furthermore, the audit includes a site walk-through.

During 2022 and beginning of 2023 Swisspearl has developed the on-site audit procedure and tested it with two suppliers. One of the tests were conducted by own personnel and one by external, industry specialist. Plan is to consider next on-site audits when results from first set of self-assessment questionnaire are available and justify together with further exchange with the supplier the need for an on-site audit.

3.3.7 Assessment of human rights risk in relation to raw materials and products

Our country risk assessment has identified countries with potential high human rights risk. We have conducted further due diligence risk assessment for each of the companies from where we purchase in those countries.

For the companies in the identified countries we have conducted pre-screening and in some cases further exchange in order to understand more in depth their stand on human rights. Furthermore, we have checked whether they are signatory members in the UN Global Compact. In case suppliers in these countries have not been signatory members, but within the top 100 suppliers, they have received our follow-up on their agreement to observe UNGC Principle 1-10.

It is notable that for companies the workers' rights and interests are a relevant angle of view. From this perspective, none of the companies supplying to Swisspearl are mentioned in on the 2022 International Trade Confederation listing of companies that have violated workers' rights, are linked to a violation of workers' rights, or failed to use their leverage to address workers' rights violations.

In addition to the above mentioned activities, we have conducted supplier self-assessment questionnaire to 36 % and on-site audit for 18 % of the companies located in countries identified with potential high human rights risk.

As an outcome we Swisspearl has not identified signs of such adverse impacts on human rights that would require improvement actions to be set up with the suppliers in countries with potentially high human rights risk.

4. Overview of future activities

The key focus for Swisspearl going forward in 2023 and 2024 is to further enhance the due diligence model and methods. The main drivers for this work will be EU Corporate Sustainability Due Diligence Directive and related EU Corporate Sustainability Reporting Directive. Preparation and implementation will be a significant effort for Swisspearl as they concern several of Swisspearl's EU-based entities. Preparation and implementation of the regulation will be highly prioritized and seen to provide a valuable contribution to Swisspearl's due diligence methodology and reporting.

5. Sign off

This account of due diligence, pursuant to Section 4 in Transparency Act, describes the response of Swisspearl Norge AS on the duty to carry out due diligence.

This account has been approved by the Swisspearl Norge AS Board of Directors on 19th June 2023.



Aleksander Horvat
Member in Board of Directors
Swisspearl Norge AS



Morten Sorensen
Member in Board of Directors
Swisspearl Norge AS