Sustainability Report
2021
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Letter from the CEO

2021 was an eventful year for Cembrit. As well as delivering improved sales and EBITDA, we reviewed our long-term direction on sustainability. We also continued our work across the spectrum of sustainability: environmental, social and governance (ESG).

Sustainability direction
During 2021 and in the first quarter of 2022, Cembrit’s management conducted an evaluation of Cembrit’s sustainability direction. The outcome was distilled into four sustainability pillars:
- Environmental protection and green energy
- From waste to asset
- Social responsibility and engagement
- Governance

These four pillars represent Cembrit’s efforts to contribute to a better climate, while making an ecological and social impact. In each pillar we have set clear targets to 2030, Scope 3 extending to 2040. Later in this report, we will elaborate our direction in more detail.

Sustainability review of 2021
Environment: In 2021 we mainly worked on optimizing our product portfolio towards more CO₂ friendly products as well as optimising production to emit less CO₂ per produced unit. The most impactful sustainability achievement in 2021 was procuring renewable for electricity to our factories. As a result, the electricity used in our factories in 2021 has a carbon footprint of zero. We will continue procuring green electricity in the coming years. Furthermore, we worked on improving manufacturing efficiencies in our factories.

Social: 2021 continued to be severely impacted by the COVID-19 pandemic. All our entities implemented effective safety precautions during the year and, overall, Cembrit has coped well during the pandemic. However, the lost-time injury frequency rate in 2021 was clearly higher than in 2020. On the other hand, the lost-time injury severity rate only saw a slight increase, since the injuries in 2021 caused less lost days compared to 2020. We increased the focus and updated some of our procedures in 2021 due to increased number of lost-time injuries. Currently our lost time injury frequency rate for 2022 is clearly lower compared to 2021. Very sadly, a fatal accident occurred in February 2022 in our factory in Beroun. The incident investigation by the authorities is in progress at the moment.

Governance: In June 2021, we established a sustainability function in our organisation to further strengthen our focus on sustainability matters. In addition to reviewing our sustainability direction including a decision to commit to Science Based Targets, we also launched a whistleblowing system and policy. Moreover, we moved to reporting our greenhouse gas emissions in Scope 1, 2 and 3, renewed the reporting of our ESG metrics and defined our accounting principles.

To conclude, 2021 was very eventful across Cembrit, especially within sustainability, where we intensified and reshaped our approach, so that we now have a clearer sustainability direction for the future.

Jørn Mørkeberg Nielsen,
President & CEO
8th of June 2022
Sustainability at Cembrit

For Cembrit sustainability is preservation of resources in long-term. It covers environmental, social and governance (ESG) aspects throughout the value chain.

How we define sustainability
For Cembrit, sustainability means our ability to respond to short-term needs without compromising the ability of future generations to meet their long-term needs. In other words, we factor the preservation of resources for future generations into our decision-making.

For us, this includes environmental, social and governance (ESG) aspects at Cembrit and throughout our value chain.

Business model
Cembrit is a leading manufacturer of fibre-cement products for building applications. Cembrit’s main markets are in Europe. In addition, Cembrit buys and resells construction products as part of our business. The Group is headquartered in Denmark, where our administration and most of our corporate functions are centralised. Our customer service and technical support activities for sales are decentralised to each of our national markets.

Cembrit operates five modern factories located in four countries – Poland, Hungary, Finland and Czechia – with each factory specialising in producing one of our product categories. Sustainability risks involved in Cembrit’s own operations are mainly related to industrial manufacturing, safety, the global supply chain and regulations.

Cembrit’s values
The foundation for business integrity at Cembrit is based on two components in particular: Cembrit’s values and Cembrit’s Code of Conduct.

Our Code of Conduct includes a set of principles outlining how we conduct business in a responsible and ethical way throughout the Cembrit Group. We refer to our Code of Conduct in several parts of this report.

Our values provide the behavioural basis for how we conduct our business and also provide inspiration for the direction of our sustainability efforts. We have 6 values in Cembrit supported by supplementary reflections. We present them next.

Cembrit's value chain

![Cembrit's value chain diagram](image-url)
The Cembrit values

WE ARE CUSTOMER-ORIENTED
Our customers are at the core of our business. Their continued preference for Cembrit products is what drives us ahead.

We strive to go the extra mile to understand their concerns, and we organise Cembrit – from product development to sales support – to make life easier for them.

We take pride in our deep technical knowledge and share it with those interacting with our products.

WE ARE DRIVEN BY A SUSTAINABLE AGENDA
Buildings last for many years, and we acknowledge the responsibility that comes with delivering building materials.

We strive to include a sustainability perspective in all processes and proudly innovate to make our products even more environmentally friendly.

We build sustainable relationships with customers, with each other and with the communities around us.

WE ARE PROACTIVE AND SET AMBITIOUS GOALS
We value proactivity and encourage colleagues to take responsibility and act on changes. Mistakes are okay, and we learn from them to reach our goals.

We want to develop as people and as a business, and we realise that this requires us to take the initiative and move outside our comfort zone.

We believe Cembrit can make a difference in the transition towards a more sustainable building industry. With both courage and humility, we lean forward to make an impact.

WE ARE TRUSTWORTHY, AND DO WHAT WE SAY
At Cembrit, we do what we say.

This stems from a long tradition of engineering and delivering quality materials.

Like the longevity of our products, we can be trusted in the long term. We communicate clearly to ensure mutual understanding when entering into agreements.

And we back our reasoning with data to facilitate the best collaborations and decisions.

WE TREAT EVERYONE WITH RESPECT AND INTEGRITY
We believe the best businesses are built on respectful behaviour.

This starts with respecting our colleagues and the differences between us.

But it also extends to our deep respect for the architects, craftsmen and contractors that envision and create attractive buildings with our products.

We want this professional respect to be mutual.

It is on this basis that we engage with customers, colleagues, suppliers and partners.

WE ARE INFORMAL AND STRAIGHTFORWARD
We thrive with opposing views and believe that everyone – no matter the rank or background – can contribute with important insights.

If the best argument wins, everyone wins, and we encourage everyone to partake in discussions.

We take customers and colleagues seriously without being pretentious, and we believe that it might even be possible to have fun at the same time.
Risk considerations
The main environmental risk is the accidental discharge of wastewater from factory processes. However, Cembrit’s water consumption is fairly moderate and, consequently, wastewater volumes are relatively low. Most of the wastewater from Cembrit factories is discharged to municipal wastewater-cleaning facilities. Furthermore, our own wastewater treatment and purification processes are subject to systematic operational controls.

To mitigate environmental risks and ensure continuous improvement, Cembrit’s manufacturing entities are ISO-certified for environmental management, with related policies, systematic monitoring and continuous improvement practices. Furthermore, Cembrit is subject to local laws and regulations governing environmental matters. Cembrit strives to ensure compliance with all relevant environmental regulations.

Cembrit consumes energy, and that has greenhouse gas implications. Our factories are the major contributors, and the focus is on addressing and replacing the use of fossil energy with alternative renewable resources. Furthermore, greenhouse gas emissions from electricity are already zero for 2021, and Cembrit will procure green electricity in the coming years.

Risks related to other air emissions from our own manufacturing operations are low since Cembrit’s 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.

Cembrit uses raw materials, particularly cement, that have a rather high carbon footprint. Cembrit focuses on research and development and supplier collaboration to find alternative cement types and other raw materials with a smaller CO₂ footprint. Cembrit’s cement suppliers are highly committed to decarbonisation.

Cembrit is an industrial manufacturer. In such organisations, manufacturing operations specifically also entail safety risks. To mitigate these risks and ensure continuous improvement, Cembrit’s manufacturing entities are ISO-certified for employee health and safety, with related policies, systematic monitoring and continuous improvement practices being introduced at our locations. Furthermore, Cembrit is subject to laws and regulations governing employee health and safety-related matters. Cembrit strives to ensure compliance with all relevant employee health and safety-related regulations.

Some of the raw materials used by Cembrit 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. However, these suppliers are committed to observing the Ten Principles of the UN Global Compact. Other important tools for Cembrit to mitigate such risks include further integration of ESG considerations into the supply chain, having updated codes and policies and ongoing work to manage our own ESG agenda.

Cembrit’s business is subject to EU and national regulations. Cembrit has codes and policies in place that aim to ensure regulatory compliance. Cembrit has not been subject to any penalties or other sanctions due to non-compliance.

Cembrit is focused, along with relevant stakeholders across the value chain, on developing positive environmental, climate and social impacts, governance of our business and mitigation of sustainability risks.
Cembrit 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. They were also created for businesses to find areas to work towards within the global sustainability objectives.

Cembrit conducted evaluation of the SDGs and identified relevant SDGs that Cembrit can influence and support with our operations and throughout the value chain. Furthermore, the Goals were categorised according to an estimated level of impact. The main impact category includes SDGs where Cembrit has the opportunity to deliver the largest overall impact in its’ value chain. The medium-impact category includes SDGs where Cembrit’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 Cembrit still has a meaningful, but clearly more limited, impact.

The main impact category includes SDGs where Cembrit can contribute the most. These impacts are related to climate action and sustainable production patterns. The medium-impact category includes SDGs where Cembrit can contribute specific activity and still deliver considerable impacts. These are related to water management, promoting decent work for all, supporting waste reduction in cities and gender diversity. The limited-impact category includes SDGs where Cembrit still has a meaningful, but restricted, impact. These impacts are related to advancing healthy living through efforts to reduce hazardous chemicals and support sustainably managed forests.

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

Main-impact SDGs
As a manufacturing company, Cembrit 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, Cembrit is 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 CO₂ emissions. In addition, with key stakeholders, Cembrit innovates and develops raw material and product recipe combinations leading to CO₂ reductions.

Medium-impact SDGs
Water plays an essential role in Cembrit’s manufacturing processes. Cembrit continuously seeks ways to improve the efficiency of our water usage. Furthermore, Cembrit conducts sustainable management of water through effective controls and procedures for wastewater treatment processes. Equal opportunities for all employees are important to Cembrit. Cembrit does not tolerate any kind of discrimination.

Limited-impact SDGs
Cembrit supports 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 Cembrit uses is FSC-certified. Ensuring chain of custody is how Cembrit supports the sustainable management of forests and combats deforestation.

Figure 2 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”.

Furthermore, Cembrit supports decent work by committing to compliance with labour laws and advocating against forced labour, modern slavery and human trafficking. In addition, Cembrit conducts continuous safety improvement and promotes safety, for example by organising annual safety weeks in factories. Cembrit also works to further integrate ESG considerations in its supply chain. Cembrit supports waste reduction in cities by seeking ways to reduce construction site waste and explore circularity solutions for fibre-cement waste from demolition sites.
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<td><strong>Main</strong></td>
<td>7</td>
<td>Ensure access to affordable, reliable, sustainable and modern energy for all</td>
<td>7.2.1, 7.3.1</td>
<td>Efforts to increase share of renewable energy. Efforts and systems supporting continuous energy efficiency improvement.</td>
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<td></td>
<td>9</td>
<td>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</td>
<td>9.4.1, 9.5.1</td>
<td>Technological upgrades of factory processes to reduce CO2 emissions per ton. Increases in share of research expenditure aiming to reduce CO2 emissions.</td>
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<td>12</td>
<td>Ensure sustainable consumption and production patterns</td>
<td>12.2.1, 12.4.2, 12.5.1, 12.6.1</td>
<td>Efforts and systems supporting efficient use of natural resources. Effectiveness of chemical and chemical waste management. Publication of sustainability report.</td>
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<tr>
<td></td>
<td>13</td>
<td>Take urgent action to combat climate change and its impacts</td>
<td>13.2.2</td>
<td>Technological upgrades of factory processes to reduce total CO2 emissions. Innovation, raw material and recipe development and supplier collaboration to reduce CO2 emissions.</td>
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<td><strong>Medium</strong></td>
<td>5</td>
<td>Achieve gender equality and empower all women and girls</td>
<td>5.1.1</td>
<td>Targets and actions to increase share of women in management positions. Diversity included in codes and policies.</td>
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<td></td>
<td>6</td>
<td>Ensure availability and sustainable management of water and sanitation for all</td>
<td>6.3.1, 6.4.2</td>
<td>Effectiveness of controls and procedures for wastewater treatment processes. Efforts and systems supporting improvements in efficiency of use of water.</td>
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<td></td>
<td>8</td>
<td>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td>
<td>8.4.1, 8.5.1, 8.7.1, 8.8.1</td>
<td>Efforts and systems supporting continuous safety improvement. Integration of ESG considerations, procedures and practices in supply chain. Labour rights and child labour included in codes and policies.</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Make cities and human settlements inclusive, safe, resilient and sustainable</td>
<td>11.6.1</td>
<td>Seeking ways to reduce construction site waste and explore circularity solutions for fibre-cement waste from demolition sites. Effectiveness of controls and procedures for emissions of fine particulate matter.</td>
</tr>
<tr>
<td><strong>Limited</strong></td>
<td>3</td>
<td>Ensure healthy lives and promote well-being for all at all ages</td>
<td>3.9.3</td>
<td>Minimisation of use of hazardous chemicals. Effectiveness of chemical safety procedures and risk assessments.</td>
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<td>15</td>
<td>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</td>
<td>15.2.1</td>
<td>Procurement of forest products having certified chain of custody, e.g., FSC or PEFC certification.</td>
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Figure 2. Cembrit and the UN Sustainable Development Goals.
Sustainability direction

With Cembrit’s management, we have conducted a strategic evaluation of the sustainability direction. The new direction guides our sustainability journey and includes specific targets to be achieved by 2030 and further to 2040.

The outcome of the strategic evaluation was narrowed down to four overall sustainability pillars. Under each of these pillars we have defined clear sustainability statements and set ourselves specific targets to be achieved by 2030:

- **ENVIRONMENTAL PROTECTION AND GREEN ENERGY**
- **FROM WASTE TO ASSET**
- **SOCIAL RESPONSIBILITY AND ENGAGEMENT**
- **GOVERNANCE**

These four pillars represent Cembrit’s efforts in terms of creating a positive climate, ecological and social impact.

**ENVIRONMENTAL PROTECTION AND GREEN ENERGY**
- We have Scope 1 & 2 carbon neutral by 2030
- We work towards Scope 3 carbon neutrality by 2040
- We have Zero landfill waste from factories by 2030
- We work towards not having wastewater from factories by 2030
- We do not use drinking water in production processes by 2030
- We aim to minimize the use of chemicals

**WASTE TO ASSET**
- We explore ways to create value from fibre cement waste and end of life products

**SOCIAL RESPONSIBILITY AND ENGAGEMENT**
- We ensure the safety of all Cembrit employees
- We have attractive workplace
- We embrace diversity and actively remove barriers
- We act responsibly where we operate

**GOVERNANCE**
- We govern climate action by Science Based Targets
- We will further embed Cembrit values, codes, policies and safety rules into the organization
Waste is generated at various stages of the product life cycle for fibre-cement products. As part of our sustainability efforts, we will study the waste produced and explore new ways to create value out of fibre-cement waste, from production to construction sites, as well as at disassembly sites.

Through this goal, we are diving into the circular economy concept by creating value out of waste and applying it back to society. To create an impact on this track, we have concluded that the best way forward will be to ensure circularity in product design, 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 other subsidiary products.

ENVIRONMENTAL PROTECTION AND GREEN ENERGY

We reinforce our efforts to achieve carbon neutrality in our factory processes by 2030. This corresponds to Scope 1 and Scope 2. The focus is on addressing and replacing the use of fossil energy with alternative renewable resources. In addition, we will take on board Scope 3. Our aim is for a 50% reduction in the specific Scope 3 emissions, tons CO$_2$/tons of products, by 2030. We will further expand our efforts to make our entire value chain carbon-neutral by 2040. In Scope 3, the main sources of emissions are purchased materials and transport.

To achieve carbon neutrality in Scope 3, our suppliers need to address their emission sources. However, it also requires us to conduct significant networking, and research and development in order to re-engineer several aspects of the way in which we manufacture our products today.

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 efforts to improve process efficiency and reduce waste as well as explore new ways to create value out of waste.

Some of our factory processes require very clean water. By using R&D resources and re-engineering the processes, we will address and, by 2030, stop the use of drinking water in our factory processes.

We estimate that, globally, the number of new chemicals will continue to grow in the coming years. We need to be cautious and ensure that we keep the use of hazardous chemicals in our production processes to a minimum. Specifically, delivering on this goal will require us to deploy evaluation systems and ensure supplier collaboration.
SOCIAL RESPONSIBILITY AND ENGAGEMENT
As part of our corporate social responsibility, we are focusing on ensuring the safety of all our employees. This includes Cembrit employees at production facilities and at corporate offices in all our locations. We will continue to improve the safety measures currently in place as well as introduce 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.

Today, Cembrit has employees in our entities in 14 countries. Added to this, Cembrit has sales agents in other countries. It is important for us that our employees and external stakeholders experience Cembrit 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. Furthermore, we will promote diversity by focusing on communication, recruitment and physical work space settings. All these efforts will contribute to making Cembrit an even greater place to work.

Besides providing employment in various locations, we are connected to the community in several other ways. It is very important for us to operate responsibly and meet environmental, social and cultural requirements in all the communities where we are located.

GOVERNANCE
The fourth goal we have identified is governance. Firstly, in order to govern our climate action, we will sign up to the Science Based Targets initiative (SBTi). This will provide us with a clearly defined path to reduce emissions in line with the goals 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.

Cembrit’s values, codes, policies and safety rules form a vital part of Cembrit’s governance and social responsibility system. The second focus area of governance aims to seek out practices that support embedding these fundamental elements into the organisation to an even greater extent.

To achieve this, we will need to revisit and ensure easy access and effective training and testing schemes, procedures and systems. We will also need to set KPIs for this area to track our performance.
Sustainability of our offerings

Cembrit products offer several environmental, social and economic benefits throughout their life cycle.

All Cembrit products are thin, strong products, utilizing cement in an effective way. Cembrit building products are durable and fire safe and designed to withstand climate conditions while at the same time offering an attractive aesthetic solution. They have an expected lifetime of 40–60 years, and therefore make a sustainable contribution to modern living.

Climate and circularity
To facilitate the work of installers on the construction site and minimise waste, Cembrit offers customised solutions for facade projects. Customisation means pre-cut boards, pre-drilled holes and packaging according to the work process and building section. Together, this enables optimal utilisation of materials, efficient use of resources and less material to transport.

According to the European Union’s Green Deal, the vast majority of Europe’s building stock does not meet modern energy efficiency standards. Cembrit products form part of structures ideal for energy efficiency renovations to existing buildings with inferior insulation. Fitting the external facade with thermal insulation and fibre cement not only provides a robust solution to drive down heating costs and improve living comfort, but also to improve the aesthetics of the building.

To realise our goal of reducing the environmental footprint of our products, we increased our R&D resources in 2021 and continue to do so in 2022. These new resources will focus on developing circularity for waste and our end-of-life products as well as alternative raw material and technology solutions to reduce carbon footprint.

Certified solutions
All Cembrit own produced products have Environmental Product Declarations (EPDs). In 2021, we continued developing our EPDs by introducing cradle-to-grave stages in our life cycle assessment model instead of the previous cradle-to-gate approach. As a result, we released new EPDs in 2021 for our Facade, Build and Indoor products. In 2022, we will continue this development by releasing cradle-to-grave EPDs for our Roofing products.

Cembrit Facade, Build and Indoor products are installed in buildings certified according to the DGNB, BREEAM and LEED sustainability schemes. Cembrit provides documentation regarding how our fibre-cement products contribute to the various criteria evaluated when certifying buildings under a specific scheme.

In 2021, we also completed the conversion of our two factories in Czechia from ISO 18001 to ISO 45001, and implemented ISO 45001 at our Hungarian factory. Today, all our factories are certified to ISO 9001, ISO 14001 and ISO 45001.
Operational sustainability

The most impactful achievement in 2021 was procuring renewable for electricity to our factories. This means that all the electricity utilised in our plants is from renewable sources, resulting for it a carbon footprint of zero.

Therefore, according to the market-based method, Cembrit achieved a reduction of 26,240 tons of CO2-equivalents. This means that 40% of the energy used in Cembrit factory locations was from renewable sources. We will continue procuring green electricity in the coming years.

Cembrit products are made from natural materials and are manufactured under environmentally friendly conditions. Deforestation leads to climate change and entails several other negative environmental impacts. Therefore, Cembrit uses FSC-certified cellulose fibre. FSC is a global and highly respected sustainable forest management scheme.

As a responsible company, we want to ensure that our suppliers and business partners also act in a responsible way when it comes to the climate and the environment. We had set a target for 2021 for 75% of our major raw material and transport providers, based on spend, to agree to observe Principles 7-9 of the UN Global Compact. The outcome achieved was 87.3%, far exceeding our target.

Efficiency improvement

To drive more efficient production and use of resources, Cembrit employs continuous improvement practices and transfers best practices across its factories. The focus areas are improving energy efficiency, waste reduction and water consumption.

Our energy efficiency work mainly focuses on utilising more energy-efficient technologies and optimising current processes, procedures and practices.

Furthermore, in order to reach our CO2 targets we drive also towards changing from the use of natural gas to green electricity.

Whenever possible, waste generated during production is recycled back into the process or, in some cases, in collaboration with a supplier into raw materials. If waste cannot be recycled, we sort it to ensure it is always treated appropriately.

During 2022 we run waste reduction projects in our factories as well as projects to increase waste recycling back to the process. Furthermore, we were also evaluating new technologies to seek further waste recycling opportunities in our plants. We continue our focus on waste reduction in 2022.

Our factories operate with moderate water consumption. All water utilised in production is, whenever possible, recycled several times. All water discharged from our factories is always treated for any harmful components before being
discharged. Furthermore, Cembrit uses water-based coatings and colour pigments that mainly contain inorganic iron oxides.

**Health & Safety**

In 2021, we continued to focus on protecting our people from COVID-19. These efforts paid off, and we successfully managed to limit the impacts of the pandemic on all our entities. This meant our business was able to continue without significant interruptions due to COVID, thereby maintaining the capacity to support our record-breaking sales.

With regard to safety, we achieved ISO 45001 certification for all production units in 2021.

In terms of safety, Cembrit has been following two main indicators, lost-time injury frequency rate (LTIFR) and lost-time injury severity rate (LTISR). The LTIFR is the number of injuries per 1 million working hours, and the LTISR is the number of days lost due to injuries per 1 million working hours.

We suffered more injuries in 2021 than in 2020, and so the LTIFR increased from 9.7 to 12.7. We saw a positive trend in our factories in Poland and Czechia (Beroun). The negative trend was mainly witnessed in our factory in Finland, where the number of incidents doubled compared with the year before. Several incidents at our factories were related to people’s movements within the factory premises.

The severity rate was similar to 2020, specifically 306 in 2021 vs 293 in 2020. Despite there being several incidents in Finland during 2021, the resulting periods of absence were fairly short. On the other hand, three injuries caused by slips, trips and falls resulted in periods of absence lasting several months.

Due to COVID precautions, we were not able to arrange regular safety weeks with larger internal/external training sessions for the second year in a row. Therefore, we again organised smaller-scale on-the-job training sessions, which we will continue doing for most of 2022, and restart the regular safety weeks with larger internal/external training sessions in autumn.

**Inclusivity**

Equal opportunities for all employees is important to Cembrit. As stated in Cembrit’s Code of Conduct, every employee is treated equally, with dignity and respect, regardless of race, colour, religion, political conviction, gender, age, national origin, sexual orientation, marital status, disability or any other characteristic protected by national or local laws. Therefore, Cembrit will not tolerate discriminatory treatment of any kind. In our recruitment and promotion, we will adhere to this and hire the most qualified candidates irrespective of their gender, race, age and cultural background.

Cembrit operates in an industry where men are over-represented, making it more difficult to ensure a balanced gender distribution. According to data from Eurostat, the share of women graduates in the EU at Master’s level or equivalent in engineering, manufacturing and construction was 34.3% in 2019. The corresponding share at Bachelor’s level or equivalent was 28.4%.

When recruiting candidates for Board positions, Cembrit will require there to be at least one candidate of the under-represented gender. Cembrit’s Board of Directors did not see any changes in 2021, so the target of having at least one shareholder-elected woman member of the Board of Directors by the end of 2021 could not be achieved. However, in April 2022 a woman was elected to the Cembrit Board of Directors.

We reported in our 2020 Annual Report that the share of women in management positions at Cembrit was 33%. The target set for 2021 was to maintain the number of women in management positions. However, during the course of 2021, we revisited our definition of other management positions to ensure alignment between the management positions included and Cembrit’s management process.

As well as using the renewed definition for 2021, we also recalculated the figures for 2020 according to this revised definition. The number of women in management positions in 2020 was 27, and in 2021 it was 28.

The maintain in the number of women in management positions from 2020 to 2021 is due to organisational developments. In 2021, four new management positions were created, and one woman was appointed to a new position. In the ESG metrics, Cembrit tracks the share of women in management positions. In 2020 the share was 29.7%, and in 2021 it was 29.5%.

Moving forward, Cembrit aims to increase the share of women in management positions. Furthermore, our job advertisements will include a diversity statement, and we will follow through to be more inclusive in our recruitment process.
Business integrity and governance

Business integrity is an essential element of governance. We have earlier in this report explained how Cembrit values are a key element for business integrity. Cembrit’s governance framework with all its’ elements supports acting in the best interests of the business and stakeholders.

Code of Conduct and policies
Cembrit has a Code of Conduct as well as Group policies in place. These policies contain governing principles and procedures to effectively manage an issue for Cembrit as a whole or parts of it. In the second half of 2021, we started a process to review and update our policies, with the aim of ensuring that all our policies support our ESG agenda. We will finalize this process during 2022.

Human and labour rights
At Cembrit we recognise our responsibility in 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. Cembrit’s Code of Conduct and Human Rights Policy strongly advocate for human and labour rights. Furthermore, we strive to work with suppliers and other business partners that match Cembrit’s values and standards.

Bribery and corruption
According to the Corruption Perceptions Index (CPI), in 2021 Cembrit had operations in countries equal to or better than the global index average. The index ranks two of the countries, Denmark and Finland, as the world’s least corrupted countries. However, we are aware that bribery and unethical business practices can exist everywhere in business. That is why we need to be diligent in our relationships with customers, suppliers and other business partners, to avoid such risks.

Cembrit’s Code of Conduct takes a clear stance against bribery of any kind. Furthermore, we aim to release a new Supplier Code of Conduct in 2022 that will serve 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 Cembrit’s Legal department or via our whistleblowing system.

Pricing integrity and transparency
Cembrit values guide all our employees to treat everyone with integrity. Furthermore, Cembrit Code of Conduct takes a clear stance against unfair competition. In addition, all Cembrit’s business partners are expected to adhere to existing laws that regulate competition, particularly anti-trust and competition laws. Cembrit was not suspected or involved in any legal proceedings associated with anti-competitive behaviour, including, but not limited to, cartel, price-fixing and anti-trust practices and therefore, did not incur any monetary losses in 2021 as a result of such processes.
**Whistleblowing**

At Cembrit, we are committed to the highest ethical standards of business conduct and to doing business in a responsible way and with integrity. On 17 December 2021, Cembrit launched a whistleblowing system and released a Whistleblowing Policy. In this policy, our 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 Cembrit. 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 and local websites.

**Supply chain**

For 2021, we set a target for 75% of major raw material and transport providers, based on spend to agree to observe Principles 1-10 of the UN Global Compact. The outcome achieved was 87.3%, far exceeding our target.

During 2021, we assessed our suppliers’ ESG risk management in order to seek opportunities to further integrate ESG considerations into the supply chain. As part of the process, we defined improvements, one of which was the formulation of a supplier ESG self-assessment questionnaire (SAQ). This further strengthens the “line of defence” by reducing the risk for Cembrit of potential high-risk suppliers ending up in the low-risk category. Our plan for 2022 is to run a test phase with the new questionnaire and, based on learnings, launch it to our main suppliers.

In addition we plan to increase supplier on-site audits during 2022.

**Data ethics**

We do not currently have a data ethics policy. First and foremost, the data we possess are for our own use. Secondly, we are a fairly small business in global terms and operate in a narrow segment. The data we possess are therefore expected to be – at most – of only marginal commercial interest to external parties. This significantly reduces the risk of Cembrit employees encountering interventions that might lead to misuse of the data. As a company, we do not sell the data we hold. However, if required by legislation, court or authority decisions, we provide the defined data to the nominated party. 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.
"SISAB Forskola Sandslottet", Sweden / Sustainability label: Certified Miljöbyggnad Silver
ESG performance

During 2021 we moved to reporting our greenhouse gas emissions in Scope 1, 2 and 3, renewed the reporting of our ESG metrics and defined our accounting principles. Furthermore, we established the connection of the metrics to the relevant SDGs.

Disclosure in general

In 2021, we evaluated our ESG disclosure. We decided to embark on the process of transitioning to reporting according to SASB. That is why our accounting principles now refer to the relevant SASB codes. However, we recognise that the process is not yet complete and that full SASB compliance is therefore not yet ensured. We will continue working on this in 2022.

Furthermore, as discussed above, Cembrit’s business is connected to the UN Sustainable Development Goals in several areas of the value chain. We show the connection between our ESG metrics and relevant SDGs on the right-hand side of our metrics disclosure.

Improvements in greenhouse gas reporting

The biggest change in our reporting compared with last year concerns CO₂ emissions. During 2021, we upgraded our CO₂ reporting from an in-house set-up to basing it on the Greenhouse Gas Protocol. An overview of the main emission categories we have included in Scope 1, 2 and 3 can be seen in Figure 3.

It is worth noting that we have focused on the main emission drivers with available data. We estimate that the work carried out during 2021 covers at least 80% of our value chain emissions to a degree of accuracy of more than 80%. Now that we have a framework for future efforts to reduce direct and indirect emissions, we can continue to add to our greenhouse gas inventory in the coming years.

More detailed information about Scope 1, 2 and 3 can be found in the column “ESG accounting principles” in the table at page 21. These accounting principles, which cover all our metrics, were also defined during 2021.

Figure 3. Main emission categories in Cembrit’s Scope 1, 2 and 3 greenhouse gas inventory.
## CEMBRIT ESG METRIC

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TOPIC</th>
<th>INDICATOR</th>
<th>UNIT</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>NOTE</th>
<th>SDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Scale of business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revenue</td>
<td></td>
<td>DKKm</td>
<td>1,947</td>
<td>1,734</td>
<td>1,602</td>
<td>1,655</td>
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<tr>
<td></td>
<td>Total number of employees</td>
<td></td>
<td>FTE</td>
<td>1,484</td>
<td>1,424</td>
<td>1,398</td>
<td>1,352</td>
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</tr>
<tr>
<td>Geographical presence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of employees in European entities</td>
<td></td>
<td>% of all employees</td>
<td>100</td>
<td>100</td>
<td>n/a</td>
<td>n/a</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>% of production sites in Europe</td>
<td></td>
<td>% of tons manufactured</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Greenhouse gas emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Greenhouse gas emissions</td>
<td></td>
<td>t CO₂-e</td>
<td>15.964</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>2</td>
<td>11</td>
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<tr>
<td></td>
<td>Scope 1</td>
<td></td>
<td>t CO₂-e</td>
<td>15.964</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>2</td>
<td>11</td>
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<tr>
<td></td>
<td>Scope 2 - Location-based + heat and steam</td>
<td></td>
<td>t CO₂-e</td>
<td>23.182</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>2</td>
<td>11</td>
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<tr>
<td></td>
<td>Scope 2 - Market-based + heat and steam</td>
<td></td>
<td>t CO₂-e</td>
<td>27.193</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>2</td>
<td>11</td>
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<tr>
<td></td>
<td>Scope 2 - Market-based + heat and steam after GO reduction</td>
<td></td>
<td>t CO₂-e</td>
<td>953</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>2</td>
<td>11</td>
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<tr>
<td></td>
<td>Scope 3</td>
<td></td>
<td>t CO₂-e</td>
<td>235.912</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>2</td>
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<tr>
<td>Energy management</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Energy consumption</td>
<td></td>
<td>GJ</td>
<td>533.733</td>
<td>458.957</td>
<td>455.412</td>
<td>442.459</td>
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<td>7</td>
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<tr>
<td></td>
<td>Total energy consumed</td>
<td></td>
<td>GJ</td>
<td>533.733</td>
<td>458.957</td>
<td>455.412</td>
<td>442.459</td>
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<td>7</td>
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<tr>
<td></td>
<td>Percentage grid electricity</td>
<td></td>
<td>%</td>
<td>40.1</td>
<td>40.5</td>
<td>40.2</td>
<td>40.1</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Percentage natural gas, CNG and LPG</td>
<td></td>
<td>%</td>
<td>55.8</td>
<td>55.8</td>
<td>55.7</td>
<td>55.6</td>
<td></td>
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<tr>
<td></td>
<td>Percentage diesel</td>
<td></td>
<td>%</td>
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<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
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<td></td>
<td>Percentage petrol</td>
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<td>%</td>
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<td>n/a</td>
<td>n/a</td>
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<tr>
<td></td>
<td>Percentage district heating</td>
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<td>%</td>
<td>3.8</td>
<td>3.3</td>
<td>3.5</td>
<td>3.9</td>
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</tr>
<tr>
<td></td>
<td>Percentage renewable</td>
<td></td>
<td>%</td>
<td>40.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
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<tr>
<td>Water management</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fresh water consumption</td>
<td></td>
<td>1000 m³</td>
<td>666</td>
<td>279</td>
<td>269</td>
<td>256</td>
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<tr>
<td></td>
<td>Total fresh water withdrawn</td>
<td></td>
<td>1000 m³</td>
<td>666</td>
<td>279</td>
<td>269</td>
<td>256</td>
<td>4</td>
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<tr>
<td></td>
<td>Percentage recycled from water withdrawn</td>
<td></td>
<td>%</td>
<td>82.2</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td></td>
<td>Percentage of water withdrawn in regions with high or extremely high baseline water stress</td>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
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</tr>
<tr>
<td>CATEGORY</td>
<td>TOPIC</td>
<td>INDICATOR</td>
<td>UNIT</td>
<td>2021</td>
<td>2020</td>
<td>2019</td>
<td>2018</td>
<td>NOTE</td>
<td>SDG</td>
</tr>
<tr>
<td>----------------</td>
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<td>-----------------------------------------------</td>
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<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>Waste management</td>
<td>Material waste generation</td>
<td>Amount of material waste generated</td>
<td>t</td>
<td>38.364</td>
<td>32.075</td>
<td>29.743</td>
<td>29.396</td>
<td></td>
<td>32</td>
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<tr>
<td></td>
<td></td>
<td>Percentage of material waste recycled</td>
<td>%</td>
<td>63.9</td>
<td>54.5</td>
<td>55.1</td>
<td>59.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wastewater generation</td>
<td>Amount of wastewater generated</td>
<td>1000 m³</td>
<td></td>
<td>224</td>
<td>174</td>
<td>188</td>
<td>211</td>
<td></td>
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</tr>
<tr>
<td>Workforce health and safety</td>
<td>Injuries</td>
<td>All injury frequency rate (AIFR)</td>
<td>Injuries/million working hrs</td>
<td>16.9</td>
<td>15.0</td>
<td>16.8</td>
<td>11.4</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lost time injury frequency rate (LTIFR)</td>
<td>Lost time injuries/million working hrs</td>
<td>12.7</td>
<td>9.7</td>
<td>11.2</td>
<td>7.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lost time injury severity rate (LTISR)</td>
<td>Lost days/million working hrs</td>
<td>306</td>
<td>293</td>
<td>259</td>
<td>358</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>Safety training hours</td>
<td>Training hrs/all employees</td>
<td></td>
<td>2.8</td>
<td>4.4</td>
<td>6.3</td>
<td>5.8</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Diversity</td>
<td>Gender diversity</td>
<td>Share of women on the Board of Directors</td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Share of women in management positions</td>
<td>%</td>
<td>29.5</td>
<td>29.7</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business integrity</td>
<td>ESG in supply chain</td>
<td>Share of major raw material, transport and buy-for-resale providers that agree to observe UNGC Principles 1-10</td>
<td>%</td>
<td>87.3</td>
<td>65</td>
<td>n/a</td>
<td>n/a</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pricing integrity and transparency</td>
<td>Total monetary losses as a result of legal proceedings associated with cartel, price-fixing and anti-trust practices</td>
<td>DKK</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td></td>
</tr>
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</table>
## ESG ACCOUNTING PRINCIPLES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>CATEGORY</th>
<th>TOPIC &amp; COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General</td>
<td>Scale of business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Revenue and total number of employees from financial reporting</td>
</tr>
<tr>
<td>2</td>
<td>Greenhouse gas emissions</td>
<td>Greenhouse gas emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Reference SASB EM-CM-110a.1 with deviations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Base year 2021 in accordance with the GHG Protocol with deviations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Activity data based on purchase invoices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Cembrit reports Scope 1 and 2 emissions from factory locations it owns and controls</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Scope 1 includes emissions from energy consumption, including mobile combustion. In energy emission reporting, supplier-specific factors were used for energy contents and DEFRA emission factors for emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· For Scope 2, Cembrit has included both location- and market-based emissions by using the Association of Issuing Bodies’ (AIB) production and residual mix emission factors. FY2021 has been calculated based on AIB 2020 emission factors, as the 2021 factors have not yet been released</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Scope 2: Since the start of 2021, Cembrit has purchased renewable electricity for all our factory locations. All purchased electricity has Guarantees of Origin (GO) for electricity applicable for offsetting electricity-based emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Scope 3: For raw materials, Cembrit 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 Cembrit. For such cases, Cembrit has focused on the main raw materials and used estimates for them based on other suppliers of the same raw materials and information on trusted sources. Cembrit estimates that Scope 3 covers more than 90% of raw material volumes and more than 80% of the emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Scope 3: For upstream transports, Cembrit has included raw materials and used DEFRA 2021 emission factors for each transport mode and well-to-tank emission factors for respective fuel extraction. Cembrit estimates that upstream transports include more than 90% of raw material volumes and more than 80% of the emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Scope 3: For downstream transports, Cembrit has prioritised emissions disclosed by transport companies. For 2021, Cembrit was able to generate higher coverage of supplier-specific emissions by using tank-to-wheel emissions from transport companies. However, the coverage for total spend on transport is still 65% for FY2021. The emissions for those transport companies not providing emission data are estimated by Cembrit based on emission data received from other companies. Cembrit estimates that it has included more than 80% of the emissions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Scope 3: The rest of the categories included in Cembrit Scope 3 are based on DEFRA 2021 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</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· 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</td>
</tr>
</tbody>
</table>
## ESG Accounting Principles

<table>
<thead>
<tr>
<th>NOTE</th>
<th>CATEGORY</th>
<th>TOPIC &amp; COMMENT</th>
</tr>
</thead>
</table>
| 3    | Energy management         | **Energy consumption**  
  - Reference SASB EM-CM-130a.1  
  - Includes energy consumption in factory locations owned and controlled by Cembrit  
  - Volumes according to purchase invoices based on supplier-specific energy contents  
  - Percentage renewable after claiming reduction based on purchase of Guarantees of Origin for renewable electricity |
| 4    | Water management          | **Fresh water withdrawal**  
  - Reference SASB EM-CM-140a.1 with deviations  
  - Total fresh water withdrawn taken from internal operational reporting and based on fresh water intake measurement gauges in the factory locations. Water used for heating pumps added from 2021.  
  - Percentage recycled from water withdrawn = (waste water for purification + water used for heating pumps) / total freshwater withdrawn ×100%  
  - Percentage of water withdrawn in regions with high or extremely high baseline water stress is based on the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct |
| 5    | Waste management          | **Waste generation**  
  - Reference SASB EM-CM-150a.1 with deviations  
  - Waste figures based on invoicing of factory locations. Internal reporting of waste is conducted quarterly  
  - % waste recycled = (internal recirculation + reported external recirculation) / all material waste ×100%  
  - Third-party recirculation / disposals have not been audited  
  - **Wastewater generation**  
  - Amount of wastewater generated based on wastewater disposal measurement gauges in factory locations. All wastewater is treated in wastewater treatment plants. |
| 6    | Workforce health and safety| **Injuries**  
  - Reference SASB EM-CM-320a.1 with deviations  
  - All injury frequency rate (AIFR) includes medical and lost-time injuries (MTI+LTI) for all Cembrit employees, rolling 12 months  
  - Lost-time injury frequency rate (LTIFR) and Lost-time injury severity rate (LTISR) are for all Cembrit employees, rolling 12 months, based on 1 day’s absence and working days  
  - **Training**  
  - Safety training hours is based on all Cembrit employees, calculated as full-time employees and reported as total for FY2021 |
## ESG ACCOUNTING PRINCIPLES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>CATEGORY</th>
<th>TOPIC &amp; COMMENT</th>
</tr>
</thead>
</table>
| 7    | Diversity      | **Gender diversity**  
· Other management team positions include Cembrit employees who are members of Cembrit’s management group or local entity management teams                                                                                      |
| 8    | Business integrity | **Anti-corruption in supply chain**  
· 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. However, the suppliers that are already a member of UNGCP have been counted directly without commitment documents. Share is calculated based on the purchase value of committed suppliers as a share of Cembrit’s total purchase value  
**Pricing integrity and transparency**  
· Reference SASB EM-CM-520a.1  
· Total monetary losses as a result of legal proceedings associated with cartel, price-fixing and anti-trust practices based on information from Cembrit’s Legal department |