



elemental



ESG Report

Elemental Holding Capital Group

2021

ESG Report

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About the Report

GRI 102-49	Changes in reporting
GRI 102-50	Reporting period
GRI 102-51	Date of most recent report
GRI 102-52	Reporting cycle
GRI 102-53	Contact point for questions regarding the report
GRI 102-54	Claims of reporting in accordance with the GRI Standards
GRI 207-4	Country-by-country reporting

This ESG Report (hereinafter referred to as “Report”) contains data and disclosures on the sustainable development of the Elemental Holding Capital Group (hereinafter referred to as “Elemental Holding Group” or “Group”), and of the individual companies of the Group (hereinafter referred to as “Elemental Holding Group companies”) as well as in the holding company – Elemental Holding S.A. (hereinafter referred to as “Elemental Holding”, “Parent” or “Company”), with particular reference to the last full closed financial year, i.e. the year 2021, that is from January 1st, 2021 to December 31st, 2021.

This Report has been prepared as a standalone document consisting of seven main chapters. Chapter 1 describes the fundamental role of the Elemental Holding Group in building a circular economy, as well as in reducing the global carbon footprint, in particular in the Group’s areas of business activity. In Chapter 2, the Elemental Group’s business model is presented, indicating its alignment with the needs and challenges of the recycling market and the Group’s model for engaging stakeholders in comprehensive ESG implementation and reporting. The next chapter of the Report discusses the approach and key role of sustainability and ESG factors, including ethics, in the development and implementation of the Elemental Holding Group’s business strategy. The following three chapters, which focus on performance and disclosures, present the Group’s principles, policies and key results in the areas of Governance – corporate governance, Social – employees and communities, and Environment – the natural environment and climate, respectively. The next chapter of the Report goes into the ESG risks identified in the Elemental Holding Group and how it mitigates them. The final chapter of the Report includes a summary of the all the disclosures presented in the Report.

In order to maintain full transparency, comprehensiveness and analytical layout of the data, the Report has been prepared in accordance with all sustainability reporting norms and standards applicable in Europe, in particular in the European Union. Thus, it was compiled firstly in accordance with the provisions of the Polish Accounting Act with regard to the disclosure of non-financial information and the Act of December 15th, 2016 amending the Polish Accounting Act (Polish Journal of Laws of 2017, item 61; consolidated text: Polish Journal of Laws of 2017, item 2342, as amended), as well as based on the guidelines of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, subsequently amended by Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on disclosure of non-financial and diversity information by certain large undertakings and groups (“Non-financial Reporting Directive”), with awareness and preliminary consideration also of the provisions of the proposal for a directive on corporate sustainability reporting, which is ultimately intended to replace Directive 2014/95/EU. In the compilation of the Report, the guidelines for conducting a socially responsible business, as presented in the ISO 26000 Guidance on social responsibility, issued by the International Organization for Standardization, were also used.

The non-financial/sustainability reporting standard applied in the Report are the guidelines of the Global Reporting Initiative (GRI), using selected disclosures on material topics presenting a comprehensive picture of the organization’s most significant impacts according to the GRI Standards methodology.

This Report is the result of the reporting process conducted in the Group, which takes place annually, and constitutes an extension of the Consolidated Non-Financial Statement, which forms part of the Annual Management Board Report on the Operations of the Elemental Holding Group. No revisions have been made to the contents of previous reports in the Report.

In the process of compiling the Report, documents, policies, due diligence procedures, risk management principles and other information materials related to the operations of the Elemental Holding Group, as well as to the recycling industry, with particular emphasis on the recovery of strategic metals from the platinum group (PGM), were analyzed. The values of qualitative and quantitative disclosures describing the Elemental Holding Group were also calculated with due diligence, as well as in accordance with the principles of comprehensiveness.

The Report was compiled in the following four stages:

Stage 1. A materiality study was conducted in accordance with GRI Standards, along with the stakeholder mapping process.

Stage 2. Material business and sustainability topics relevant to the Elemental Holding Group, and the importance thereof, were identified and confirmed in order to prepare a description of the business model. The material issues were defined during discussion meetings with representatives of the Company and Group companies.

Stage 3. Data on the sustainability of the Elemental Holding Group were collected, including the disclosures showing the implementation of the policies, strategies and sustainability objectives, as well as the due diligence and risk management principles and their management within the Group in 2021.

Stage 4. The text of the Report was compiled based on the collected data, in accordance with the Polish Accounting Act of December 15th, 2016 (Polish Journal of Laws of 2017, item 61; consolidated text: Polish Journal of Laws of 2017, item 2342), as well as based on the guidelines of Directive 2013/34/EU of the European Parliament and of the Council, subsequently amended by Directive 2014/95/EU of the European Parliament and of the Council (“Non-financial Reporting Directive”), with awareness and preliminary consideration of the provisions of the proposal for a directive on corporate sustainability reporting, which is ultimately intended to replace Directive 2014/95/EU.

The Management Board of the Elemental Holding Group is responsible for the correct preparation of this Report. The scope of this responsibility includes the selection, implementation and description of the application of: the Group’s socially responsible business model, the performance indicators related to the Group’s and the Group companies’ operations, the policies applied by the Group and the Group companies in relation to social, labor, environment and climate issues, respect for human rights and anti-corruption, the due diligence procedures within the framework of the above policies, as well as the risks and their management within the above policies. Validation of the aforementioned responsibility is based on adherence to the principles and objectives of sustainable development as implemented globally, including the European Union’s current legislative provisions and acts, as well as the GRI Standards methodology and the guidance of the ISO 26000 standard.

The contact person for any questions regarding the report is Agata Jarska – Compliance Department Director at the Elemental Holding Group (e-mail: a.jarska@elemental.biz), address: Elemental Holding S.à r.l., 20 rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg.



1. The environment and context of operations of the Elemental Holding

GRI 102-1	Name of the organization
GRI 102-6	Markets served
GRI 102-7	Scale of the organization
GRI 102-40	List of stakeholder groups
GRI 102-42	Identifying and selecting stakeholders
GRI 102-43	Approach to stakeholder engagement

1.1. The areas of activity of the Elemental Holding Group

The Elemental Holding Group consists of 42 entities which are located all over the world, in particular in Europe, the United States, the Middle East, and Asia. 19 of these entities are operating companies that deal with waste recycling, while 23 of them are holding companies.

The Group specializes in the recovery of precious metals from the platinum group (PGMs) and group 11 (including platinum, palladium, gold, rhodium, and others) in the waste recycling process within the three following business segments:

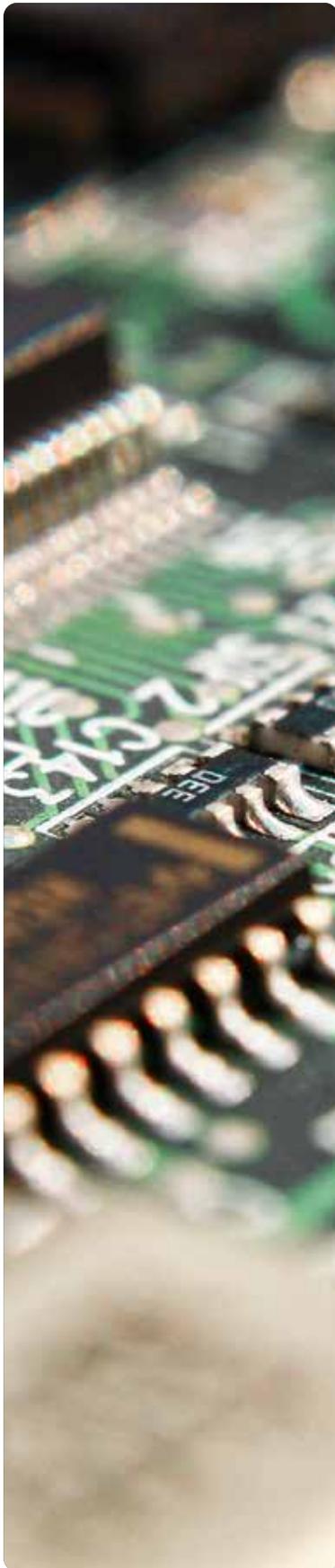
- Recycling of waste electrical and electronic equipment (WEEE),
- Recycling of printed circuit boards (PCB),
- Recycling of spent automotive catalysts (SAC).

Additionally, the Group's activities include the recycling of non-ferrous metals.

Waste Electrical and Electronic Equipment (WEEE):

The management, disposal and recycling of WEEE are regulated at both national and the EU levels (including by the EU Directive 2012/19/EU of 4 July 2012 on waste electrical and electronic equipment (WEEE)). The amount of WEEE generated each year is growing rapidly as the standard of living increases, particularly across Europe, North America, and Asia. It is currently one of the fastest growing waste streams, which is due to such factors as lower production costs, an inflow of devices from Asia, as well as low quality of applied technological solutions and relatively short product lifetime. The legal solutions regarding WEEE, implemented in particular in the EU, aim at contributing to sustainable production and consumption, increasing the responsibility of producers and importers, as well as raising public awareness when it comes to the environment. The Group facilities dealing with the management of this type of waste are located in the EU and in Turkey.

Waste from electrical and electronic equipment refers mainly to used computers, refrigerators, screens and monitors, laptops, air conditioners, cookers, washing machines, dishwashers, mobile phones, light sources, and electronic toys. This type of waste contains diverse materials, including hazardous ones (e.g. freon). Their uncontrolled release to the environment could cause serious health problems for humans and animals, as well as lead to environmental contamination if the waste stream is not properly managed. At the same time, today's electronics contain rare and expensive raw ma-



materials which can be recycled and reused in order to recover metals in a way that is safer for the environment than mining. However, this is only possible when the waste is managed efficiently.

Improving the collection, processing and recycling of electrical and electronic equipment at the end of the product life cycle can lead to a more sustainable production and consumption, better resource efficiency and a well-developed circular economy. This is one of the two basic goals of the European Green Deal (the EU's development strategy for 2050) and the key to achieving goals #12 and #13 of Agenda 2030 for Sustainable Development – the UN program of 17 Sustainable Development Goals.

Printed circuit boards (PCB):

The source of PCB is waste electrical and electronic equipment. As a recycled product, it results from processing computers and other equipment. This group of waste contains heavy metals, organic substances (such as resin and brominated flame retardants) and chemical residues that can pose serious risks to the environment and human health. At the same time, this type of waste has a high residual value due to the presence of high-quality precious metals (about 28%), such as gold, silver, copper, palladium, tantalum, and others. Moreover, the metallic degree of PCBs is over 100 times higher than that of natural mineral resources.

For these reasons, PCB waste recycling plays a key role in both environmental protection and economic development. PCBs are delivered to the WEEE recycling facilities where they are separated from other used equipment (such as cables, metals, and plastic housings). They can also be delivered directly from production plants, where non-specific PCBs are generated as waste. The material resulting from PCB recycling is transported to smelters, where it is further technologically processed in order to recover the metals which can later be reused.

Spent automotive catalysts (SAC):

In recent years, the segment of SAC recycling has played a dominant role in the Elemental Holding Group's operations, especially in the United States. Catalysts are ceramic and metal components of the automobile exhaust system which reduce the volumes of hazardous substances emitted in the exhaust gas. The reduction is based on the stimulation of carbon oxides, hydrocarbons and nitrogen oxides with platinum group metals (PGM), such as platinum, palladium and rhodium. The content of rare earth metals (PGM) in car catalysts varies from approx. 0.2 to 0.3%, depending on the age of the vehicle and the type of fuel. The overall goal of recycling this waste is to recover these precious metals.

The recycling of SAC allows for the recovery of up to 95% of platinum in this part. As a result, a significant amount of energy is saved, compared to traditional mining (processing 1 ton of SAC prevents the extraction of 150 tons of ore or 400 tons of waste rock). The waste is sourced from car dealers, vehicle disassembly facilities, muffler shops, repair workshops, etc. The material recovered from the ceramic monolith is transported to smelters and refineries.

Non-ferrous metals:

This sector is defined as an element of “urban mining”. It aims at obtaining metals from waste and scrap, instead of metal ore. This business model is resistant to economic cycles and metal price fluctuations. Therefore, the fixed cost of recycling is much lower than the variable cost of traditional mining.

The key to the non-ferrous metals recycling is the quality of the processed and segregated metals which defines their usability for smelters and the potential for reaching added value and tradable products. The raw materials are collected in various forms, also in those of rare chemical composition. They are often waste from metallurgical processes (slag, furnace dust, furnace condensates, ashes) or refinery processes (metal bearing sludge). The recovered non-ferrous metals and metal alloys include: aluminum, zinc, copper, lead, bronze, brass, and stainless steel. In the final stage of recycling, the full-fledged metal scrap or concentrates are delivered to further entities, such as foundries, smelters, metal sector companies and traders.

1.2. The importance of PGMs and the role of Elemental Holding in their production (PGM recycling versus PGM mining)

PGM (Platinum Group Metals) is a group of precious metals which play a significant role in the industry, including in the automotive, jewelry and medical segments. Among all PGMs, the most important economically are platinum, palladium and rhodium. Recycling already allows for over 90% of PGM recovery. Additionally, the concentration of platinum group metals in a used car’s catalytic concentrator is 100 times higher than in natural ore deposits.

PGM recycling is considered to be an essential element of the global decarbonization strategy which defines hydrogen as a potential source of clean energy. Key market players, such as Anglo-American Platinum and Sibanye-Stillwater, are shifting their business strategies from primary metals mining to recycling. This is also important as the demand for PGMs is expected to increase over time, while the demand for hydrogen will increase sharply until 2040 and 2050.

The demand for PGMs is very high. It increased significantly after the introduction of catalytic converters to control vehicle exhaust emissions. PGMs are of great importance to the automotive industry, during both transition to alternative drive systems and their current use.

While analyzing the demand and supply for platinum, palladium and rhodium, which are the most needed in the automotive industry, the following can be observed. The largest producers in terms of the volumes of metals from primary sources are South America, followed by Russia. The supply of these raw materials from primary sources in 2020 decreased compared to 2019, mainly due to COVID-19 production restrictions, by 19.6% for platinum, by 13.5% for palladium, and by 23.7% for rhodium.

Secondary sources of these metals are mainly related to the recycling of automotive catalysts. The supply of PGMs from such sources in 2020 also decreased by 21.6% for platinum, by 7.8% for palladium, and by 5.6% for rhodium. It is worth noting that the decrease for the last two metals is much lower here than in the case of primary sources (mining).

The entire supply decreased in 2020, compared to the previous year, by 20.1% for platinum, by 11.7% for palladium, and by 17.9% for rhodium. This supply consists of 63-75% of primary sources, which are the dominant source, and 25-37% of recycling (depending on the metal).

The demand is the largest in the production of car batteries, but also in jewelry and in industry. The PGM demand in 2020 decreased, compared to the previous year, by 18.3% for platinum, by 13.3% for palladium, and by 13.8% for rhodium. It is also worth noting that 4-8% of the PGM demand is unsatisfied (depending on the metal).

Supply and demand for PGMs in 2019/2020

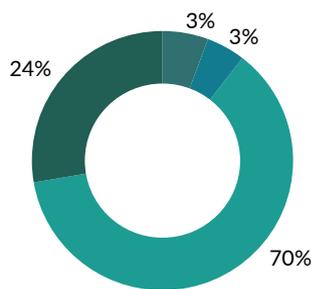
Supply (000 oz)	Platinum		Palladium		Rhodium	
	2020	2019	2020	2019	2020	2019
South Africa	3,200	4,400	1,940	2,630	450	620
Zimbabwe	490	450	390	380	40	40
Russia	660	720	2,730	2,990	60	70
North America	340	350	930	990	20	20
Other	200	160	180	140	10	10
Total Primary supply	4,890	6,080	6,170	7 120	580	760
Autocatalyst recycling	1,160	1,390	2,690	2 920	340	360
Jewellery recycling	440	650	10	10		
Secondary supply	1,600	2,040	2,700	2 930	340	360
Gross supply	6 490	8,120	8,870	10,050	920	1,120
Demand (000 oz)						
Autocatalyst: gross	2,200	2,860	8,500	9,670	920	1,020
Jewellery: gross	1,580	2,060	90	130	10	20
Industrial: net	2,180	2,370	1,080	1,270	80	130
Investment	900	1,130	(190)	(90)	(10)	(10)
Gross demand	6,880	8,420	9,480	10,940	1,000	1,160
(Deficit)/surplus	(390)	(300)	(610)	(890)	(80)	(40)

źródło: Johnson Matthey

PGMs can be obtained from both primary (mining) or secondary (recycling) sources. As they are classified as Critical Raw Materials (CRM), and the demand for clean technologies is growing, the PGM production from both primary and secondary raw sources is becoming increasingly important. Every year, new cars are produced that need PGMs for their catalysts, so regardless of changing factors (e.g. the expansion of the EV market), the demand for these metals will continue to grow.

The annual PGM production accounts to approx. **69,310 tons**. It is obtained in 70% from primary sources (mining), predominantly in five countries: South Africa, Russia, Zimbabwe, Canada, and the United States. The remaining 30% comes from recycled products, such as automotive catalytic converters (24%), old jewelry (3%), and electrical scrap (3%).

World supply of Platinum Group Metals, by source (Johnson Matthey, 2019)



- Old jewellery scrap
- Electrical scrap
- Mine production
- Autocatalyst scrap

World mine production of Platinum Group Metals, by country (Johnson Matthey, 2019)



Country	Tons	Percentage of total
SA - South Africa	63,000	90.9%
RU - Russia	3,900	5.6%
ZI - Zimbabwe	1,200	1.7%
US - United States	900	1.3%
CA - Canada	310	0.4%
Other countries	N/A	0.1%
Total	69,310	100%

PGMs are highly demanded, and mining alone does not provide sufficient supply. The gap between high PGM demand and limited natural resources is filled by the recycling of used materials and products containing these valuable metals.

PGM secondary production refers to the recycling of these metals coming from industrial uses and end-of-life products, as well as to the recovery of metals from by-products and primary production residues.



Recycling < Mining

Recycled metal has as much as **90% lower CO₂ emissions** than metal from primary mines.

The automotive industry is a leading end user of platinum, palladium and rhodium. Currently, PGMs have the largest application in car catalysts, as well as in pollution control devices which are installed in passenger cars, trucks, motorcycles and non-road mobile machinery. The unique properties of PGMs help transform the emission of harmful exhaust pollutants into harmless compounds. This improves the air quality, and therefore has a positive impact on human health and well-being.

Due to an increasing demand and long-term availability of PGMs, the recycling of spent automotive catalysts is a promising PGM source. It provides the market with important advantages, especially when taking into consideration

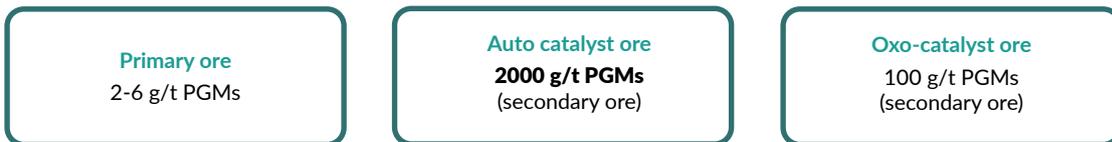
primary reserves and the need to reduce the environmental impact of mining. Recovering precious metals from catalysts allows us to operate based on the circular economy principles. Once recycled, these metals can be used again to produce catalysts for new generation vehicles, thus closing the material loop.

Concentration of PGMs in Earth's crust, ppm



As for now, only a few deposits have been recognized with a relatively high PGM concentration.

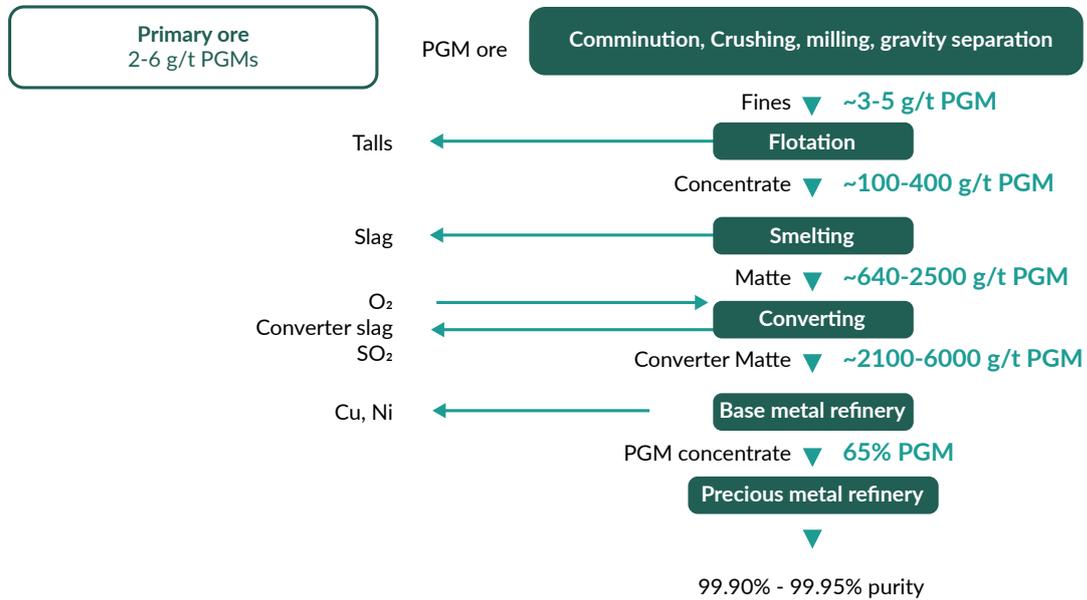
Comparison of PGMs concentration in primary and secondary ores



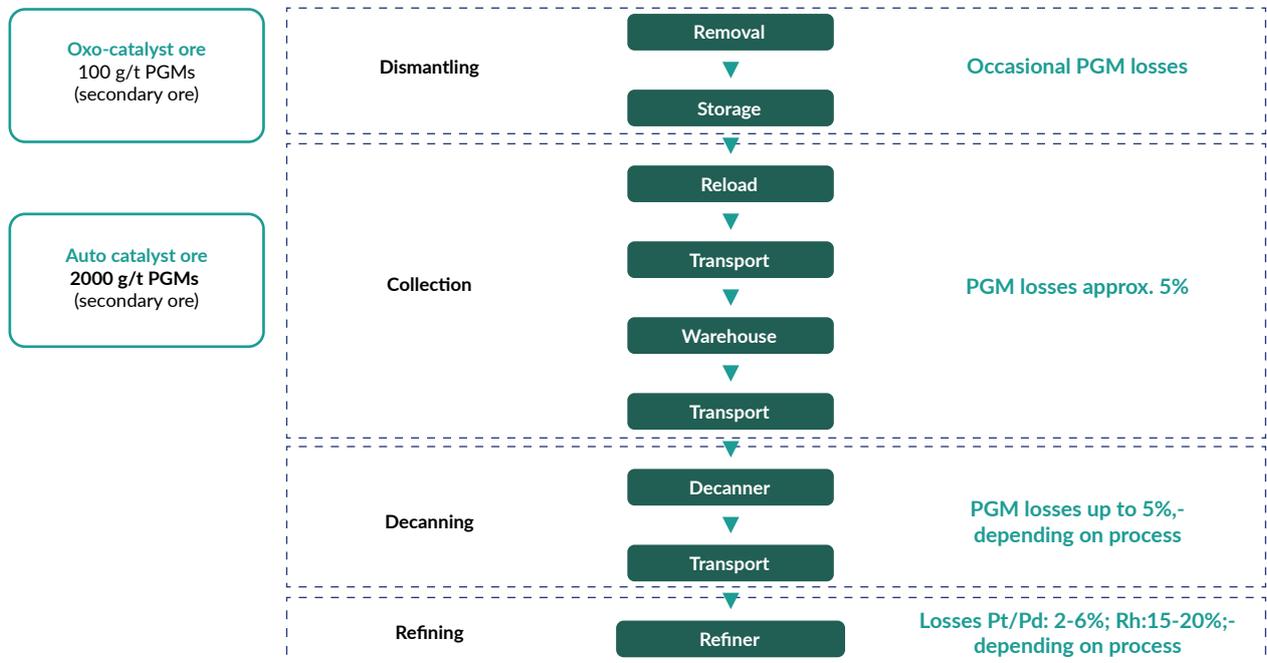
The recoverable amounts of platinum, palladium and rhodium may vary from 1-2 grams in a small vehicle to 12-15 grams in a large truck in the United States. Such volumes make recycling economically attractive. Additionally, due to a much higher metals concentration compared to mined ores, it helps to significantly reduce the environmental impact of metals supplies, especially with regard to climate change.

A spent automotive catalyst (SAC) is an abundant PGM source that contains a higher metals concentration than natural ores (10-20 ppm on average). Catalysts recycling allows for the recovery of up to 95% of PGMs and for significant energy savings, compared to traditional mining (processing 1-2 tons of spent catalysts prevents the extraction of 150 tons of ore or 400 tons of waste rock).

Typical process flow diagram for PGM ore processing (mining)



Typical process flow diagram for PGM recycling



Production losses occur with both the extraction and recycling of PGMs. However, metal losses which result from production processes in metals extraction are relatively higher than in recycling. In addition to saving resources, the concentration of platinum group metals in a spent automotive catalyst is 100 times higher than in natural ores.

Secondary PGM production (recycling) can significantly minimize the environmental impact when it comes to emission reduction and energy savings. The reuse of PGMs recovered from catalysts does not require high costs or energy consumption, compared to primary production (ore mining and processing). Additionally, metal losses in recycling are much lower than in ore mining.

Renewable energy is becoming a key growth-driver for the precious metals market. New partnerships will be established to support the development of green energy technologies. The Euro 6 regulations and their global counterparts for the gasoline and diesel fuels are currently contributing to the PGM demand also outside the SAC segment. Small amounts of PGMs are increasingly applied in sensors that are more often used in vehicles to ensure compliance with emissions regulations.

PGMs have been considered an essential element of the global decarbonization strategy also due to the rise of the fuel cells technology which is key to making transport a low-carbon industry. Fuel cells require PGMs as a catalytic material for their proton exchange membrane systems. Due to similar catalytic properties, it is likely that not only platinum but also palladium will be used in this process as a palladium-platinum alloy.

Primary production emits approx. 77,000 tons of CO₂ per one ton of PGMs, while secondary production reduces this level to only 800 tons CO₂ per one ton of PGMs. Recycling is therefore responsible for only 1% of the CO₂ emissions which occur during PGM mining.

Source	Production (tons)	Rate of GHG	Estimated GHG emissions (tons)
Primary production (mining)	375.1	77.0 t/t	28,884 99,6%
Secondary production (recycling)	146.5	0.8 t/t	113 0.4%
Total production / Total GHG emissions	521.6		26,997 100%

Comparing the environmental impact of primary and secondary **PGM production leads to a conclusion that the PGM recycling is more economically viable, sustainable and environmentally responsible than the extraction of metals from ores. For this reason, it should be further developed**, especially in the context of the climate change we are facing.

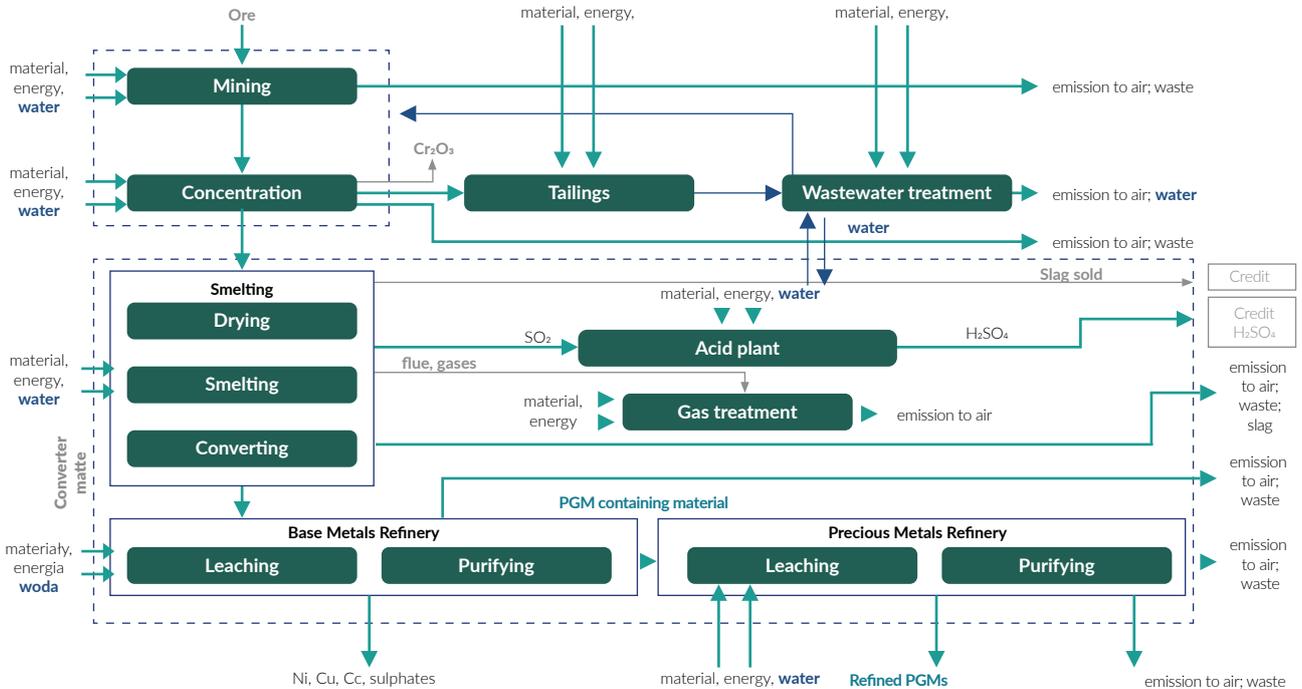
It should also be noted that mining demands a temporary use of land for a variable period of time in locations around the world. Mines get closed once all resources are exhausted or further extraction is no longer economically viable due to high costs or low market prices. Local communities in post-mining areas usually face challenges related to degraded landscapes, as well as negative environmental, social and economic issues. There are a huge number of mines around the world that have been closed in a way that is inadequate or incomplete, without sufficient and socially acceptable reconstruction programs. Most mining companies today understand closure and rehabilitation planning as an integral part of their business plan.

During the production phase, mining has a significant impact on the local and regional environment. Abandoned or improperly closed mines can continue to degrade their surrounding areas, as well as contaminate the surface and ground waters and the air. Reclamation of mines aims at restoring land to a stable condition in order to ensure public safety, minimize potential negative environmental impacts and enable alternative land use. However, all these measures are energy-intensive and require long-term investment.

From the perspective of a mine's life cycle to the final product, the main input elements to the system, both in mines and in processing plants (smelters and refineries) are materials, energy and water. Apart from the final product, mines also produce air emissions, waste and slag. Additional resources are required for the processing of product residues in order

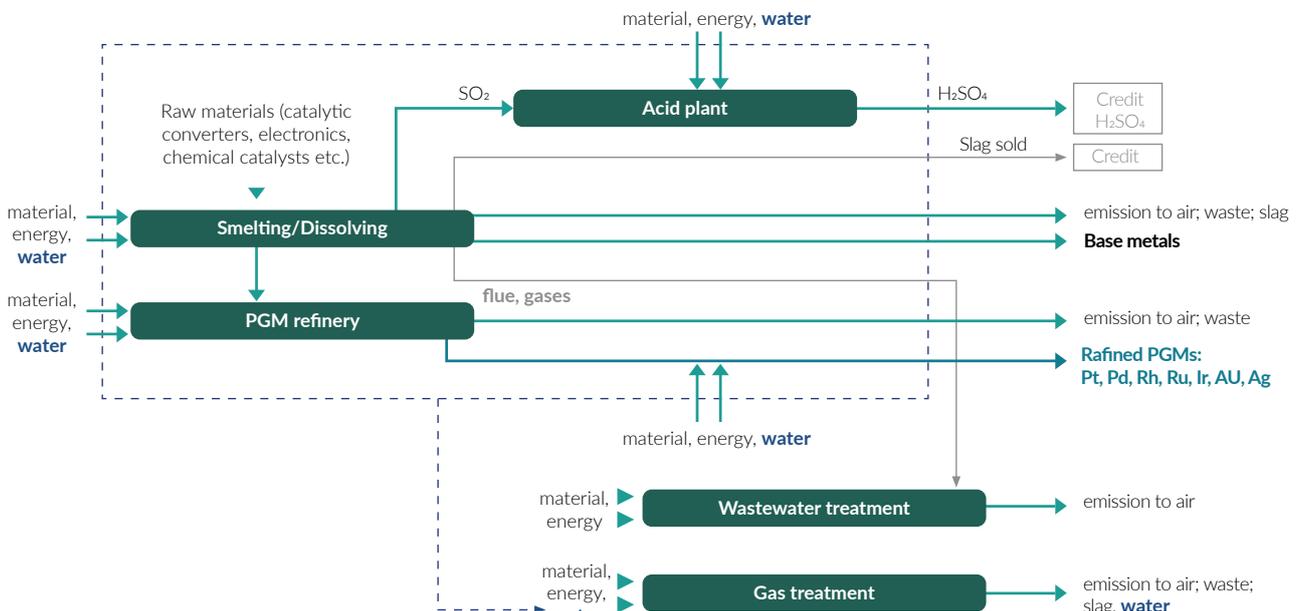
to reduce the risk of negative impact on the environment and human health. These risks tend to be spread over many geographic areas, including also politically less stable countries with vulnerable populations.

Typical process flow diagram for Platinum Group Metals mining



From the perspective which starts with secondary input and ends with PGM recovery, it is materials, energy and water that are the main inputs to the system in a recycling facility. The most important outputs, apart from the end product, are air emissions, waste and slag. Therefore, additional measures are needed for the processing of product residues in order to reduce the risk of negative impact on the environment and human health. However, these risks are usually concentrated in one geographical area which surrounds the recycling facility.

Typical process flow diagram for Platinum Group Metals recycling



In addition to what has been indicated above, health and safety issues are also elements which favor recycling versus mining. Despite significant efforts undertaken in many countries to implement and maintain occupational health and safety management systems, mining remains one of the most dangerous employment sectors.



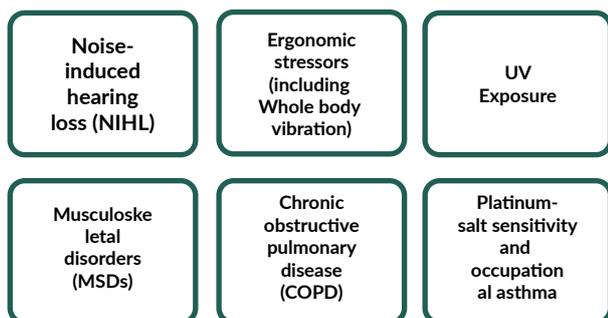
Mining activities may include: hard work, exposure to hazardous chemicals, noise, vibration, temperature fluctuations, working at height, and shift work. Significant health hazards in mining also include: exposure to air pollution (silica dust causes silicosis, especially in the case of gold miners), exposure to mercury and chemicals, the effects of noise and vibration, insufficient ventilation (heat, high humidity, lack of oxygen), overload, insufficient work space, as well as improper use of equipment which may not be suitable and safe for given tasks.

Mining accidents may be caused by: gas or dust explosions, gas poisoning, improper use of explosives, electrical failures, fires, collapse of the supporting structure of mine galleries, rock outburst or rockfall, flooding, stumbling, slipping or falling by the worker, malfunction or by improperly used mining equipment, hazards related to transport (including railway equipment and self-propelled machines). The proportion of fatalities, injuries and occupational diseases remains high among mining workers worldwide.

The recycling industry is also facing major safety challenges. Proper work practices are needed to minimize workers' exposure to accidents. This is because working in a recycling facility is relatively labor-intensive and demands the employees' repetitive daily movements, such as bending, twisting, lifting, pulling and pushing. Each of them can cause widespread injuries in a workplace. A common type of injury in this industry is pain resulting from prolonged muscle tension, which can affect various parts of the body including the back, arms, shoulders, elbows, hands, fingers, legs, knees, and feet. One of the best ways to prevent repetitive long-term stress injuries is to encourage workers to posture correctly while picking and sorting materials.

Workplace injuries most commonly associated with manual activities include sprains and strains, hernias and back injuries. These are a major cause of lost time injuries in the scrap recycling and waste collection industry. The recycling of electronic components and scrap metal usually demands the scrap to be separated into component metals. These materials pose a potential health hazard to workers when grinding, shot blasting, burning or melting, as metal vapors or dusts are dispersed in the air. Cutting some types of scrap requires special ventilation as their fumes can be particularly dangerous.

Typical Health & Safety Risks in mining



Typical Health & Safety Risks in recycling



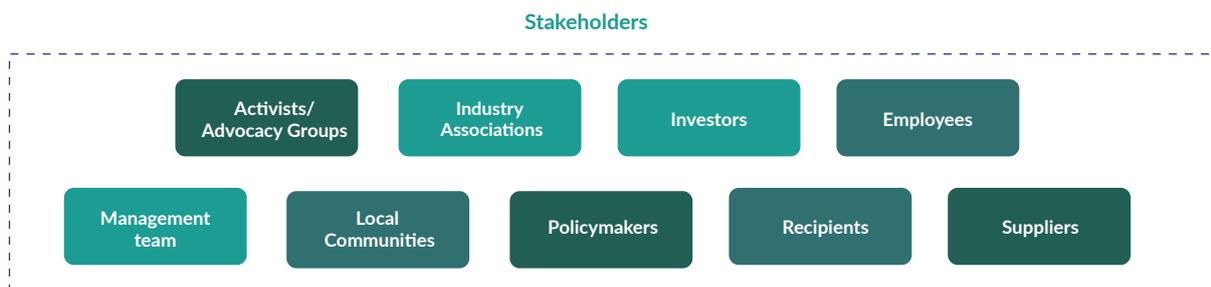
Summarizing the above, recycling shows a much higher level of safety than the mining industry.

1.3. Elemental Holding’s stakeholder groups

Proper relations with stakeholders are of great importance for the Elemental Holding Group, given also the conclusions of Chapter 1.2. The Group is aware that its products and operations need to meet various stakeholders’ requirements. As a result, stakeholder relationship has been included in the Group’s strategy.

The SPACE method analysis has shown that the Elemental Holding Group has the following groups of stakeholders:

- Investors
- Employees
- Recipients
- Suppliers
- Policymakers
- Management team
- Local communities
- Activists / advocacy group
- Industry organizations



The relationship with stakeholders leads to strengthening the circular economy based on recycling. This results in valuable raw materials being in circulation and better protection of the environment. Additional economic and social benefits include increased economic security through the use of a domestic source of materials, support from local communities in the sector’s operations, and more jobs in the recycling and manufacturing industries.

It should be recalled, following Chapter 1.2, that from an economic point of view, recycling is cheaper than extraction and increases the profitability of further PGM users. The company underlines that the transition from extraction to recycling creates favorable opportunities for policymakers and reduces environmental and social risks throughout the product life cycle. It is a win-win for both sides.



RECYCLE

2. Elemental Holding Group's business model

GRI 102-1	Name of the organization
GRI 102-3	Location of headquarters
GRI 102-4	Location of operations
GRI 102-5	Ownership and legal form
GRI 102-6	Markets served
GRI 102-9	Supply chain
GRI 10-10	Significant changes to the organization and its supply chain

2.1. Elemental Holding Group's business lines and model

The business model of Elemental Holding Group is an effective response to the market environment's needs and business determinants.

As indicated in the previous chapter, the Elemental Holding Group operates in the market of recycling strategic metals from the platinum group (PGMs) and group 11, as well as recycling waste electrical and electronic equipment (WEEE) and printed circuit boards (PCB). The companies in the Group organize the wholesale collection and purchase of waste, as well as initial recycling, i.e., disassembly, fractionation, separation, milling, and later – through smelters and refineries – metal recovery. The activity of Elemental Holding S.A. has a global reach.

In 2021, Elemental Holding S.A. acted in the Elemental Holding Group as a parent company and a holding company. It coordinates the work of Group companies, takes responsibility for planning and implementing the Group's strategy, and takes actions aimed at optimizing operational processes implemented in the Group. It does so by coordinating such processes as waste acquisition, sales to smelters and refineries, investment and debt policy, financial management, and material procurement.

As they grow, the companies make use of a strong group membership advantages, such as industry know-how, a large network of suppliers and recipients, competitive framework agreements with the world's largest smelters and refineries, production and analytical infrastructure, as well as logistic facilities based on an extensive transport and loading infrastructure and a network of collection points throughout Europe (particularly in the European Union), the United States, the Middle East, and Africa.

In 2021, the Elemental Holding Group companies operated in four areas described in the previous chapter, based on three business lines of recycling:

- Recycling of waste electrical and electronic equipment (WEEE and PCB);
- Recycling of platinum group metals from the automotive and industrial catalysts and from electronics (SAC);
- Recycling of non-ferrous metals.

Meanwhile, steps have been taken to start operations in another segment – battery recycling.

The process of recycling electrical and electronic equipment (WEEE + PCB) is carried out in Elemental Holding Group companies in the following way:



Waste electrical and electronic equipment arrives in the Group's facilities operated by the Group's companies in Poland, Estonia, Lithuania and Turkey. It is collected by:

- The companies' own transport (vans and lorries) carried out by their employees from collection points (stores, factories, service points);
- External transport (less often) organized by inhouse logistics/shipping teams;
- The companies' own transport (vans) carried out by their employees directly from people, as part of cooperation with recovery organizations (e.g. Electro-Eco) or local governments;
- Local collection points (people bring their waste directly to the Group's facilities).

The received equipment is weighed and separated according to waste codes and types. It is directed to various processes depending on the type of waste:

- Large-size: dangerous (containing freon) – cooling devices;
- Large-size other than dangerous – e.g. washing machines;
- Lighting equipment – hazardous waste,
- Other types of equipment specified in the regulations, especially other than hazardous, small household appliances, computers, etc.

Next, it is routed to various processing operations. The purpose of processing is to pre-treat the received equipment in order to separate the recyclable fractions:

- Freon-containing devices – after removing oil-containing aggregates and cables, these devices go to a sealed closed installation in which freon is recovered. This process makes use of nitrogen. The recovered freon is handed over to a specialized external company which deals with it. Then metals and plastics are automatically recovered from the devices;
- Other devices – cables, plastic packages, batteries and storage batteries are separated from all devices. They are later sorted, based on the types of plastics, electronic boards with precious ferrous and non-ferrous metals, as well as glass and paper.

Individual fractions of the recovered parts of WEEE are directed to:

- The recycling department within a given company;
- Other companies in the Group offering a given type of recycling;
- External companies offering a given type of recycling (glass, paper).



The Group carries out the recycling processes of cables (the recovery of non-ferrous metals and plastics), electronic circuit boards (the recovery of precious metals, non-ferrous metals and plastics) and lighting equipment.

The recovered plastics and metals are sold to third parties. Waste that cannot be recovered or recycled is neutralized. The waste is stored in the Group's facilities only for the time necessary to achieve the logistic minimum which is required for transportation. It is not stored longer than allowed by the regulations. Individual fractions are transported from facilities both by land (trucks) and sea.

In individual companies of the Group:

- Vans, trucks and forklifts are used for transport;
- Installations as well as social and office spaces are powered by electricity from both conventional and renewable energy sources;
- Office and social spaces are mainly heated with gas;
- No water is used in the production processes. The water usage and waste is for the employee purposes only. All Group facilities are equipped with septic tanks or are connected to collectors, depending on the location;
- The Group's facilities are equipped with rainwater collection system;
- Due to potential oil leaks (from vehicles and aggregates of WEEE containing oils), the Group facilities are equipped with sorbents and separators;
- Municipal waste results solely from the employees' use;
- The terrain the Group uses for transport is paved.



The recycling of PGMs from the automotive and industrial catalysts and electronics starts with the delivery of catalysts with vehicles by suppliers or by the Group companies employees. This is due to the relatively small size of catalysts.

At Group facilities, catalysts are processed (cut into pieces in order to obtain ceramic inserts containing precious metals); later the ceramic inserts are ground in mills which are powered by electricity. After reaching a logistic minimum, the ground ceramic inserts are transported by land (trucks) or sea. The waste is sent to refineries and smelters across Asia and the United States.

The process of recycling non-ferrous metals starts at collection points – that is at scrap collection points which are located in individual countries. From there, metals are delivered by suppliers with their own transport or, in the case of larger production plants where metal waste is generated, with the Elemental Holding Group companies' transport, after obtaining logistic minimum (the containers are placed at the customer's plants and, once fully filled, they are collected by trucks).

Metal waste is transported only by trucks (full tonnage equals 24 tons). For economic reasons, the waste is delivered only by land transport within a given country (it is not shipped abroad).



The waste is segregated mainly in order to obtain homogeneous metal fractions. In the vast majority of cases, no additional processes are used, except for packing with an electrically powered scrap pressing machine. As indicated above, no water is used in these processes.

The recovered scrap of each type of metal is then directed to specific smelters, where they are later processed.

With a business model which is based on these three business pillars, **the Elemental Holding Group has achieved the position of a European market leader in the recovery of precious metals from the platinum group and Group 11 (including platinum, palladium, gold, rhodium).**

The strategic goal of the Group is to reach the position of a world leader (the current market share is approx. 13%), as well as to further strengthen its position in Europe, while also increasing its competitive advantage in Poland.

These goals are being achieved through the acquisition of companies within given business lines, organic development, the use of scale effect, effective management of working capital, investments in technology and applying new logistic models.

Elemental Holding S.A. focuses on building the position of a European leader in the recycling of waste electrical and electronic equipment (WEEE) and a global leader in the recycling of spent car catalysts (SAC).

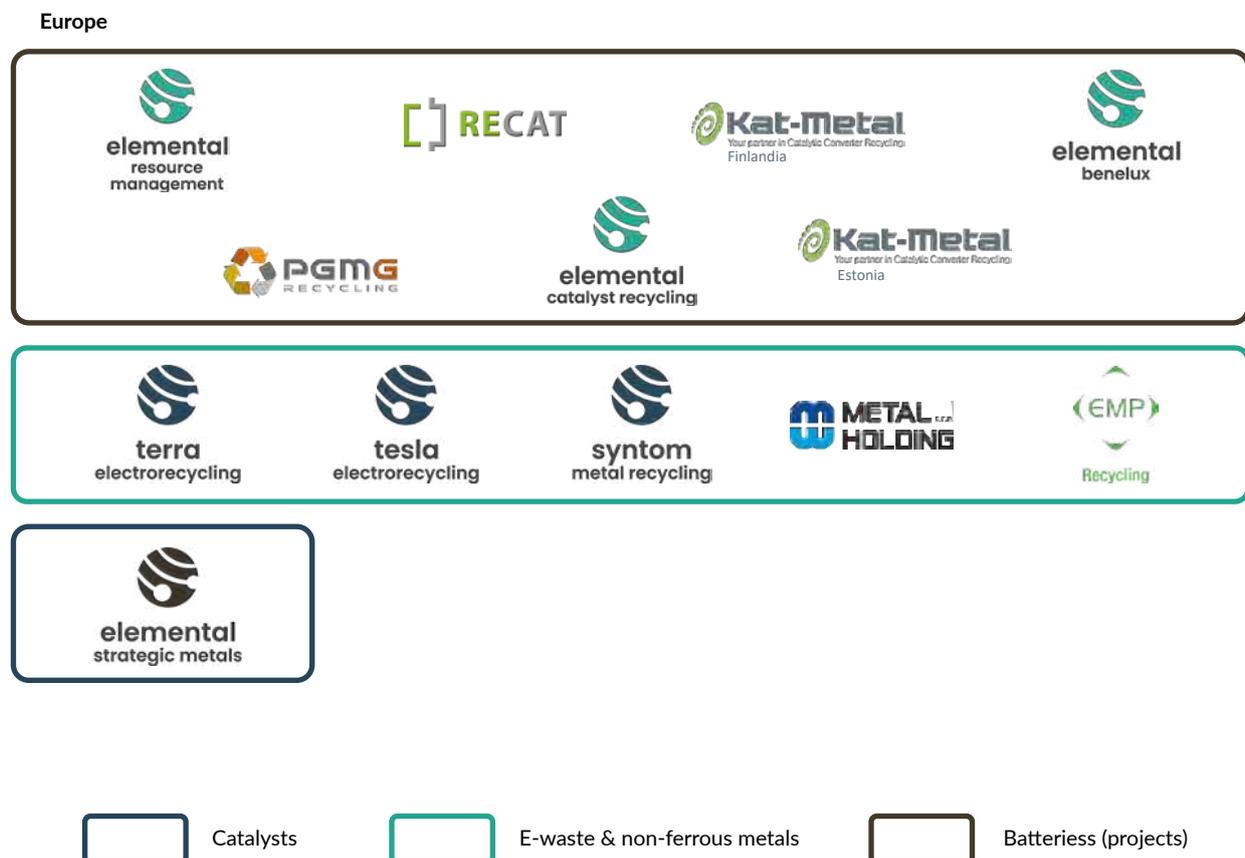
In the field of non-ferrous scrap recycling, Elemental Holding S.A. focuses on using the full potential of an extensive non-ferrous waste acquisition network in projects that are aimed at:

- Growing the types of recovered materials;
- Processing the recovered metal waste in a way that generates an added value and makes use of synergies which result from combining acquisition networks as well as modern production and processing solutions.

The above requires keeping a balance between investment expenditures and the Group's optimum operations capacity. The primary focus is on reaching the right scale of operations which results in having repeatable streams of selected fractions of metal waste and allows, in the second phase, for significant investments in technology.

The Elemental Holding Group plans and carries out its expansion into overseas markets in a way that allows for a maximum operational synergy and a complementary growth in new locations, which translates into an appropriate business model the Group currently has.

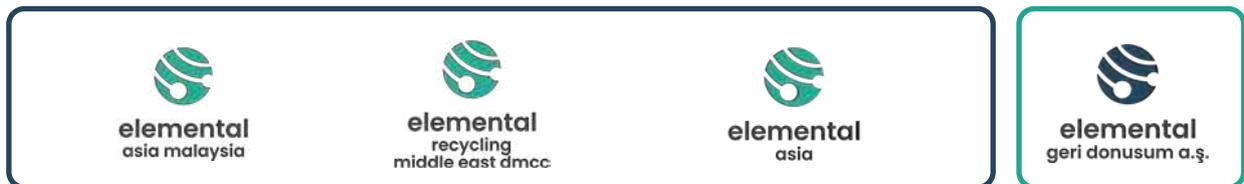
The business model of the Elemental Holding Group as of December 31, 2021



USA



Asia



Catalysts



E-waste & non-ferrous metals



Batteries (projects)

Group companies of the Elemental Holding Group, together with their registered offices and the percentage share of capital / votes at the General Meeting held by the Elemental Holding Group, as of December 31, 2021

Subsidiary	Registry office	% share of capital and votes at the Shareholders Meeting or the General Meeting
Tesla Recycling Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Syntom Metal Recycling Sp. z o.o.	Warsaw, Poland	100%
Terra Recycling Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Elemental Group Consulting Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
PGM Global Recovery B.V.	Maastricht, Netherlands	100%
Elemental Benelux B.V.	Maastricht, Netherlands	100%

PGM Group Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Metal Holding s.r.o.	Čapajevova, Slovakia	94.65%
UAB "EMP recycling"	Galinės vil., Lithuania	51%
Elemental Recycling Middle East DMCC	Dubai, UAE	100%
Elemental Geri Dönüşüm Anonim Şirketi (former: Evciler Kimya Madencilik Ve Değerli Metaller Sanayi Ticaret Anonim Şirketi)	Ankara, Turkey	100%
Ulus Geri Kazanım Madencilik Otomotiv Taşımacılık Sanayi İç ve Dış Ticaret Limited Şirketi	Ankara, Turkey	Elemental Geri Dönüşüm Anonim Şirketi holds 50%
Kat-Metal Oy	Tervajoki, Finland	51%
Kat -Metal Estonia Oü	Tallinn, Estonia	Kat Metal Oy holds 80% in Kat Metal Estonia; Elemental Electro Recycling B.V. holds 10%
Elemental Resource Management Ltd.	Leeds, UK	100%
FINEX SICAV SIF S.A. - Private Equity VII	Luxembourg	100%
Elemental Capital S.à r.l.	Luxembourg	100%
Syntom Holdco Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Elemental Tesla Recycling Sp. z o.o. w likwidacji (in liquidation)	Grodzisk Mazowiecki, Poland	100%
Tesla Holdco Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%

Elemental Terra Recycling Sp. z o.o. w likwidacji (in liquidation)	Grodzisk Mazowiecki, Poland	100%
Terra Holdco Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Elemental Group Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Elemental Asset Management Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Collect Recycling Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Elemental PGM Group Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Elemental Catalyst Recycling Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Syntom Sp. z o.o. w likwidacji (in liquidation)	Grodzisk Mazowiecki, Poland	100%
PCB Tech Sp. z o.o.	Bydgoszcz, Poland	100%
RECAT GmbH	Sulzfeld, Germany	52.8%
Recat Trading GmbH	Sulzfeld, Germany	RECAT GmbH holds 100%
Elemental Electro Recycling B.V.	Maastricht, Netherlands	100%
Tesla Electrorecycling Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Terra Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%

Elemental Strategic Metals Sp. z o.o.	Grodzisk Mazowiecki, Poland	85%
Elemental New Technologies Sp. z o.o.	Grodzisk Mazowiecki, Poland	100%
Elemental h2tech Sp. z o.o.	Grodzisk Mazowiecki, Poland	85%
Elemental Investments Sp. z o.o.	Grodzisk Mazowiecki, Poland	51%
Elemental USA Inc.	Wilmington, Delaware (USA)	51%
PGM of Texas LLC	San Marcos, Texas (USA)	Elemental USA Inc. holds 66% in PGM of Texas LLC
DAG Recycling GmbH	Germany	Elemental Geri Donusum A.S. holds 51% in DAG Recycling GmbH
Elemental Maryland Inc.	USA	100%
MD Core LLC	USA	PGM of Texas LLC holds 100% in MD Core LLC
Legend Smelting and Recycling LLC	USA	PGM of Texas LLC holds 100% in Legend Smelting and Recycling LLC
CenTex Converter Recycling LLC	USA	PGM of Texas LLC holds 100% in CenTex Converter Recycling LLC
Elemental Asia S.A.	Grodzisk Mazowiecki, Poland	67.23%
WGM1 Sp. z o.o.	Grodzisk Mazowiecki, Poland	Elemental Asia S.A. holds 100%
International Prime Metal PTE	Singapore	Elemental Asia S.A. holds 67%

Elemental EMEA Global Trade Center DMCC	Dubai, UAE	Elemental Asia S.A. holds 100%
PT Bintag Sinar Perkasa	Indonesia	WGM1 Sp. z o.o. holds 75%
PT Prime Recycling Indonesia	Indonesia	WGM1 Sp. z o.o. holds 99.6%
PT Wapien Indonesia Makmur	Indonesia	WGM1 Sp. z o.o. holds 51%
Elemental Asia SDN BHD	Malaysia	Elemental EMEA Global Trade center DMCC holds 60%

The Elemental Holding Group's business model is constantly evolving in order to meet or even anticipate new developments in market needs. The year 2021 was very important for the Group in this respect. This is because in the third quarter, the Group started a greenfield investment worth PLN 500 million, involving the construction of a state-of-the-art production facility in Zawiercie, Poland, which is expected to occupy a leading position in Europe in the Li-Ion battery (LIB) recycling and the recovery of PGMs. The facility will include:

- a platinum group metals refinery,
- an innovative lithium, cobalt and nickel recovery facility,
- production of PV systems and energy recovery,
- laboratories and the Group's R&D Centre.

The picture below shows examples of the ultra-modern technologies that will be housed in the new plant:



A catalytic converter
smelting line



Metals refinery:
Pt, Pd, Rh, Ni, Co, Li



An encapsulated line
for shredding lithium-ion
batteries



A line for PGM
alloy concentration



Specialized vehicles and a set
of containers for transport of
spent lithium-ion batteries

*State-of-the-art process lines under construction at the Elemental Holding Group's
production facility in Zawiercie, Poland*

The high level of innovation and high demand for products from the new plant in Zawiercie, as well as the numerous social benefits associated with this investment, are evidenced by the fact that it is one of only seven investment projects approved and supported by the European Commission under the Integrated Project of Common European Interest (IPCEI). An additional appreciation of this fact was the financing of the investment obtained from the European Bank for Reconstruction and Development (EBRD), which was possible thanks to the environmental impact assessment of the project.

The designs for the new plant in Zawiercie are shown below.



Elemental Holding Group production facility under construction in Zawiercie

Around 200 people will find work in the plant and another 300 jobs will be created in cooperating companies. All this will take place in a region negatively affected by the political and economic transformation (liquidation of steelworks and mines), which will contribute to economic growth in Zawiercie and its surroundings. The plant will also be equipped with innovative technologies and advanced environmental protection systems, with RES installations, advanced water treatment facilities, and will operate in a location peripheral to residential areas. Production at the new factory is scheduled to start in Q3/Q4 2023.

2.2. General information and governing bodies at Elemental Holding S.A.

The key information on Elemental Holding S.A., as of December 31, 2021:

Name: Elemental Holding S.A.

Legal form: Spółka Akcyjna (Joint-stock company)

Address: ul. Traugutta 42A, 05-825 Grodzisk Mazowiecki

Country of registration: Poland

The core business of the company: Acting as a central or holding company, accounting and book-keeping, tax consultancy.

The core business of the Group: Collecting, processing and disposal of waste, recovery of raw materials, wholesale of waste and scrap, recultivation and other waste management services.

Registration authority: Warsaw District Court, XIV (14th) Commercial Division, where the company is registered under the number: KRS 0000375737.

REGON number (for statistics purposes): 141534442

Tax ID number (NIP): 5291756419

The company was established by a notarial deed on August 14, 2008 under the name: Synergis Metal Recycling Sp. z o.o. (limited liability company). This company was transformed into Elemental Holding S.A. (joint-stock company) by virtue of Resolution No. 1 of the Extraordinary Shareholders Meeting of Synergis Metal Recycling Sp. z o.o. on December 14, 2010.

Elemental Holding S.A., as well as other companies in the Group, were established for an indefinite period.

Significant shareholders of the parent company – Elemental Holding S.A., as of December 31, 2021

Shareholder	Number of shares	Percentage of shares held in share capital
Elemental Holding S.à r l. (former: CP Prioprieties S.à r l.) with registered office in Luxembourg	137,393,402	80.60%
Tesla Recycling Sp. z o.o. with registered office in Grodzisk Mazowiecki, Poland	26,083,826	15.30%
Terra Recycling Sp. z o.o. with registered office in Grodzisk Mazowiecki, Poland	6,988,837	4.10%
TOTAL	170,466,065	100.00%



**Members of the Supervisory Board of the parent company – Elemental Holding S.A.,
as of December 31, 2021:**

Name	Position
Tomasz Malinowski	Chairman
Marek Piosik	Member
Krzysztof Szymański	Member
Edyta Jusiel	Member
Karol Kuch	Member

In 2021, there were no changes in the composition of the Supervisory Board of Elemental Holding S.A., compared to 2020.

**Members of the Management Board of the parent company – Elemental Holding S.A.,
as of December 31, 2021**

Name	Position
Paweł Jarski	CEO & President
Michał Zygmunt	Vice-President
Anna Kostro	Member
Krzysztof Spyra	Member
Aleksander Skołożyński	Member

In 2021, Alexander Skołożyński was appointed as a member of the Management Board. There were no other changes when it came to members of the Supervisory Board of Elemental Holding S.A., compared to 2020. The Management Board members were appointed by the resolution of the Supervisory Board on August 14, 2020 for a three-year term.

2.3. Significant shareholders of Elemental Holding S.A.

On the day this Report was published, the following entities were the largest shareholders of the Parent:

1. a company governed by the Dutch law, operating under the business name of Elemental Holding S.à r.l., with registered office in Luxembourg, holding 137,393,402 shares in the Company, which represents 80.60% of the Company's share capital, entitling to 137,393,402 votes, which, due to the exclusion of voting rights from the own shares held by Terra Recycling Sp. z o.o. and Tesla Recycling Sp. z o.o, which are 100% Group companies of Elemental Holding S.A., constitutes 100% of the votes entitled to vote in the total number of votes at the Company's General Meeting;
2. Tesla Recycling Sp. z o.o., with registered office in Grodzisk Mazowiecki, Poland, holding 26,083,826 shares in the Company, which represents 15.30% of its share capital;
3. Terra Recycling Sp. z o.o., with registered office in Grodzisk Mazowiecki, Poland, holding 6,988,837 shares of the Company, which represents 4.10% of its share capital.

2.4. Changes in the key management principles of the Elemental Holding Group in 2021

In 2021, there was a fundamental change in the core management principles of the Parent and the Elemental Holding Group. The company which, as at the date of this report, has assumed the position of Group management company is Elemental Holding S.à r.l., with registered office in Luxembourg, which, as the majority shareholder holding 80.60% of the share capital and 100% of the votes entitled to vote at the General Meeting of Elemental Holding S.A., is the entity in control of the company and the Group. In the following financial year, Elemental Holding S.à r.l. is implementing new corporate governance rules which are uniform for the entire Group. Elemental Holding S.à r.l. assumes the role of a company providing services to support the operational activities of Group companies, while transferring management functions to the Parent.

In 2021, the Management Board of Elemental Holding S.A. took the strategic decision to engage in a new business segment – battery recycling. This fundamentally changes the Group's picture, as one of the segments – the recycling of non-ferrous metal – is now marginalized in the Group's operations and incorporated into the WEEE segment.

On February 10, 2021, the Company indirectly acquired an interest (100%) in the Dutch law company PGM Global Recovery B.V. based in Maastricht.



On June 25, 2021, PGM Group Sp. z o.o. (a limited liability company), with registered office in Grodzisk Mazowiecki, Poland, was registered. PGM Group Sp. z o.o. was established as a result of the conversion PGM Group Sp. z o.o. Sp.k. (a limited liability partnership) by virtue of Resolution No. 1 of January 25, 2021 of the Partners of PGM Group Sp. z o.o. Sp.k. (a limited liability partnership) on the transformation of PGM Group Sp. z o.o. Sp.k. (a limited liability partnership) into a limited liability company, contained in the notarized record of the meeting of Partners of PGM Group Sp. z o.o. Sp. k. (a limited liability partnership), included in the notarial deed Reg. A No. 440/2021 drafted by Magdalena Sieradz-Podsiady, a notary in Grodzisk Mazowiecki, Poland. On January 2, 2020, Collect Points Sp. z o.o. Sp.k. (a limited liability partnership) was transformed into a limited liability company under the name of Collect Points Sp. z o.o. (a limited liability company), by virtue of Resolution No. 3 of the General Partner of Collect Points Sp. z o.o. Sp.k. (a limited liability partnership) with registered office in Grodzisk Mazowiecki, Poland, of May 28, 2019, on the transformation of Collect Points Sp. z o.o. Sp. k. (a limited liability partnership) into a limited liability company.

On September 1, 2021, a subsidiary of the Company, WGM1 Sp. z o.o. (a limited liability company), with registered office in Grodzisk Mazowiecki, Poland, established, together with a local investor, a company under Indonesian law under the business name of PT Wapien Indonesia Makmurin, in which it took up 51% of shares. The company was registered on September 16, 2021.

On September 16, 2021, a subsidiary of the Company, PGM of Texas LLC, acquired 100 percent of shares in Legend Smelting and Recycling Inc. This company was transformed into Legend Smelting and Recycling LLC on November 9, 2021.

On December 6, 2021, Elemental Electro Recycling B.V., a subsidiary of the Company, acquired a 10% stake in KAT METAL ESTONIA OY.

On December 31, 2021, 100% of shares in Tesla Sp. z o.o. (a limited liability company), with registered office in Grodzisk Mazowiecki (now: Tesla Electrorecycling Sp. z o.o.), were contributed in kind by Finex Sicav SIF Private Equity VII to Elemental Electro Recycling B.V.

On December 31, 2021, 100% of the shares in Terra Sp. z o.o., with registered office in Grodzisk Mazowiecki, Poland, were contributed in kind by Finex Sicav SIF Private Equity VII to Elemental Electro Recycling B.V.

Changes in the Group after the balance sheet date:

After the balance sheet date, on January 18, 2022, Syntom Metal Recycling Sp. z o.o., with registered office in Warsaw, Poland, acquired from Tesla Recycling Sp. z o.o. all of its shares in Metal Holding s.r.o.

On April 8, 2022, the acquisition of a 51% stake in the company Waste Management Georgia LLC, of Georgia, by Elemental Geri Donusum A.S. was registered.



2.5. The value building model versus the business model of the Elemental Holding Group

Based on the business model presented above, pursuing the opportunities and possibilities emerging in the business environment, Elemental Holding Group and its Parent are following their mission of building a group of complementary companies with an over-European reach which operate in the market of recycling raw materials used in the electronics and electrical industry and in the automotive industry. As the Elemental Holding Group follows its mission, its key aim is to build its value by gaining strategic position in the supply chain of selected precious or industrial metals, while keeping profitability. The implementation of the above mission and key business aim is only possible based on a business model that allows for a maximum level of added value. The Elemental Holding Group, as well as its dominant company, understand this process in the entire value chain they operate in, based on sustainable development in the value creation process.

For this reason, the Elemental Holding Group has identified the key groups which have impact on the Elemental Holding Group's business model:

Recipients:

- Smelters,
- Refineries,
- Foundries,
- Waste electrical and electronic equipment recovery organizations,
- Other entities in the waste trading and processing market.

Suppliers:

- Waste electrical and electronic equipment processing facilities
- Vehicle dismantling plants,
- Scrap collection points,
- Retail chains,
- Manufacturers and importers of electrical and electronic devices,
- Auto parts manufacturers,
- Manufacturing plants,
- Metal smelters and foundries,
- Industrial facilities,
- Public institutions,
- Private businesses,
- Waste electrical and electronic equipment recovery organizations,
- Other entities in the waste trading and processing market,
- Individuals.



Infrastructure:

- Specialized lines for sampling of used catalysts,
- Lines for cutting and grinding used catalysts,
- Spectrometers for testing the waste chemical composition,
- Lines for processing and sampling of printed circuits,
- Waste refrigeration equipment processing lines,
- Waste lighting equipment processing lines,
- Non-ferrous waste processing lines,
- Six main non-ferrous metal and WEEE waste processing facilities in Tomaszów Mazowiecki (Poland), Grodzisk Mazowiecki (Poland), Bydgoszcz (Poland), Galines (Lithuania), Ankara (Turkey) and Tallin (Estonia),
- Ten spent catalyst processing facilities in Finland, Poland (2), Germany, the Netherlands, UK, USA (3) and Malaysia,
- A network of over forty waste collection and storage points located across Central and Eastern Europe, Germany, Finland, Turkey and the Middle East,
- Several hundred specialized containers for transporting waste,
- Modern systems of internal transport as well as loading and unloading,
- Inhouse transport fleet allowing for independence and flexibility while collecting and delivering scrap metal.

Team

- A qualified and experienced team of managers and employees.

Understanding the enterprise value creation as value realization for the entire business chain of the Elemental Holding Group, the values of Elemental Holding S.A. have been determined. **The values of Elemental Holding S.A. are defined in accordance with the standards of ISO 26000 (Guidance on social responsibility). These are:**

- **Development,**
- **Respectful partnership,**
- **Honesty and responsibility.**



Development

Only those who will risk going too far can possibly find out how far one can go.

T.S. Eliot

Development is in the DNA of our organization. We are in a constant search for innovative solutions and implement state-of-the-art technologies in our facilities. In our Group, we welcome dynamic organizations, market leaders and top specialists in the industry. Together, based on the knowledge and experience we all share, we try to reach the limits of what is possible. Fortunately, we still see no boundaries.



Respectful partnership

If your aim is to have a credible dialogue you need to keep being yourself. This is because people you talk to will understand whether you really represent yourself or whether you play a rhetorical game or a tactic. Obviously, tactic is a generally accepted practice, but it cannot dominate your case and your goodwill.

Władysław Bartoszewski

We have built our organization based on family businesses, committed employees and competent managers. We believe that trust in people, a common goal and mutual respect allow us to overcome the greatest challenges while fostering innovation and creativity. According to Lee Iacocca, one of the most famous American managers, "The key to success is not information. It's people."



Honesty and responsibility

The price of greatness is responsibility.

Winston Churchill

We operate in a unique market segment. We are lucky. The more effective we are in caring for natural resources and protecting the environment, the better our business develops. We grow stronger by protecting what is the most important to humanity and what allows it to survive. With transparent processes in our organization, as well as with honest relations with our partners and team members, we prove to be responsible for the communities we create and live in and for the green world in which we wish to see the life of future generations.

Based on the above values, the activities of Elemental Holding S.A., both in business and social spheres, are based on the 17 UN Sustainable Development Goals for 2030 (Agenda 2030), the Universal Declaration of Human Rights, the conventions of the International Labor Organization, other international ethical norms and standards, as well as legal requirements.

The Elemental Holding Group's Code of Ethics (hereinafter: Code of Ethics) is the key document which regulates that the Group's mission and business aims are implemented in accordance with its values and which therefore serves as a starting point for effective business and social activities. The first version of this document was adopted by the Group in 2018. Currently, since February 25, 2022, based on the decision of the Management Board taken on February 1, 2022, the second, significantly extended and more comprehensive edition of this document has been in force. The Code of Ethics was prepared according to the recommendations of the Institute of Business Ethics (<https://www.ibe.org.uk/>). It is available at:

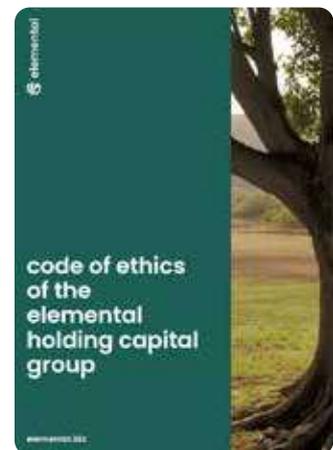
https://elemental.biz/uploads/kodeks-etyki-grupy-kapitalowej-elemental-holding-22.02.2022_EN%20%28002%29.pdf.

The Code of Ethics establishes minimum standards for all Group companies when it comes to key areas of responsibility in their business activities within the entire value-building chain. These are the following:

- Human rights and employment practices;
- Environment and climate,
- Fair operating practices and social engagement.

It is based on the following chapters:

1. Our values
2. Scope of application of the Code and compliance with the law
3. Human rights
4. External relations
5. Protection of the natural environment
6. Protection of information, business property and personal data
7. Whistleblowing Procedure
8. The change of the Code



Chapters 3 to 7 describe in detail the standards based on which the Elemental Holding Group operates, when it comes to specific areas of business in the Group's entire value-building chain. A detailed elaboration on the above areas of responsibility in business, with a reference to the Code of Ethics, is provided in the following parts of this Report.



3. Sustainable development and ESG factors as key factors for building the strategy of Elemental Holding Group

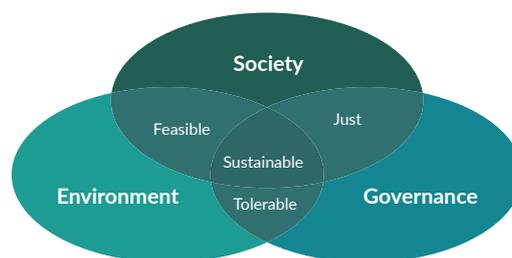
GRI 102-16	Values, principles, standards, and norms of behavior
GRI 102-29	Identifying and managing economic, environmental, and social impacts

As said in the previous chapter, the Elemental Holding Group operates in accordance with clearly defined values, which constitute the basis for the implementation of the Group’s mission and vision in business and social terms. They are in line with the 17 UN Sustainable Development Goals for 2030 (Agenda 2030), the Universal Declaration of Human Rights, the conventions of the International Labor Organization, other international ethical norms and standards, as well as legal requirements.

All these actions are consistent with each other, with the minimum standards set out in the Elemental Holding Group’s Code of Ethics, which was also described in the previous chapter.

This chapter pays particular attention to the fact that the areas of responsibility covered, and the structure of the document itself, reflect the Elemental Holding Group’s approach to achieving its economic objectives in terms of sustainable development, an idea promulgated in 1992 by the United Nations, which assumes that a society wishing to develop economically must recognize the primacy of ecological and sociological requirements that cannot be interfered with by the economic growth of civilization.

Approach to building corporate sustainability



The opportunity to realize the above concept is provided by the identification and consistent management of economic, environmental and social factors, abbreviated as the ESG approach, where:

- E – Environment, which stands for environmental and climate management,
- S – Social, which stands for the management of social issues, both within the organization, i.e. in relation to employees, and in its environment, in relation to local communities and wider societies,
- G – Governance, which stands for the management of issues related to the structure of the business model and its performance in terms of appropriate corporate governance and a coherent management system.

This approach is illustrated in the figure below:

ESG Scope of responsibilities



It should be clearly stated that it is precisely because of the desire to operate sustainably that, since the beginning of its operation, the core business of the Elemental Holding Group has been the recycling of products and recovering of elements and chemical compounds that are critically important for the sustainable development of mankind, thus becoming involved in the implementation of resource-saving processes, pursuing the idea of the primacy of environmental objectives in terms of the economic development of mankind (as shown in detail in Chapter 1: The environment and context of operations of the Elemental Holding Group).

The Elemental Holding Group’s operation according to the concept of sustainability has also become the cornerstone of the Group’s Code of Ethics. This can be seen directly in the division of the minimum standards set out in this document into three basic groups, which relate directly to ESG:



- **E (Environment) – environment and climate,**
- **S (Social) – human rights and labor practices,**
- **G (Governance) – fair operating practices and community engagement.**

The above minimum standards have been defined in relation to all individual areas – the generic stakeholder groups – making the nine chapters of the Group’s Code of Ethics. They are grouped as follows, in relation to each ESG area:

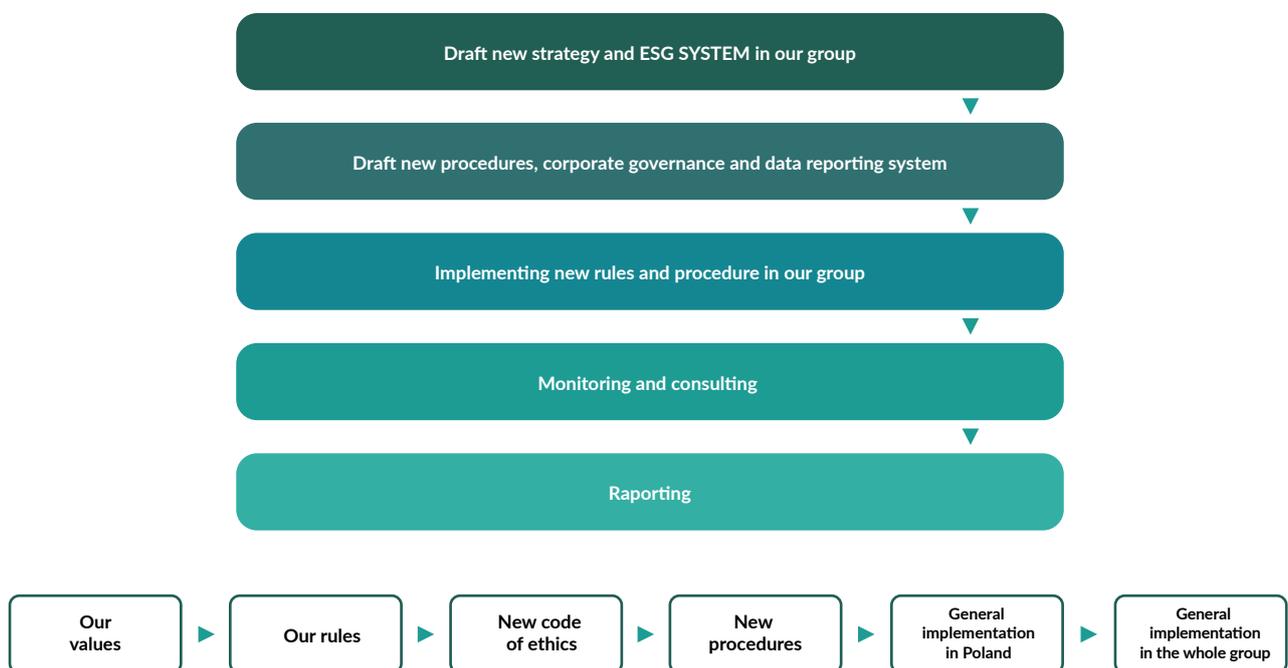
- E (Environment) – Chapter 5. Environmental protection,
- S (Social) – Chapter 3. Human rights, Chapter 4. External relations,
- G (Governance) – Chapter 2. Scope of the Code and its Compliance with the Law, Chapter 6. Data Protection of information, business property and personal data, Chapter 7. Whistleblowing Procedure.

The detailed provisions of the relevant chapters of the Code of Ethics have been used as a starting point for the presentation in the following chapters of this Report of the policies and other standards for the conduct of ESG activities by the Elemental Holding Group, as well as the results obtained in terms of these for 2021.

Based on the above approach and the defined minimum principles, the Elemental Holding Group plans to prepare its comprehensive ESG Strategy in 2022, thus raising governance, environmental and social issues to an even higher level of strategic importance, with the aim of embedding the ESG objectives laid out in the Strategy into its business strategy.

The above process will be conducted using an appropriate methodological algorithm.

Algorithm for the implementation of the ESG Strategy in the Elemental Holding Group in 2022



The inability to perform the task of preparing and implementing the ESG Strategy in the Elemental Holding Group so far was due to the very dynamic (as shown in Chapter 2: Elemental Holding Group’s business model) development of the Group in recent years through successive acquisitions and through organic growth.

The foregoing does not, however, in any way preclude a firm statement that **the scope, number and importance of the ESG activities undertaken at the Elemental Holding Group has been and is very extensive in terms of area and strategic importance for the Group.** This is demonstrated in the following chapters of this Report, dedicated to the individual thematic areas of sustainability, namely E, S and G.



4. Social aspect in the implementation of the Elemental Holding Group's sustainability concept

“We bring together employees from different cultural backgrounds, countries and even continents. We believe and strive to ensure that our values are shared and that our diversity contributes to the growth potential of our Group's development. We believe in social responsibility, expressed through respect for human and employee rights and engagement in local community life. The health and safety of our employees and other workers is of paramount importance in our organization. We have put in place state-of-the-art technical solutions to ensure a safe and hygienic working environment and, above all, to prevent accidents and ill health as a result of, in connection with or during work. We believe that conducting social dialogue and seeking solutions that are beneficial to both the enterprise and its environment at a local level will contribute to the competitiveness of our company at a global level. Our guiding principles are accountability, transparency, ethical conduct and respect for the law and stakeholder expectations.”

Pawel Jarski, the CEO of the Elemental Holding Group

4.1. Employment and career path development in the Elemental Holding Group

GRI 102-8	Information on employees and other workers
GRI 401-1	New employee hires and employee turnover
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
GRI 404-1	Average hours of training per year per employee
GRI 404-2	Programs for upgrading employee skills and transition assistance programs
GRI 404-3	Percentage of employees receiving regular performance and career development reviews

The Elemental Holding Group's Code of Ethics and the Elemental Holding Group's Human Resources Management Policy define and uphold the following rules that apply to the entire Group.

The Elemental Holding Group:

- ensures decent working conditions in accordance with international standards, including the core conventions of the International Labor Organization,
- ensures that everyone has the right to free choice of employment under agreed conditions,
- does not use slave or compulsory labor, including compulsory prison labor,
- prohibits employees from making any deposits or depositing their identity documents with Group companies,
- ensures that employees have the right to terminate their employment at any time upon expiry of the notice period specified in the contract,
- ensures that employees and other workers are satisfied with their working environment, remuneration and health and safety conditions in order to gradually reduce the Group's employment turnover rate.

All of the aforementioned rules are detailed through the **Labor Regulations applicable in each Elemental Holding Group company (or Employee Manuals in the US companies).**

Partnership, respect and fairness are the values that the Elemental Holding Group is guided by as an organization. For this reason, it strives to provide its employees with an objective and fair assessment of their work, taking into account their competence, social skills (including teamwork) and the quality of their work. When assessing employees, the Group applies clear criteria for remuneration and motivation. It is not guided by gender criteria in its performance assessment or remuneration rules (applying the principle of equal remuneration). When determining salaries and wages, the Group ensures that salaries, wages and fringe benefits for a standard working week meet at least national legal standards. Each employee is provided with the terms and conditions of employment, in particular with regard to pay, in writing and in an understandable form, prior to the commencement of employment and, at the employee's request, with regard to the details of pay for the relevant period.



It is forbidden in the Elemental Holding Group to apply any deductions from salaries due to employees as a form of disciplinary measure, unless such deductions are permitted under generally applicable national laws. Any disciplinary measures taken against employees should be appropriately documented.

As a sign of partnership and respect for employees and other workers, the Elemental Holding Group strives to ensure a work-life balance for them. The Group respects the time of the people it works with and understands that they need leisure time and non-work activities. It is particularly important for the Group to support the family life of its employees, including parenthood. The Group also runs organizes Christmas parties for the children of the Group's employees, as well as provides life insurance, funding for different forms of education, and discounts to sports clubs.

If the type and nature of the work performed allows it, flexible working hours are introduced. The working hours in force at the Elemental Holding Group are in line with the respective national legislation, collective bargaining agreements and international standards. Office employees (except customer service ones) start work between 8-9 am and finish between 4-5 pm, after 8 hours. Employees in managerial positions have unregulated working hours and, as a rule, regulate their working hours themselves. Holidays, on the other hand, are granted according to the holiday plan or at the request of the employee, even if the leave was not planned in advance, as long as the arrangement of duties and their distribution in the department allows for such an unplanned break. Employees take their leave in accordance with the labor regulations in force, which are continuously monitored, to the extent and in accordance with the rules set out therein. It is also standard practice to grant paid breaks to employees performing tasks under B2B contracts, to the same extent as full-time employees.

Working hours, excluding overtime, are contractually defined and may not exceed the maximum permissible thresholds set by national legislation. Overtime hours are voluntary, applied responsibly, taking into account the scope, frequency and working time of individual employees and all employees together. They may not be used to replace the

regular employment relationship. Overtime shall always be paid at a higher rate of pay, in accordance with the rules set out in the applicable legislation, or appropriate time off at the same rate, if permitted by and under the rules set out in the applicable legislation.

In view of the Covid-19 pandemic, the Group has also changed its approach to the way work is performed. From March 2020 throughout the entire year 2021, it was fully acceptable in the Group, and on an equal footing with standard work, for employees to work remotely. For operational reasons, this did not apply only to production employees and customer service point staff. In addition, during the COVID pandemic state, a practice developed in which office employees were divided into teams working in the office on a rota basis. In the current period (2022), when the epidemic threat has passed, the practice of partial remote working has been maintained in the Group and is now standard. For this reason, some employees work several days a month remotely, in agreement with their supervisor. This is regulated in the employee-supervisor relationship.



An important part in the human resources management process in the Elemental Holding Group is the development of career paths and related training. The Group uses the most up-to-date legal and best practice solutions in this regard, combining the implementation of career path development processes and related training with the development of its value-building structure. It is also constantly rebuilding and improving its structure and organizational chart, which involves adding more opportunities for promotion.

In terms of training, the Group companies use various training platforms and, within them, various further training paths. For example, Syntom Metal Recycling uses the system strefakursow.pl, which provides online training. In 2021, due to remote working, these mainly focused on using office applications, such as MS Excel, MS Word, MS Teams, etc., at various levels. Upon completion of a given training course, each employee receives a certificate. Training can be accessed from anywhere and from any device. The training itself can be completed at own pace – in leisure time, at work or at home. The training package for employees is allocated by the Management Board; however, if someone finds something in the training platform that they would additionally be interested in, it is possible to request the allocation of this training. A pilot English language training program, “E-Tutor”, was also conducted in the Elemental Holding Group in 2021.



In addition to training, **every Elemental Holding Group employee has the opportunity of self-development through volunteering.** In the Group companies in Poland, this takes place mainly through participation in the campaign “Szlachetna Paczka” (“Noble Gift”). Each year, every Group company selects a family from a list indicated by the campaign’s Foundation, for which a collection is done. Group employees also help each other in a very dynamic way. Regular and frequent within the Group is mutual assistance in terms of purchasing construction elements or carrying out work in constructed or renovated houses.

As said in the previous chapters of the Report, the Elemental Holding Group is growing dynamically. This involves a dynamic rise in the demand for new employees. **In the recruitment processes, the Group applies transparent principles of employment and relations and working conditions based on social dialogue. It directs its recruitment offer to local communities,** reaching out to the potential candidates by publishing advertisements in the local media and intensifying its activities in organizing internships in cooperation with Municipal and District (Poviat) Labor Offices. With regard to re-

cruitment processes, the Elemental Holding Group follows all the guidelines and procedures related to the employment of minors developed by the International Labor Organization, in particular:

- by not recruiting children in any way. It is forbidden to employ persons who are under 15 years of age, unless otherwise stipulated by applicable law,
- by not employing minors under the age of 18 to work at night or in hazardous conditions.

In addition to the above, the Elemental Holding Group is improving the social conditions of its employees in the offices of Group companies. **In 2021, a comprehensive program of expansion and renovation of the Group's office buildings was launched.** It consists in the expansion of social areas and the introduction of a large number of additional greenery inside the office spaces. In this way, the office and staff building of Terra Recycling Sp. z o.o. was completely renovated in 2021. Tesla Recycling Sp. z o.o. In 2022, the headquarters of Elemental Holding S.A. and Syntom Metal Recycling Sp. z o.o. will also undergo such renovation.

One of the redeveloped rooms in the Elemental Holding Group buildings



4.2. Diversity in the Elemental Holding Group

GRI 405-1	Diversity of governance bodies and employees
GRI 406-1	Incidents of discrimination and corrective actions taken

The Elemental Holding Group's Code of Ethics, Human Resources Management Policy and Labor Regulations also describe the area of diversity in the Group. Central to their provisions is that **partnership and respect are treated as one of the overriding principles and that good cooperation is achieved based on dialogue and respect for diversity.**

The Group strives to create an atmosphere in which employees and partners can speak freely, exchange information and consult within the teams to which they belong. It implements internal communication tools and supports activities that allow the exchange of knowledge and experience between Group companies, believing that this is how the Group's organization is strengthened. In view of the above, **the Elemental Holding Group:**

- **guarantees all workers access to information, consultation and the right to form and join any trade union, organization or work council and to bargain collectively,**
- **has an open attitude towards the activities of trade unions, works councils and their organizational activities, in this regard providing appropriate arrangements that facilitate constructive dialogue,**
- **ensures that employee representatives are not discriminated against and are free to exercise their representative functions in the workplace.**

No forms of discrimination and mobbing are tolerated in the Elemental Holding Group, and therefore active measures are taken in the Group to prevent any behavior directed against employees or other workers leading to persistent and prolonged harassment and intimidation, causing a lower assessment of professional suitability, causing or aiming at humiliation, ridicule, isolation or elimination from the team. Any form of physical, psychological, sexual, verbal or other discrimination that has the purpose or effect of violating the dignity of persons who work at the Group and creating an intimidating, hostile or humiliating atmosphere towards them (harassment), including any unwanted behavior of a sexual nature or relating to sex (sexual harassment), is prohibited. **In order to introduce a uniform standard of conduct and response to unwanted conduct, the Elemental Holding Group Anti-Mobbing Policy has been put in place in the Group,** which is included in the Group's Human Resources Policy described above.



Group companies are obliged to respond to any signs of harassment, discrimination, unequal treatment or mobbing and to initiate appropriate measures to eliminate them permanently, with due discretion. The Group guarantees that no employee or colleague who reports incidents of harassment, discrimination, unequal treatment or mobbing in accordance with the whistleblowing procedure will suffer any negative consequences.

The Elemental Holding Group is committed to ensuring diversity in terms of gender, age, experience and worldview, believing that diversity contributes to the growth of the Group. The Group does not discriminate against anyone on the basis of gender, race, caste, nationality, religion, age, disability, views, marital status, sexual orientation, appearance, union affiliation or political beliefs in employee recruitment, employment, remuneration, access to training, promotions, redundancy and retirement.

The above measures are confirmed by the performance of the individual Group companies. There were no reports of discrimination in 2021. All Group companies, despite the fact that most of them have quite large teams, are managed by professionals who try to defuse tensions on an ongoing basis and not to create situations of a discriminatory nature.

As no cases of discrimination were reported in the Group in 2021, there was no need to take any corrective actions.

4.3. Occupational health and safety in the Elemental Holding Group

GRI 403-1	Occupational health and safety management system
GRI 403-2	Hazard identification, risk assessment, and incident investigation
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety
GRI 403-5	Worker training on occupational health and safety
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
GRI 403-8	Workers covered by an occupational health and safety management system
GRI 403-9	Work-related injuries
GRI 403-10	Work-related ill health

The health and safety of employees and contractors is a priority for the Elemental Holding Group. In this regard, the Group puts in place the latest technical solutions to ensure a healthy and safe working environment and, above all, to prevent accidents and ill health as a result of, in connection with or during work. To this end, appropriate principles for approaching health and safety issues have been implemented in the Group. These are as follows:

- for all workplaces in the Elemental Holding Group, a health and safety risk assessment has been performed, including based on the PN-N-18002 standard,
- a list of hazardous works has been compiled,
- all reports of potential accidents at work in the Group are thoroughly verified and, if necessary, reported to the relevant services and authorities,
- regular health and safety training must be provided for employees,
- the internal safety regulations, as well as the health and safety rules in force in the countries where the Group operates must be strictly complied with,
- the Group organizes information campaigns to improve employee awareness of health and safety.

In the Elemental Holding Group, the consumption of alcohol, drugs or other intoxicants is strictly prohibited, as is appearing at the workplace under their influence. Smoking, on the other hand, is only permitted in designated areas.

The Elemental Holding Group provides access to clean toilets and drinking water and, where necessary, hygienic food storage areas. Any accommodation offered to employees is clean and safe and meets their basic needs.

All Elemental Holding Group employees are covered by preventive health care and have direct access to health services.



One of the benefits offered by the Group to employees are medical packages. This is developed especially in those countries where access to state-funded medical care is limited.

All Elemental Holding Group employees regularly undergo mandatory health and safety training. As part of its cooperation with fire brigade units and local authorities, the Group also conducts specialized drills to prepare the employees to act in the event of a fire hazard or other hazards arising from the nature of their workplaces. As transport plays a major role in the Group's activities, it continuously trains its drivers in culture and safe driving techniques.

During the COVID-19 pandemic, an additional measure undertaken by the Elemental Holding Group for its employees was vaccination against SARS-CoV-2. On its initiative, the Group's Management Board organized a series of vaccinations for the Group's employees in 2021, and rapid antigen tests were also purchased as part of preventive healthcare. The vaccination campaign was eagerly and positively received by employees. The preventive measures taken in the companies, the implementation of hybrid working in office positions and working in fixed groups for blue-collar workers ('bubbles') ensured the continuity of production in the various Group units to be maintained even in times of hard lockdowns in 2020 and 2021.

The aforementioned directions, principles, objectives and ways of performing tasks carried out by the Elemental Holding Group are reflected in the Integrated Management System (IMS) built by the Group, described in detail in the previous chapter. In terms of occupational health and safety, it is important to note that the health and safety component is an important part of IMS. In the case of Terra Recycling and Syntom Metal Recycling, it successfully passed a third part audit and certification process, as confirmed by the certificate of compliance with ISO 45001 – Occupational Health and Safety Management System.



4.4. Social engagement of the Elemental Holding Group

GRI 102-12	External initiatives
GRI 102-13	Membership of associations
GRI 413-1	Operations with local community engagement, impact assessments, and development programs
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data

As described in Chapter 2 "Elemental Holding Group's business model", external stakeholders are of extreme importance to the Group. For this reason, **conducting social dialogue and seeking solutions that are beneficial to both Elemental Holding Group and its environment, mainly local, contributes, in the Group's view, to the company's global competitiveness.** When it comes to conducting this dialogue, the fundamental principles that guide the Group are accountability, transparency, ethical conduct and respect for the law and stakeholders' expectations.

The foundation for social engagement in the environment and developing the Group in full synergy and harmony with stakeholders is the **membership and work of Elemental Holding Group companies in industry organizations worldwide. These included in 2021:**

- **Maryland Core Inc >>> Institute of Scrap Recycling Industries (ISRI),**
- **Legend Smelting & Recycling >>> Institute of Scrap Recycling Industries (ISRI), Automotive Recyclers Association (ARA),**
- **EHSA >>> European Clean Hydrogen Alliance (ECHA),**
- **PGM of Texas >>> International Precious Metals Institute (IPMI), Institute of Scrap Recycling Industries (ISRI), Automotive Recyclers Association (ARA),**
- **Syntom Metal Recycling >>> Bureau of International Recycling (BIR).**



As part of community engagement activities, Elemental Holding Group companies, here mainly Terra Recycling at its waste electrical and electronic equipment processing plant, conducted educational activities for primary school children in 2021, where pupils were invited to visit recycling plants, understand the philosophy of circular economy, and the role of the Elemental Holding Group's recovery of valuable elements and compounds in the implementation of circular economy. During these lessons, Group employees showed the children how the dismantling and processing of waste electronic equipment takes place.

The Elemental Holding Group also teaches local communities how to handle waste properly and how to sort it. It also organizes local collections of electronic waste. In 2021, acting in agreement with the municipality of Grodzisk Mazowiecki, it provided the residents with the opportunity to dispose of used batteries.

The Elemental Holding Group also supports sport, both competitive and amateur. It has focused its activities in this respect on triathlon. Since 2015, Elemental Holding has been a sponsor of Tri Series triathlon competition series. The competitions are held in Olsztyn, Krakow and Bialystok. It is one of the most important series of events in this discipline in Poland. The competitions gather athletes from all over the world. Since 2017, the competition in Olsztyn have been classified within the European Cup on the sprint distance of the European Triathlon Union (ETU), and participation in the events of the entire ETS series allows one to obtain points in the Polish Cup classification.

The Elemental Holding Group also initiated and sponsored the Elemental Tri Team project, which aimed to train athletes for the 2020 Tokyo Olympic Games (held in 2021 due to the COVID-19 pandemic). The team was coached by Sydney 2000 Olympic triathlon bronze medalist Jan Rehula, assisted by top Polish triathlon coaches.

In addition, as part of the Eco Help ERP campaign, together with the European Recycling Platform, in 2021 the Group supported the disadvantaged children by donating computer equipment for 10 students.

To complete the comprehensive range of the Elemental Holding Group's actions for local communities, a formal complaints mechanism has been put in place to enable the Group to monitor the public perception of its companies' operations in terms of environmental aspects and respect for human rights.

The Elemental Holding Group seeks to transfer its principles on anti-corruption and respect for diversity to its entire value chain.





In 2019, the Company adopted the Anti-Corruption Policy, which is implemented based on the identification and minimization of corruption risks throughout the entire chain of Group's supply chain. The Elemental Holding Group takes measures to raise the awareness of its employees and suppliers in this regard. It applies the principles of fair competition and promotes social responsibility not only among its employees but throughout the entire supplier chain.

For several years, Elemental Holding Group has been cooperating with institutions responsible for human safety and the removal and remediation of the consequences of environmental accidents and disasters. As part of the cooperation, the Group makes plant space available for exercises of the Polish State Fire Service, which are aimed at evaluating the ability to operate in unusual production plants and preparing fire brigade units to eliminate hazards at waste storage and processing plants, as well as developing options for extinguishing fires of waste household appliances and consumer electronics. Due to the COVID-19 pandemic, the number of actions conducted under the cooperation was significantly reduced in 2021.

In addition to the continuous and regular work in the aforementioned organizations and in the aspect of education and sponsorship support, the Elemental Holding Group companies also cooperate with local stakeholders in the aspect of each environmental project implemented. For instance, each Group company conducts public consultations when applying for any environmental decision for its investments. In 2021, such a procedure was carried out for the investment in Grodzisk Mazowiecki, Poland, which is being carried out by Terra Electrorecycling. As part of these activities, the entire documentation related to the environmental impact assessment of the investment in question was presented to the public and any representative of the local community could submit their comments and objections to it. Similarly, public consultations within the IPCEI project in Zawiercie, Poland, were held. As part of them, on January 27, 2021, a meeting was held with the City Council and Zawiercie residents as part of an open session of the Council. In addition to it, from the third quarter of 2020 to the present, cyclical meetings with the Mayor of Zawiercie and Zawiercie officials have also been taking place under this project.



The high effectiveness of the activities undertaken is evidenced by the absence of any negative reports or complaints from the local community about the activities of any Elemental Holding Group company in 2021.

Elemental Holding Group's latest social challenge is the social situation related to the influx of refugees from Ukraine following Russian Federation's aggression against the country. The Group has decided to financially support organizations that directly reach out to help Ukrainian citizens:

- **Polish Humanitarian Action – PLN 60,000,**
- **Polish Traditional Karate Association – PLN 40,000.**

Furthermore, Terra Recycling, together with the municipality of Grodzisk Mazowiecki, where the company has its registered office, has organized a campaign to recruit teachers and psychologists who will be able to run classes for Ukrainian children staying in educational establishments prepared for them. As part of the action, a helpline was set up for those wishing to apply. The action was promoted through social media and a poster campaign in the municipality.

Simultaneously, the company encourages and supports its employees in grassroots help initiatives, including providing space for the collection of donations and special donation boxes for refugees from Ukraine.

4.5. Performance measured by GRI disclosures related to the Social area for Elemental Holding Group for 2021

All the measures outlined above have had their very good effect in the form of very positive performance as measured by GRI disclosures related to the Social area, as shown below:

GRI 401-1 – New employee hires and employee turnover in the organization

Elemental Holding Group					
in 2021					
New employee hires during the reporting period by category		Total number of employees in the organization	Total number of new employees in the organization	Rate of new employees	
Gender	Women	191	98	51.31%	
	Men	869	379	43.61%	
Age group	under 30 years old	292	206	70.55%	
	30-50 years old	528	205	38.83%	
	over 50 years old	240	66	27.50%	
Total	1,060	477	45.00%	45.00%	
Employee leaves during the reporting period by category		Total number of employees in the organization	Total number of employees who left the organization	Employee turnover	
Gender	Women	191	51	26.70%	
	Men	869	287	33.03%	
Age group	under 30 years old	292	161	55.14%	
	30-50 years old	528	125	23.67%	
	over 50 years old	240	52	21.67%	
Total	1,060	338	31.89%	31.89%	

GRI 403-8 – Workers covered by an occupational health and safety management system in the organization

	Elemental Holding Group	
	in 2021	
Employees who are directly employed by the organization:	Number	Percentage
who are covered by the OHS management system	1,060	100%
who are covered by the OHS management system that has been internally audited	1,060	100%
who are covered by the OHS management system that has been audited or certified by an external party	1,060	100%
Workers who are not employees but whose work and/or workplace is controlled by the organization:	Number	Percentage
who are covered by the OHS management system	6	100%
who are covered by the OHS management system that has been internally audited	6	100%
who are covered by the OHS management system that has been audited or certified by an external party	6	100%

GRI 403-9 – Work-related injuries

	Elemental Holding Group	
	in 2021	
Among employees, number of:	Number	Rate
fatalities as a result of work-related injury	0	0
high-consequence work-related injuries (excluding fatalities)	0	0
recordable work-related injuries	25	23.81%
Number of hours worked	1,049,850.35	
Rate of all work-related injuries*	25	23.81%

* In the formula of the indicator, the multiplier 'per 1,000,000 hours worked' was used, showing the number of work-related injuries per 500 full-time employees over a period of one year, as used in calculations for large organizations.

GRI 403-10 – Work-related ill health

Elemental Holding Group	
in 2021	
For employees who are directly employed by the organization:	
Number of fatalities as a result of work-related ill health	0
Number of cases of recordable work-related ill health	0
For workers who are not employees but whose work and/or workplace is controlled by the organization:	
Number of fatalities as a result of work-related ill health	0
Number of cases of recordable work-related ill health	0
Total number of employees and workers who suffered work-related ill health	0

GRI 404-1 – Average hours of training per year per employee in the organization

Elemental Holding Group			
in 2021			
	Women	Men	All employees
Total number of training hours provided	1,197.55	7,823.60	8,098.40
Total number of employees	191	869	1,060
Average training hours	6.27	9.00	7.64

GRI 404-3 – Percentage of employees receiving regular performance and career development reviews

Elemental Holding Group		
in 2021		
Percentage of total employees who received a regular performance and career development review during the reporting period (%)		
Gender	Women	42.41
	Men	23.25
Total		65.66

GRI 405-1 – Diversity of governance bodies and employees in the organization

Elemental Holding Group		
in 2021		
Percentage of persons within the organization's governance bodies (%)		
Gender	Women	20
	Men	80
Age group	under 30 years old	0
	30-50 years old	90
	over 50 years old	10
Ethnic minority	Latino	2.50
	Other undisclosed	10
Percentage of employees per employee category (%)		
Gender	Women	18.02
	Men	81.98
Age group	under 30 years old	27.55
	30-50 years old	49.81
	over 50 years old	22.64
Ethnic minority	Latino	0
	Other undisclosed	0

Elemental Holding Group	
in 2021	
Total number of persons within the organization's governance bodies	60
Total number of employees	1,060

GRI 406-1 – Incidents of discrimination and corrective actions taken

Elemental Holding Group	
in 2021	
Total number of incidents of discrimination during the reporting period	0

GRI 413-1 – Operations with local community engagement, impact assessments, and development programs

Elemental Holding Group	
in 2021	
Percentage of operations with implemented local community engagement, impact assessments, and/or development programs (%)	90.25



5. Governance in the sustainable development of the Elemental Holding Group

“We expect that all activities undertaken both internally and externally by the Group companies and their employees will be in line with the general laws, social coexistence principles and habits established in countries where we operate.”

Paweł Jarski, the CEO of the Elemental Holding Group

5.1. The Code of Ethics of the Elemental Holding Group, as well as related policies, procedures and resolutions, as the key documents of the Group’s corporate governance

GRI 102-16	Values, principles, standards, and norms of behavior
GRI 102-17	Mechanisms for advice and concerns about ethics
GRI 102-18	Governance structure
GRI 102-25	Conflicts of interest
GRI 102-35	Remuneration policies
GRI 102-36	Process for determining remuneration
GRI 205-1	Operations assessed for risks related to corruption
GRI 205-2	Communication and training about anti-corruption policies and procedures
GRI 205-3	Confirmed incidents of corruption and actions taken

The Code of Ethics of the Elemental Holding Group is the most important document which defines the basic principles of corporate governance in the implementation of the sustainable development idea. As indicated in the previous two chapters of the Report, the Code of Ethics was adopted in its current form on February 25, 2022.

The Code of Ethics of the Elemental Holding Group sets out the standards that should guide each of its employees and workers, as well as business partners. It also includes expectations that all activities undertaken both internally and externally by the Group companies and their employees will be in line with the general laws, social coexistence principles and habits established in countries where the Group operates.

The Code of Ethics has been dedicated to all members of governing bodies at the Elemental Holding Group companies, senior management, employees, workers, and business partners.

The Code of Ethics of the Elemental Holding Group also includes the expectation that all the principles and guidelines presented therein will be applied in the daily operations of the Group’s companies, as well as an indication that in the event of exceptional events, not provided for in the rules, it is the Code that will serve as a compass allowing to make interpretations in the spirit of values that are important for the Group.

The Code of Ethics of the Elemental Holding Group specifies exactly what is expected of employees and workers, managers, as well as of the Group’s business partners and subcontractors, indicating that:

employees and workers of the Elemental Holding Group are expected to:

- read and confirm in writing the knowledge of the values and rules of conduct set out in the Code,
- participate in regular training courses organized by the Compliance Department,
- apply the principles and values indicated in the Code in everyday work,
- signal a breach in case of having doubts or gaining knowledge about a potential or actual breach of the Code,
- familiarize their business partners with the principles of the Code and make sure that they apply these rules in their organizations at a level which is required by the Code.

managers of the Elemental Holding Group are expected to:

- manage their teams by respecting the rights and values set out in the Code,
- ensure that each member of their team is familiar with the Code, as well as with other internal procedures,
- ensure good communication in their teams and stay in touch with similar departments in the Group in order to exchange ideas and experiences,
- provide support for employees who report violations,
- make efforts to prevent any retaliation against whistleblowers,
- monitor, identify and report to the Compliance Department any problems which may arise during the application of the Code.

business partners and subcontractors of the Elemental Holding Group are expected to:

- read and accept the standards described in the Code and the Elemental Holding Group procedures before starting cooperation with the Group,
- apply the rules of conduct in their organizations at a level which is required by the Code.



In terms of all the above principles and expectations, the Elemental Holding Group specifically and unequivocally indicates that the basic way to meet them is to comply with the law. **The most important legal acts that constitute the base of standards for employees, workers, managers, business partners and subcontractors of the Elemental Holding Group are:**

- **The OECD Guidelines for Multinational Enterprises**
- **The International Charter of Human Rights, which includes such documents as the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights.**
- **The International Labor Organization’s Declaration on Fundamental Principles and Rights at Work,**
- **The Ethical Trade Initiative (ETI) Base Code,**
- **The United Nations 17 Sustainable Development Goals.**

Detailed regulations regarding how human rights are observed in the Elemental Holding Group have been specified in the Human Resources Management Policy, which has been in effect in its current form since June 2022, thus developing operationally the provisions of the Code of Ethics, defining the following areas:

- employee rights,
- principles of dialogue, freedom of association and the right to collective bargaining,
- healthy and safe working conditions,
- rules for using child labor,
- principles of fair pay and principles of remuneration,
- work-life balance,
- no discrimination and mobbing.

As an attachment to the Human Resources Management Policy, the Anti-Mobbing Policy of the Elemental Holding Group was also adopted.



The Code of Ethics is also the basis of the Anti-Corruption Policy of the Elemental Holding Group, which defines the standards and rules for activities that may lead to corrupt practices, indicates how to interpret certain business situations, such as accepting gifts, and provides guidelines on the principles of due conduct. The first version of the Policy was adopted in 2019. The current document was implemented in 2022. Pursuant to the Policy, the management staff, key managers and all employees of the Elemental Holding Group are to participate in building an organizational culture in which corruption is unacceptable and fully condemned. The Elemental Holding Group adopts 'ZERO TOLERANCE FOR CORRUPTIVE BEHAVIORS' as its main principle.

The Anti-Corruption Policy of the Elemental Holding Group also specifies in detail the definitions of corruption and activities referred to as corruption, and further presents the rules of conduct in areas at risk of corruption and the rules for applying the policy.

The Anti-Corruption Policy also states that any person from the Elemental Holding Group who receives gifts or other benefits of a potentially corrupt nature must refuse to accept them and immediately notify their immediate supervisor, the Compliance Department or relevant authorities. With the exception of relationships with public authorities, business courtesies, such as gifts or entertainment, are only allowed if they are of little value and do not compromise the integrity or reputation of any person involved and cannot be construed as aimed at obtaining an unfair advantage. This includes in particular gifts which:



- are not in the form of cash or its equivalent,
- are given for a lawful purpose (not of a corrupt nature),
- have not been offered or given in exchange for something.

The Policy also determines that, despite the above statements, any gift or favor to the company of measurable value should be immediately reported to the supervisor or the Compliance Department.

Frauds, as well as the counterfeit or falsification of internal or external documents, including financial ones, are strictly prohibited in the Elemental Holding Group.

Any charitable contribution and sponsorship should be transparent, made in accordance with applicable law and should not be used to conceal corruption.

The Anti-Corruption Policy of the Elemental Holding Group also specifies the types of sanctions in the event of corruption, as well as monitoring and evaluation, stating that it is the Compliance Department’s responsibility to handle such a case. **As part of compliance with the provisions of this policy, cyclical assessments of the implemented processes are carried out within the entire Group in order to check potential corruption risks.**



The Anti-Corruption Policy of the Elemental Holding Group has also been supported by the Compliance Management Procedure, the aim of which is to regulate the entities and the process of information (signals) circulation on potentially corrupt cases. This procedure was implemented on December 12, 2018. It introduced the position of whistleblowers to the Elemental Holding Group and systematized the process of reporting any irregularities detected by whistleblowers in the Company or in the Group companies, ensuring full transparency of organizational processes in the Group and compliance by employees and business partners with the procedures established in the Group, as well as full protection of whistleblowers reporting irregularities. In connection with the activity in the precious metals industry, the Group companies operating in the USA are additionally defined as financial institutions. For this reason, they are subject to continuous audits in terms of compliance with the Foreign Corrupt Practices Act (FCPA). All audits carried out in 2021 were fully compliant.

In addition to the Compliance Procedure, the Anti-Corruption Policy is also supported by the AML Procedure, the aim of which is to prevent and detect any forms of money laundering. All employees, workers and business partners of the Elemental Holding Group are obliged to apply and comply with them. Any doubts about corrupt activities, suspicious transactions or cases of money laundering should be reported to the Compliance Department, in accordance with internal procedures.



In July 2022, the Whistleblowing Procedure of the Elemental Holding Group was adopted, which regulates how the organization is to be informed of any irregularities that have occurred. The Procedure replaced the regulations previously in place in this regard.

The Elemental Holding Group defines the notion of the conflict of interest. It arises when an employee or worker takes actions or has interests that may hinder them from performing work for the Group objectively and effectively, as well as when they derive personal benefits (for themselves or their relatives) in connection with their position in the Group. In particular, a conflict of interest may arise when a given employee or worker:

- works at the same time for a client, supplier or competitor of companies from the Elemental Holding Group,
- holds shares, stocks or other titles entitling them to benefit from customers, suppliers or competitors of the Group, with the exception of publicly traded shares,
- grants or guarantees a loan or makes other obligations with another employee, a co-worker or their relatives,
- holds a position in a managing body in another company.

All employees and workers of the Elemental Holding Group are obliged to act in accordance with the interests of the Group, which requires their employees and associates to be honest, loyal, ethical, and in particular to avoid conflicts of interest.

Any circumstances posing a risk of an actual or even potential conflict of interest should, before taking any action, be reported by a given employee or worker to the supervisor or directly to the Compliance Department. Upon receipt of reports regarding potential conflict of interest, the Group companies immediately take appropriate steps to eliminate it or mitigate its consequences.

The Code of Ethics of the Elemental Holding Group also refers to the Security Policy and the Personal Data Protection Policy which define the principles and rules of conduct adopted by the Group to ensure the security of personal data, in accordance with business requirements, as well as relevant legal standards and regulations. The security policy has been in force in the Group since May 15, 2018. It defines information security and indicates technical and organizational measures aimed at ensuring the protection of the processed data against unauthorized disclosure. It has also introduced the positions of the Data Controller and Data Processors, as well as specified a list of personal data files, together with programs and methods of their flow.

In accordance with the Personal Data Protection Policy of the Elemental Holding Group, all personal data – whether of employees, workers or business partners – are collected by the Group within the limits permitted by applicable law and to the extent which is necessary. The Elemental Holding Group complies with the law on the collection, use, sharing, storage, transfer and deletion of personal data, including the Group’s activities in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR), as well as other equivalent regulations in jurisdictions where GDPR does not apply.



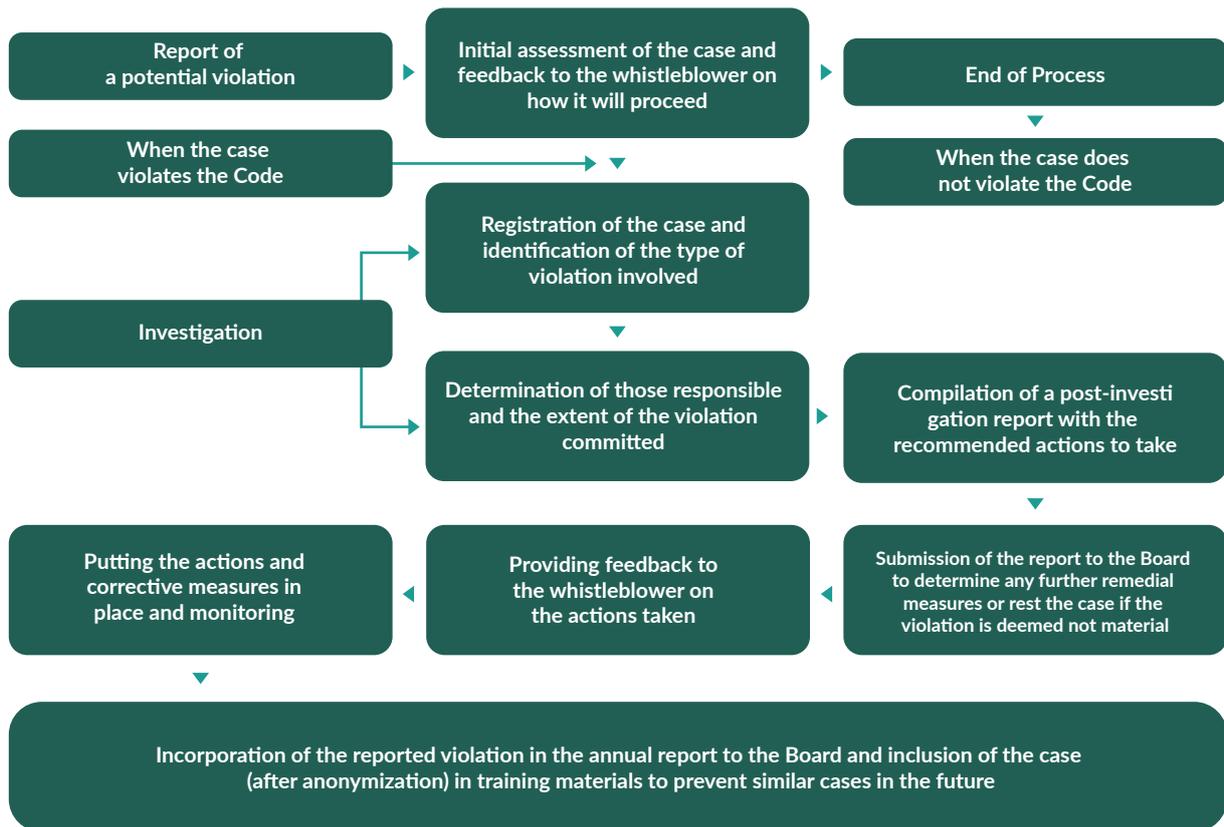
As mentioned before, in order to ensure compliance with all the policies and procedures outlined above, the Group has adopted the Whistleblowing Procedure of the Elemental Holding Group. Any person who becomes aware of any illegal activity, fraud, misappropriation of the Group’s assets or violation of the Code of Ethics, policies or other rules applicable in the Group, who has a reasonable suspicion of committing them or has difficulties interpreting certain behaviors, may and should raise their concerns using the following communication channels:

- directly to their supervisor or their supervisor’s supervisor, or
- via e-mail to compliance@elemental.biz,
- by traditional mail to the company’s registered office: Elemental Holding S. à R.L,
- by completing the electronic reporting form on the Company’s website.

Detailed rules of conduct are specified in the irregularity reporting procedure which is available on the website: www.elemental.biz in the “Our standards” tab under the “Whistleblowing Procedure”.

The Elemental Holding Group has also developed a graphic scheme for reporting and handling violations.

Scheme for reporting and handling violations in the Elemental Holding Group



As part of mandatory employee training, all Elemental Holding Group employees are trained in knowledge of all policies and procedures outlined above. These courses are also gradually being introduced as mandatory among all of the Group’s business partners.

5.2. Structured process management across the entire holding as a way to implement Elemental Holding Group’s corporate governance principles

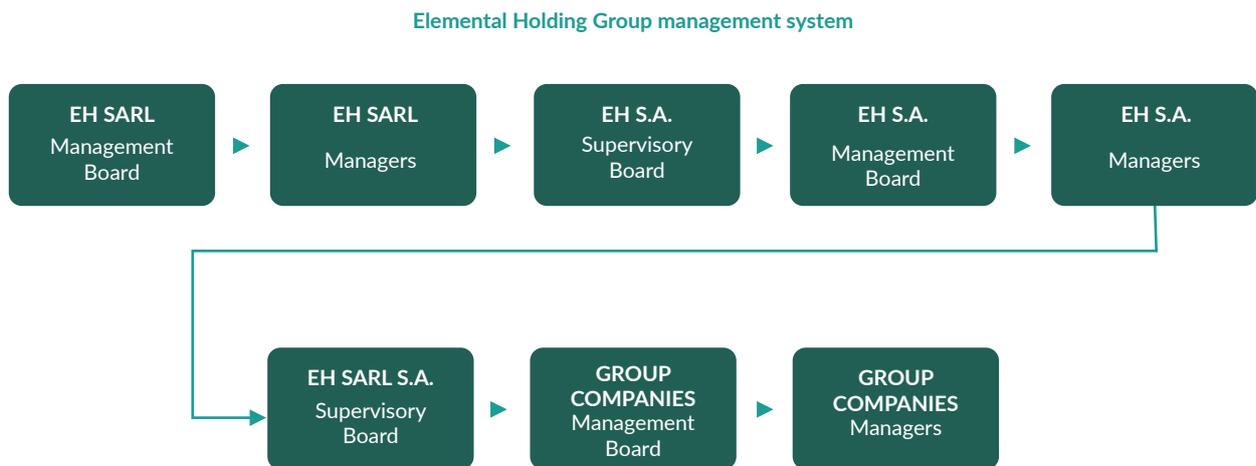
GRI 207-1	Approach to tax
GRI 207-2	Tax governance, control, and risk management

In addition to the Code of Ethics, which, as stated above, is the first and primary corporate governance document of the Elemental Holding Group, its second foundational element is the integration of the management system. It consists of two

aspects. The first is the Group’s structure as a holding and the second is the process management approach, which is the most effective way of corporate management worldwide (see: the ISO, ASTM and JUSE standards based on it). In both of these aspects, the Elemental Holding Group uses the most effective international solutions, being fully transparent in this regard, despite the lack of an obligation to fully report on these issues. The absence of such an obligation is due to the delisting process of Elemental Holding shares from public trading in progress, which happened as follows:

- on October 27, 2020, by Resolution No. 4 of the Extraordinary General Meeting, a decision was made to delist the shares of the Parent – Elemental Holding S.A. from trading on the regulated market operated by Giełda Papierów Wartościowych S.A. (the Warsaw Stock Exchange),
- on February 12, 2021, the Polish Financial Supervision Authority (KNF) approved the delisting of shares of the Parent – Elemental Holding S.A. At that time, the company’s shares officially ceased to be listed,
- on August 14, 2021, the Supervisory Board of Elemental Holding S.A. passed a resolution to abolish the Audit Committee and the Remuneration Committee and to rescind the procedure for selecting an audit firm.

The diagram below presents an overview of the integration of the Group’s management in line with the best and latest trends in process management for holding groups.

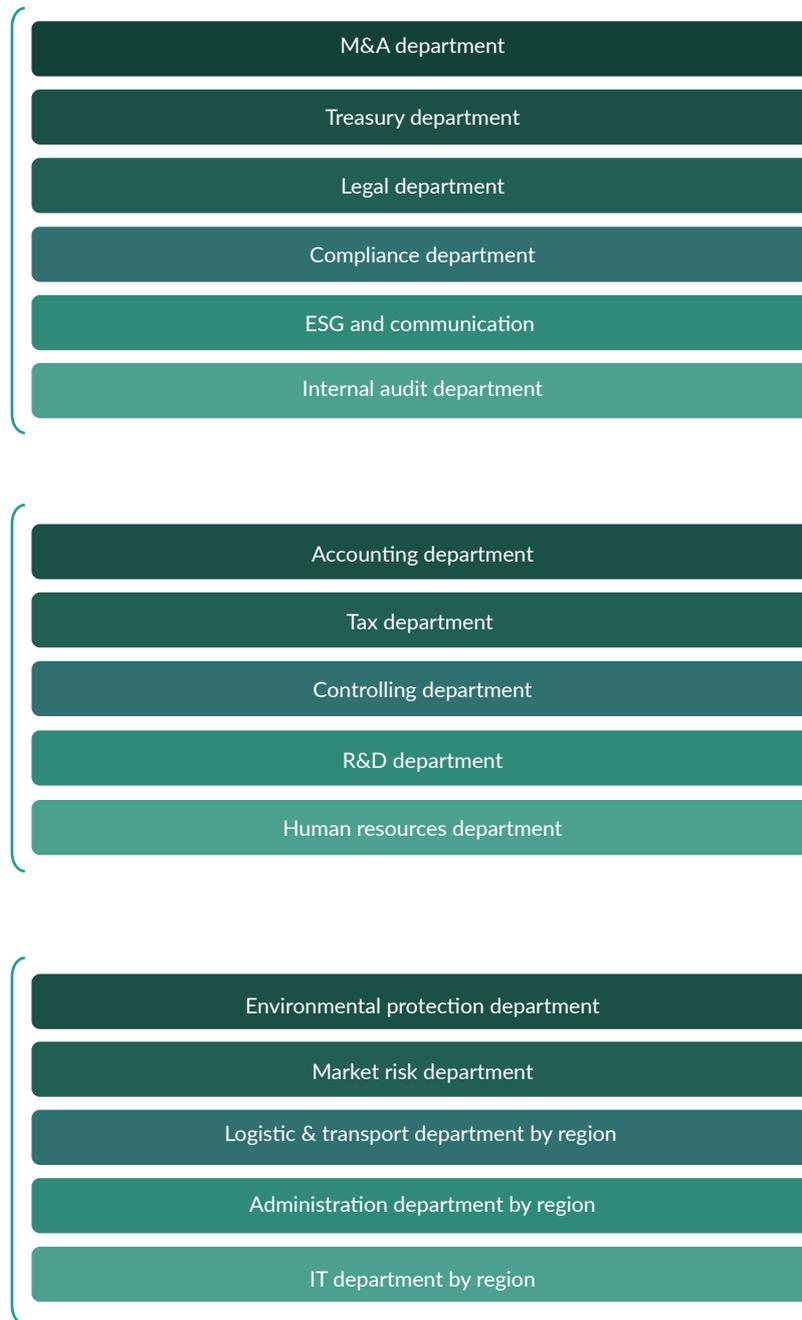


The process management implemented within the Elemental Holding Group is continuously optimized, in line with the idea of continuous improvement. It is based on:

- **separation and unified management of shared service processes within the Group,**
- **separation at Group level of coordinators for certain groups of processes,**
- **separation at the Group level of processes subject to central monitoring and supervision, while maintaining the autonomy of Group companies in process management,**
- **introduction of audited and certified integrated management systems (IMS).**

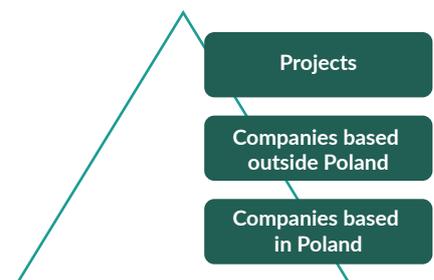
Within the shared services, 16 processes have been identified.

The following shared services are carried out in terms of centralized processes in the Elemental Holding Group, some of which involve the coordination of processes at the Parent’s level, some are centrally managed, and others are regionally managed, due to specific regulations and local conditions.



The following process management methods have been adopted to ensure efficiency:

- a. centralized management through central departments providing services to Group companies;
- b. management involving monitoring of the concerned processes carried out locally by Group companies via central departments, including by designated coordinators, and process control through the audit department;
- c. project management.

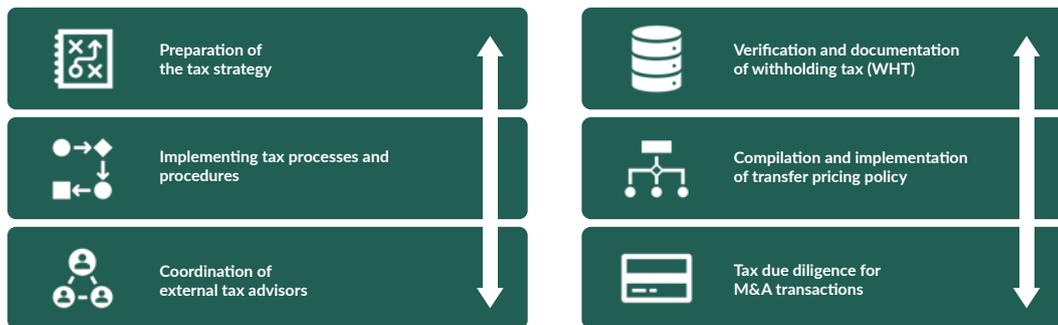


The processes described, having been centralized or coordinated at the Group level in order to achieve the effect of standardization (the goal: to maximize effectiveness) and the effect of scale (the goal: to maximize efficiency) in terms of Elemental Holding’s global operations, were handed over to be conducted in terms of the process management approach through process charters (and within them all process attributes and indicators) to their principal owners, entrusting them with director positions.

Some of the above processes and director responsibilities have been directly arranged to carry out the activities of maintaining and continuously improving the Elemental Holding Group’s Governance area. These are the processes carried out by the following departments: tax department, legal department, compliance department, ESG and communications department, controlling department, treasury department, and trading and market risk department.

The following figures show the area coverage of the various processes carried out in terms of shared services in the Elemental Holding Group.

Process scope at the Tax Advisory Department



Algorithm for the implementation of the ESG Strategy in the Elemental Holding Group in 2022



RAISING AND SERVICING DEBT FINANCING FOR THE GROUP

- Coordination of the cooperation with the credit agent and the group's and the banks' lawyers during the servicing of the day-to-day financing
- Negotiations and process coordination for raising new financing for the group
- Selection of banks providing day-to-day service for the group and advice on the scope of cash management for that service



SECURING DEBT TRANSACTIONS

- Analysis of the group's needs for debt hedging instruments
- Selection of financial partners and carrying out hedging transactions (interest rate, exchange rate, etc.) with banks

Process scope at the Controlling Department



REPORTING

- compiling reports and financial studies for the board, investors, banks, etc.
- delivering performance data
- perfecting the tools applied for analysis and reports



BUDGETING AND FORECASTING

- coordinating the budgeting process with operational units
- analysis of budget deviations for internal and external stakeholders
- surveillance over mid-term forecasts



FINANCIAL MODELLING

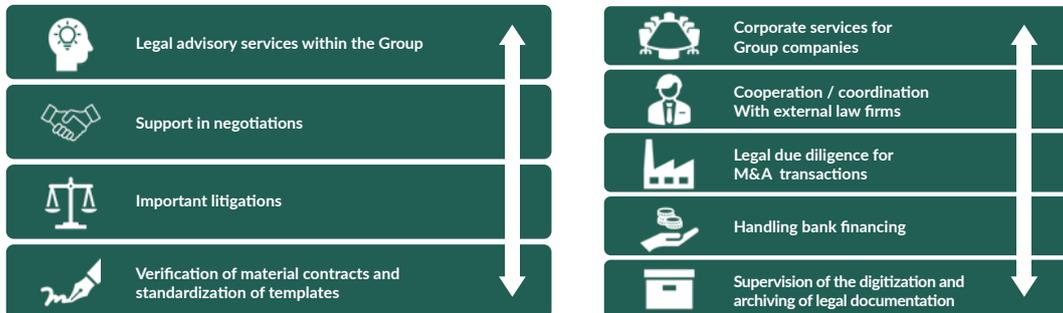
- compiling and updating the company's long-term financial model
- scenario analysis for financial forecasting



PROJECT EVALUATION

- analysis of investment projects in terms of financing and feasibility
- providing recommendations for the board
- financial due diligence for m&a transactions

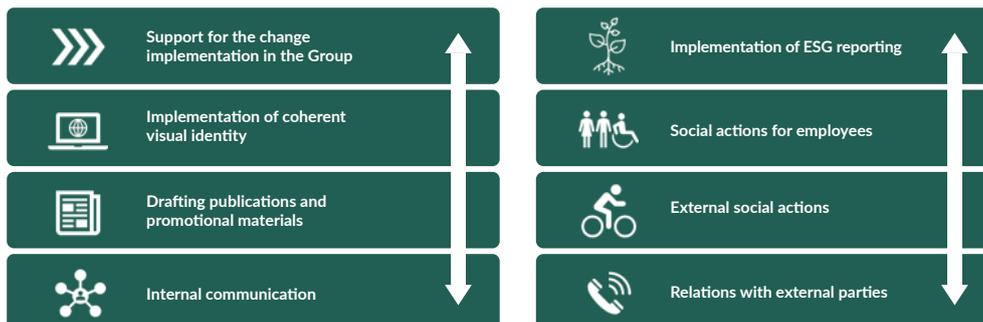
Process scope at the Legal Department



Process scope at the Compliance Department



Process scope at the Communication and ESG Department



Process scope at the Trading and Market Risk Management Department



Process scope at the Mergers and Acquisitions Department



Aware of the cultural, legislative and organizational distinctiveness of the Group companies, the Group does not seek full centralization of shared services. While centralization is possible in Poland, the country where the Group has been operating the longest and where the largest number of operating companies are located, central management of shared services in other countries does not seem justified. For this reason, in the case of the implementation of processes such as insurance management, human resources management, environmental management, transportation and logistics and IT management, and financial flow management, central processes have been limited to the establishment of basic standards applicable to the Group, entrusting their implementation and management to individual Group companies. At the same time, central coordinators were introduced at the Group level to support local organizations in the processes and monitor the degree of implementation.

Process scope at the Group level at the Administration Department



Process scope at the Group level at the IT Department



Process scope at the Group level at the Human Resources Management Department

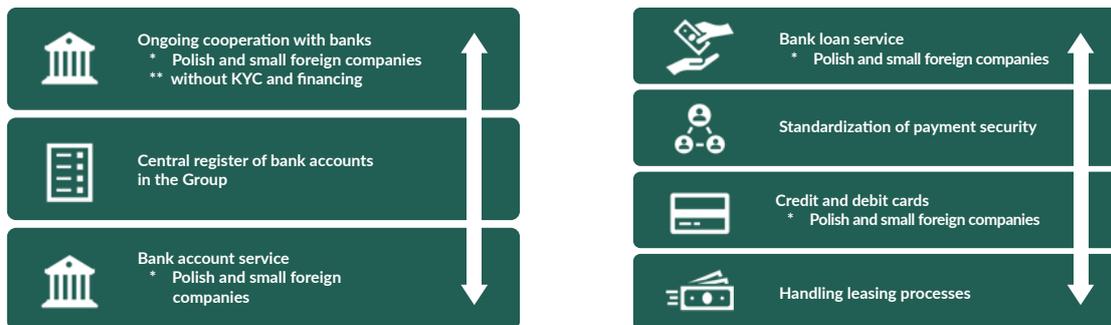




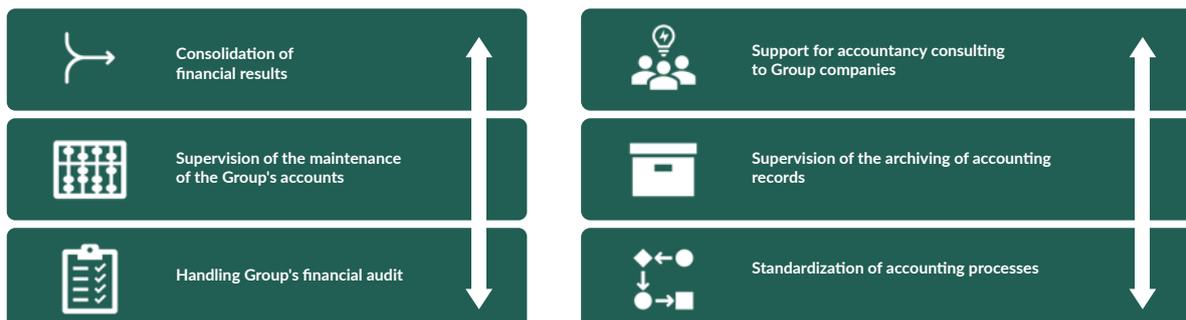
Process scope at the Group level at the Environmental Management Department



Process scope at the Group level at the Cash Management Department



Process scope at the Group level at the Accounts Department



The task of the coordinators for the above groups of processes is to standardize activities in these for the Group’s global operations. The result of these activities is to standardize the scope and conduct of the described process groups, despite conducting them operationally in different parts of the world. This is summarized in the figures below.

Scope of standardization in the Group's processes in transportation and logistics processes



Projects conducted in the Group are run separately and managed by the Investment Department until the project is completed and moves to the implementation stage. The R&D Department is responsible for the processes indicated below.



In order to illustrate the different models of process management in relation to Group companies located in and outside Poland and in relation to projects, the following is an example of environmental management of how processes are carried out at different levels of the Elemental Holding Group.

Environmental management – Polish companies



Environmental management – companies based outside Poland



Project management in terms of environmental aspects



Another element of process management in place and still being developed at Elemental Holding is the standardization and subsequent auditing of its correctness in accordance with internationally recognized quality management standards, which, in terms of Europe, the US and Japan alike, are based on assessing management quality in process approach. Such a course of action is due to the issues already presented above, and indicating that process management is the most effective way of conducting management known and implemented in enterprises around the world. Its confirmation is the construction of a management system that, in terms of the audit of a certified entity, will result in a certificate of compliance.

The leaders of this approach in the Elemental Holding Group are Polish companies: Terra Recycling, Tesla Recycling, Syntom Metal Recycling, and the Lithuanian company UAB EMP Recycling, whose integrated management systems (covering quality management, environmental management and occupational health and safety management – Tesla Recycling and Terra Recycling, and quality management and occupational health and safety management – Syntom Metal Recycling, and quality management and environmental management – UAB EMP Recycling) have been recognized in a certification audit as fully compliant with ISO (International Standardization for Organization) standards, obtaining the corresponding certificates of conformity.

The main principles of IMS are based on the integrated management policies implemented at these companies, the provisions of which obligate (and the execution of which has been confirmed by independent auditors) these companies to:

- use the synergy effect in the process of company management,
- standardize service standards and ensure the high quality of services provided,
- manage production processes in a way that ensures environmental protection and limits the negative impact of their operations on the environment,
- conduct business in a manner that guarantees an effective process management system in compliance with compliance obligations,
- continuously improve the integrated Environmental Management System and Quality Management System to improve the environmental performance of operations,
- meet legal requirements and environmental requirements of customers and stakeholders,
- raise the environmental awareness of employees and unit managers,
- implement modern technologies in recovery,
- regularly conduct a review of the resources owned and used and the processes carried out, in order to identify areas that need to be optimized.

5.3. Performance measured by GRI disclosures related to the Governance area for Elemental Holding Group for 2021

All the measures outlined above have had their very good effect in the form of very positive performance as measured by GRI disclosures related to the Governance area, as shown below:

GRI 205-1 – Operations assessed for risks related to corruption

Operations assessed for risks related to corruption		Elemental Holding Group
		in 2021
Percentage of operations		100%
Number of operations		54

GRI 205-2 – Communication and training about anti-corruption policies and procedures

	Elemental Holding Group	
	in 2021	
	Number	Percentage
Governance body members that the organization's anti-corruption policies and procedures have been communicated to	37	92.5%
Employees that the organization's anti-corruption policies and procedures have been communicated to	884	83.4%
Business partners that the organization's anti-corruption policies and procedures have been communicated to	0	0%
Governance body members that have received training on anti-corruption	37	92.5%
Employees that have received training on anti-corruption	884	83.4%

GRI 205-3 – Confirmed incidents of corruption and actions taken

	Elemental Holding Group	
	in 2021	
Confirmed incidents of corruption in which:		
employees were dismissed or disciplined for corruption		0
contracts with business partners were terminated or not renewed due to violations related to corruption		0
contracts with business partners were terminated or not renewed due to violations related to corruption		0
Total		0



6. Environmental aspect in the implementation of the idea of sustainable development of Elemental Holding Group

“We have taken advantage of the tremendous opportunities brought by Poland’s dynamic economic development, integration with the European Union and new global trends in environmental protection. It is therefore crucial for us to effectively implement the principles of environmental responsibility in our organization.”

Paweł Jarski, the CEO of the Elemental Holding Group

6.1. Fundamental principles and documents governing environmental responsibility at the Elemental Holding Group

Environmental responsibility is enshrined in the DNA of the Elemental Holding Group, as it is a key element of its core business – recovery, including recycling, of waste. Through a wide and extensive range of activities in the aspect of waste recovery, the Elemental Holding Group actively implements and develops the concept of circular economy, thus influencing the development of rational management of natural resources, especially metals, but also energy fuel resources, which are intensively used in metal extraction processes in mining.

For instance, the production of aluminum from scrap compared to the production of aluminum from bauxite brings tremendously significant environmental benefits by:

- reducing chemical emissions (e.g. aluminum fluoride) by 95% during electrolysis processes,
- saving electricity by about 95% (for copper 85%, zinc 60%, lead 65%),
- saving bauxite deposits – 1 ton of scrap saves 4 tons of ore,
- oil savings – 700kg of oil is saved in the production of 1 ton of recycled aluminum.

Elemental Holding Group continuously verifies the compliance of its operations with the legal systems governing waste management in the countries where Group companies are present.

For instance, in Poland the main legal act regulating waste management activities is the Polish Waste Act of December 14, 2012. (Polish Journal of Laws 2021, item 779, as amended). The Waste Law regulates the issuance of permits in connection with waste management activities and the conditions for conducting such activities. Among other things, entities engaged in waste management activities are specifically required to: have the legally required permit; be registered in the BDO Registry (the Polish registry for waste processors), i.e., a database system on products, packaging and waste management; keep records of waste data, including its quantity and quality; prepare a waste management report (usually once a year). Waste management permits are issued for a limited period, not exceeding 10 years. They cannot be renewed. In addition, environmental regulations impose on waste management operators the obligation to monitor waste storage sites, including the obligation to provide online access to the competent authority in this regard; the obligation to provide adequate security for claims; to adapt waste storage sites, in particular with regard to fire safety; the obligation to obtain specific legal title to plots of land where hazardous waste, among other things, is stored or proces-

sed, the obligation to include in the application for a waste permit a copy of the criminal record confirming that the holder of the waste, has not been convicted of crimes against the environment or had any environmental permits revoked.



Certain types of installations require integrated permits instead of sectoral emission permits (waste permits, water permits, and gas and dust permits). The obligation to have an integrated permit applies to all installations that, due to the type of activity and its scale, may cause substantial pollution of particular natural elements or the whole environment (Integrated Pollution Prevention and Control). Detailed types of installations requiring an integrated permit are specified in the Annex to the Regulation of the Minister of Environment dated August 27, 2014 (Polish Journal of Laws of 2014, item 1169) on the types of installation which may cause substantial pollution of particular natural elements or the whole environment (IPPC installations). Integrated permits or sector permits for emissions are a specific form of decision required for operational activities, obtained for various types of installations. These permits are regulated by the Polish Environmental Protection Law of April 27, 2001 (Polish Journal of Laws 2006 No. 129, item 902, as amended). Sector permits are issued for a definite period, not exceeding 10 years, with the possibility of renewal for a definite period, not exceeding 5 years. Integrated permits are issued for an indefinite period.

The activities of waste management companies in some cases also require a water permit (other than a sector emission permit). The basic legal act governing the issuance of water permits is the Water Law Act of July 20, 2017 (Polish Journal of Laws 2021, item 2233, as amended). If groundwater or surface water is extracted or wastewater is discharged to water or land in amounts exceeding the levels specified in the Act, it may be necessary to obtain a water law permit specifying the conditions for such activities. A water permit may additionally specify obligations related to the protection and use of water and fees to be paid.

The activities of waste management companies require entry in the BDO Registry, an electronic database system developed by the Ministry of the Environment to record waste generated by businesses. Sanctions for non-compliance with BDO can be fines or prison sentences, as well as administrative penalties imposed by the Provincial (Voivodeship) Environmental Inspector.

Some waste management activities, due to their size and environmental impact, require an environmental approval. The environmental approval indicates how to carry out the project in order to cause the least damage to the environment. The environmental approval specifies the conditions for implementing the project at the construction, operation and decommissioning stages. If the conditions set forth in the environmental decision are violated, an administrative penalty of up to PLN 1,000,000.00 may be imposed. An environmental approval must be secured before obtaining a construction permit and a decision on land development conditions (planning permission), if the planned investment is considered, in accordance with applicable regulations, as a project that may potentially affect the environment. Obtaining a construction permit or a decision on land development conditions without having a valid environmental approval may result in the invalidation of these permits. The basic legal act regulating issues relating to environmental approvals is the Polish Act of October 3, 2008 on providing information about the environment



and its protection, public participation in environmental protection and environmental impact assessments (Polish Journal of Laws of 2021, item 247, as amended).

In the European Union, the basic legal act laying down the rules for managing this type of waste is Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE), as implemented into national legal systems. In Poland, detailed regulations were introduced by the Waste Electrical and Electronic Equipment Act of September 11, 2015 (Polish Journal of Laws 2018, item 1466) and the Waste Act of December 14, 2012 (Polish Journal of Laws 2019 item 701).



It is noteworthy that the proper implementation of waste management activities at Elemental Holding Group companies is supervised by national environmental inspections.

As part of the solutions adopted, the Elemental Holding Group also applies environmental management systems (as shown in detail in Chapter 5 “Governance in the sustainable development of the Elemental Holding Group”) and technologies that are the most environmentally friendly. To do this, before implementing new projects, the Group analyzes their impact on the environment each time. For instance, Group companies are introducing waste management systems to ensure a higher standard in their operations. A leader in this regard is the Group company EMP from Lithuania, which has implemented the WEEELABEX European Standard Certificate of Compliance for the efficient collection and handling of electrical and electronic equipment. EMP currently certifies the collection and logistics process at eight collection points for all six categories of waste (large appliances, mixed equipment, temperature exchange equipment, CRT display equipment, flat panel display equipment, and discharge lamps). EMP has also certified treatment and preparation for reuse at the main receiving warehouse for six certified streams (temperature exchange equipment, CRT displays, flat panel displays, discharge lamps, photovoltaic panels, preparation for reuse). An increasing number of Group companies are also implementing and certifying ISO 14001 environmental management systems, ISO 9001 quality management systems, and ISO 45001 occupational health and safety management systems.





The essential internal document governing Elemental Holding Group’s environmental responsibility is, as with other ESG elements, the Group’s Code of Ethics. It indicates that through its waste recovery activities, including in particular the recycling of metals and plastics, the Group contributes significantly to environmental protection.

However, the Group is also aware that the day-to-day business of recovering valuable metals causes harmful emissions to the environment, which the Group seeks to reduce by investing in the best available technologies and in modernizing its production facilities. Elemental Holding is building the European Union’s first comprehensive automotive battery recycling plant. The plant, which is designed to recycle lithium-ion batteries (LIBs) for electric vehicles, as well as other waste containing precious metals, will be built in Zawiercie in southern Poland. As part of the project, dedicated technology will be developed in cooperation with Poland’s leading technical universities in Wroclaw and Gliwice, as well as the Lukasiewicz Research Network – Institute of Non-Ferrous Metals and leading global suppliers of advanced production equipment. The project led by Elemental Holding is co-financed by the Polish National Research and Development Center (NCBR) with additional support from the European Commission. Elemental Holding is one of 18 European companies (others include BASF, Solvay, Umicore, BMW, Saft and Varta) notified by the European Commission under the European Industrial Policy, which aims to create a sustainable mobility value chain in the EU.

In monitoring its environmental impact, Elemental Holding Group is also not limited to its own plants alone. In addition to reducing the negative impact of its own companies on climate change and other elements of the environment, it also makes sure to level any emissions throughout its supply chain. To this end, it encourages its suppliers, manufacturers and subcontractors to apply safety and environmental protection principles and to treat these principles as a criterion for the development of their business, with particular regard to the protection of plants and wild animals.

The Group’s companies make every effort to minimize the impact of their operations on the environment, including minimizing energy consumption, emissions of fumes, greenhouse gases and pollutants into the environment, reducing noise and generated waste. To this end, they implement measures such as detailed monitoring of: production processes, logistics solutions used in terms of energy consumption, and improving the awareness of employees and co-workers

in this regard. Among the measures used are: reducing outdoor lighting to the minimum required by facility safety and security, the principle of turning off lighting in unused rooms, turning off computers after work, using energy-efficient light bulbs in facilities, using motion sensors; monitoring combustion; using Euro 6 cars; training drivers and employees in economical driving. The Group prevents or reduces, as much as possible, the negative impact of its operations on the environment, doing so by limiting air emissions (e.g. by optimizing the routes of the vehicle fleet and taking care of its technical condition, using LPG in internal transportation), reducing the amount of wastewater generated, rational waste management (including hazardous and toxic waste). The Group also applies the principle of sustainable use of resources through energy efficiency, water conservation and efficient use of materials. It also invests in modern waste processing lines that allow the recovery of used raw materials in such a way that harmful and hazardous substances do not enter the environment during the technological process. **The sites managed by the Group have been prepared and equipped with infrastructure to protect the surroundings from industrial pollution, and to avoid it all Group companies monitor energy consumption, water intake and the amount of wastewater generated.**

For the above reason, the Elemental Holding Group identifies, evaluates and updates all environmental aspects that are related to the activities and services it offers.

The input data for identifying environmental aspects and related environmental impacts are:

- identification of the scope of the Group's operations,
- identification of the enterprise processes within the Group,
- identification of compliance obligations.

Identification of environmental aspects carried out by the Elemental Holding Group on an ongoing basis in the following cases:

- upon changes in legal and other requirements relating to the company's objects, including the activities of suppliers on the company's premises,
- upon the occurrence of an accident or potential environmental hazard not previously identified (this includes suppliers on the company's premises),
- at the introduction of new equipment and new technologies, which also applies to the company's supplier,
- at organizational changes,
- upon the emergence of new information regarding the environmental impact of an aspect, which also applies to the company's suppliers.



During the process of identification, Elemental Holding Group takes into account all environmental aspects and related environmental impacts that can be supervised, taking them into account in the operation of the organization, and these are:

- normal conditions,
- abnormal conditions (construction work, repairs, maintenance, inspections, installation of new apparatus, inventories),
- actual and foreseeable failures,
- activities planned for the future,
- past, historical activities,
- activities that have a positive impact on the environment.

In identifying aspects and impacts, the Elemental Holding Group considers:

- air pollution,
- pollution of surface water,
- land and groundwater pollution,
- noise nuisance,
- waste burden on the environment,
- consumption of natural resources,
- compliance with legal and other requirements to which the organization has committed itself.

In order to perform the above activities as efficiently as possible, starting from the provisions of the Code of Ethics, **the Group has introduced the Elemental Holding Group Environmental Policy for use in all its companies.**



Its provisions instruct individual companies to successively introduce, monitor and improve appropriate management systems for processes affecting natural resources, including the consumption of water and the functioning of various forms of life on Earth.

Given that its core business is recycling, the Elemental Holding Group's Environmental Policy also places great emphasis on reducing waste production and recycling, indicating to Group companies the need to implement measures to monitor, manage and reduce waste. The document also made it mandatory for Group employees to immediately ask the Environment Protection Department to check and intervene, if necessary, in the event of any concerns about environmental compliance.

Recognizing that the Group's businesses can be a nuisance to their surroundings, in pursuing its rapid growth the Group first tries to choose locations away from human settlements, preferably in local government-dedicated industrial districts.

In accordance with the provisions of the Elemental Holding Group's Environmental Policy, all activities of its companies must take into account the principles of prudence, environmental risk management and bearing the costs of pollution resulting from their activities.

A way to measure the effectiveness of the Group's environmental protection activities is to measure the number of complaints about environmental impacts within the framework of the complaint mechanism established by the Group, and to measure the size of fines and non-financial sanctions for non-compliance with environmental laws. The Elemental Holding Group also works closely with regional environmental inspectorates at all levels and with individual local government services. **The result of such cooperation is that the holding companies obtain all the necessary permits and certifications, which allows their uninterrupted operational activities.**

Elemental Holding Group also strives to develop its pro-environmental activities, taking advantage of the practices of the best environmental organizations to which it belongs and which it co-founded. It also conducts educational campaigns with their



participation and strives through them to inform the public about important and innovative recycling solutions. Particularly noteworthy in terms of the above is the membership of Elemental Holding Group companies in the following organizations:

- BIR (The Bureau of International Recycling, www.bir.org) – where the Group shares knowledge with other industry sectors and political groups about the latest trends (including trade and environmental regulations) in recycling,
- IPMI (International Precious Metals Institute, www.ipmi.org) – which provides a platform for sharing relevant information on precious metals issues. Among its activities, the Group contributes to student awards, promotes science and new technologies, and supports important educational and research programs.

6.1. Materials used and waste generated by the Elemental Holding Group

GRI 301-1	Materials used by weight
GRI 301-2	Recycled input materials used
GRI 301-3	Reclaimed products and their packaging materials
GRI 306-1	Waste generation and significant waste-related impacts
GRI 306-2	Management of significant waste-related impacts

The direct reliance of Elemental Holding Group’s core business on recovery means that the raw materials used in the Group’s production are waste electrical and electronic equipment, scrap metals and catalytic converters. Thanks to the processes carried out at the Group’s plants, which were described in earlier chapters of the Report, the Group uses primary materials considered to be waste at its facilities, causing them to be transformed into raw materials that are reused in production by other companies, while focusing on the recovery of strategically important metals for which there are limited available resources worldwide. The technologies the Group is developing and applying in this regard provide sustainable solutions for the further development of low-carbon, innovative industries including e-mobility and recycling.

All companies in the Elemental Holding Group have the necessary many years of experience backed by all legally required permits in the field of waste management.

Products classified as waste constitute 100% of the input materials used in production by the Elemental Holding Group. The above applies to both the percentage and weight.

Weight of waste collected and processed by the Elemental Holding Group in 2019-2021 [in Mg]

	2019	2020	2021
Weight of waste collected	176,447	135,450	143,672

Comparing the data in the table above, the downward trend associated with the impact of the global COVID-19 pandemic is very evident, resulting in a 23% year-on-year decline in waste collection in 2020 vs. 2019. Admittedly, in 2021 there was already a gentle improvement in the situation and an increase in the amount of waste collected by 6% compared to 2020, but this is only a gentle good prognosis of an improvement in the situation in the industry hampered by numerous restrictions.

In order to reduce environmental impact, the Group’s production process uses reusable packaging, including recycled packaging. This minimizes the pressure on the environment by reusing them repeatedly.

The Elemental Holding Group’s waste management policy is based on the waste treatment hierarchy. At the same time, the Group’s activities in this regard are obviously aimed at reducing the negative impact on the environment. The basic principle of dealing with waste is to select it at the source, remove any hazardous elements and safely store the waste, and then transfer it to appropriate business entities with the required permits for further waste management.

Only waste associated with the maintenance and operation of the equipment used and municipal waste generated from the office and social areas are generated in the operations of the individual Group companies. This is due to the fact that, as written above, the Group’s plants restore valuable waste materials to companies and communities during production work.

Weight of collected and managed non-hazardous waste at Elemental Holding Group in 2019-2021 [in Mg]

	2019	2020	2021
Volume of waste collected, including:	167,799.49	126,151.27	128,129.07
reuse	589.55	988.46	302.99
recycling	94,489.81	71,053.44	74,714.34
composting	0	0	0
incineration	0	0	0
deep storage	0	0	0
transfer to landfill	0	0	0

6.1. Energy consumption and emissions attributable to the Elemental Holding Group

GRI 302-1	Energy consumption within the organization
GRI 302-3	Energy intensity
GRI 302-4	Reduction of energy consumption
GRI 305-1	Direct (Scope 1) GHG emissions
GRI 305-2	Energy indirect (Scope 2) GHG emissions
GRI 305-3	Other indirect (Scope 3) GHG emissions
GRI 305-6	Emissions of ozone-depleting substances (ODS)

Elemental Holding Group companies use energy in the form of various carriers for their purposes. The primary carrier used throughout the year is electricity. Other carriers include natural gas – used for heating purposes, liquefied petroleum gas (LPG) – used to power forklifts, and fuels – both diesel and gasoline – used to drive cars and machinery in the fleet of the Group’s individual companies. The Group’s current energy intensity and the subsequent consumption of energy in each of the above-mentioned forms are closely linked to the amount of waste collected and processed.

Positive or negative changes in energy consumption are due to the fact that during the period under review there was the COVID-19 pandemic and, as a result, significant fluctuations in the amount of waste on the market. Thus, in fact, the results for these years may be due to the current epidemic condition, rather than to changes in processing intensity or the energy-intensity reduction issues undertaken by the Group's various divisions. These activities are taking place because the Group is undertaking activities aimed precisely at permanently reducing energy intensity and emissions, such as by successively replacing equipment with more environmentally friendly equipment, using economical light sources, or replacing cars in the fleet with new and more economical ones. It is also taking educational measures to sensitize employees to these issues and rationalize their behavior, such as at least turning off lighting when they leave the premises. In newly renovated rooms and office buildings, motion sensors that turn lights on and off when movement ceases are standard equipment in their common spaces, such as corridors. The idea is to instill healthy habits and eliminate bad practices that translate into increased energy consumption.

The following table summarizes the consumption of individual energy carriers in the Elemental Holding Group, expressed in GJ. For energy conversion, individual carriers were converted using the table and the 2018 heating value and CO₂ emission indices for reporting under the EU Emission Trading Scheme for 2021, published on the website of the Polish National Centre for Emissions Management (KOBiZE).

Consumption of energy and individual fuels in the Elemental Holding Group in 2019-2021 [in GJ]

Energy consumption	2019	2020	2021
Electricity	2,630	2,803.03	2,715.94
Natural gas	497.05	373.00	368.65
LPG	1,554.56	2,168.61	2,050.88
Gasoline	1,086.28	664.94	1,615.24
Diesel	39,839.67	40,749.16	51,940.41
Total	45,607.56	46,758.74	58,691.12

As stated above, the intensity of energy consumption in the Elemental Holding Group depends on the number of processed waste.

Energy consumption intensity at Elemental Holding Group in 2019-2021 [in GJ per ton of waste]

	2019	2020	2021
Electricity consumption intensity	0.015	0.021	0.019
Natural gas consumption intensity	0.003	0.003	0.003
LPG consumption intensity	0.009	0.016	0.015
Gasoline consumption intensity	0.007	0.005	0.012
Diesel consumption intensity	0.226	0.301	0.409



The apparent increase in the Group's energy intensity in 2019-2021 in terms of fuels (diesel fuel and gasoline) is due to the reduction in the amount of waste in the market, which was associated in 2020-2021 with the COVID-19 pandemic and the simultaneous increase in the activity of sales representatives and, therefore, the increase in the Group's own fleet of vehicles used for transports from contractors to individual plants.

Elemental Holding Group seeks to minimize the level of energy consumption by various means that are synergistic with each other. The first is appropriate, highly efficient supervision of production processes, based on their systematization and continuous improvement, including in terms of energy efficiency. The second way to reduce the level of electricity consumed is to introduce modern pro-efficiency solutions. These include the use of energy-saving bulbs in all facilities, limiting outdoor lighting to the minimum required for the safety of facilities and their protection, applying the principle of turning off lighting in unused rooms, and introducing the principle of turning off computers after work. Also in use at Elemental Holding Group facilities are motion sensors that control lighting. The third of the ways to reduce the Group's energy consumption level is to constantly raise awareness among employees about the economical management of resources, including energy resources.

A crucial element for the gradual reduction of energy consumption, mainly in the aspect of GHG-emitting energy, is investment toward powering office buildings with solar energy. In 2021, PGM Texas invested more than USD 1 million in a photovoltaic project for its headquarters in San Marcos, USA. The ongoing revitalization of the Group's facilities in Grodzisk Mazowiecki, on the other hand, is expected to equip them with intelligent lighting control, adjusting its intensity to natural light, in addition to powering them with electricity from the Group's own rooftop solar panels. The buildings will also have intelligent heating controls to reduce heating gas consumption.

The Elemental Holding Group is aware of the impact of the energy it consumes on the generation of atmospheric emissions. These involve emissions of greenhouse gases, other chemical compounds and dust. For this reason, it implements comprehensive solutions to reduce these emissions. Firstly, it uses trucks for waste transportation in a planned manner, conducting systematic and continuously optimized traffic planning of the vehicle fleet, including passenger car routes. In doing so, it monitors combustion, doing so also with GPS monitoring. All drivers, but also other Group employees, undergo mandatory training on economical driving. Secondly, the Group keeps a constant watch on the technical condition of its vehicles, always keeping up with the timing of tests and technical inspections. Thirdly, the Group introduces into its fleet only cars with engines that meet the requirements of the Euro 6 standard, currently having no vehicles with engines that meet the minimum Euro 5 standard. It also plans to purchase hybrid and electric vehicles in the future.

Elemental Holding Group's direct emissions from fuel combustion at own sources in 2019-2021 were as follows:

Volume of air emissions produced by the Elemental Holding Group in 2019-2021 [in Mg]

Type of emission	Emission volume in 2019 [in Mg]				Emission volume in 2020 [in Mg]				Emission volume in 2021 [in Mg]			
	Gasoline	Natural Gas	Diesel	Gaz LPG	Gasoline	Natural Gas	Diesel	Gaz LPG	Gasoline	Natural Gas	Diesel	Gaz LPG
Carbon dioxide CO ₂	62.62406	28.67083	2366.1939	69.27114	38.33396	13.46599	2420.2113	96.63310	93.11757	21.26442	3084.8931	91.38707
Total dust	0.00054	0.00025	0.02052	0.00045	0.00033	0.00012	0.02099	0.00084	0.00081	0.00018	0.02676	0.00079
Carbon monoxide CO	0.03259	0.01492	1.23132	0.03605	0.01995	0.00701	1.25943	0.05029	0.04846	0.01107	1.60532	0.04756
Nitrogen oxides NO _x	0.05431	0.02487	2.05221	0.06008	0.03325	0.01168	2.09906	0.08381	0.08076	0.01844	2.67554	0.07926
Sulfur oxides SO _x	0.00043	0.00020	0.01642	0.00048	0.00027	0.00009	0.01679	0.00067	0.00065	0.00015	0.02140	0.00063

The total emissions of gaseous pollutants by the Elemental Holding Group in 2019-2021 were as follows:

- 2019 – 2,530.31 Mg,
- 2020 – 2,572.24 Mg,
- 2021 – 3,295.28 Mg.

6.4. Water consumption and wastewater attributable to Elemental Holding Group

GRI 303-3	Water withdrawal
GRI 303-4	Water discharge

Elemental Holding Group companies do not use water for production purposes. On the premises of individual plants, the water discharges that may occur come from the need to drain rainwater from paved areas. Thus, it can be seen that the Group’s operations do not significantly affect the environment, including the areas in the immediate vicinity, in this respect either.

Stormwater from areas used for the Group’s operations is treated as natural components of rainwater, constituting clean wastewater. Such water is always directed to biologically active surfaces. This contributes to improving soil moisture levels and at the same time saves water for plant watering purposes. In the case of rainwater discharged from paved areas owned by the Group: parking lots, internal roads, in which oil-derived substances may additionally be present, they are treated as so-called dirty wastewater. The solutions in place at the sites of individual plants involve discharging such water through a settling tank and separators of oil-derived substances into sealed retention and evaporation tanks. In the case of larger reservoirs, such as in Grodzisk Mazowiecki, they also perform a fire-fighting function. Such a solution makes it possible to meet the legally required parameters of discharged rainwater, thereby ensuring proper protection of the water and ground environment against pollution.

The Group's smaller facilities, such as small metal waste collection centers, use municipal stormwater drains whenever possible, wherever there are any within reach of the property.

The rainwater management method used at the Group's individual facilities properly protects both the environment and neighboring properties from adverse impacts.

The Group does not monitor the amount of rainwater discharged. However, special care is taken to monitor the technical condition of separators and to have them cleaned regularly by specialized companies. Each of the Group's plants is properly prepared for the possibility of failures and leaks. Procedures are in place at the sites, the main purpose of which is to effectively prevent spills and, if necessary, respond appropriately to them. Any waste resulting from a spill (e.g. used sorbents contaminated with oil-derived substances) is transferred to specialized companies that handle its management in accordance with the law.



Elemental Holding Group fully monitors the discharge of its wastewater.

Volume of wastewater discharged by Elemental Holding Group in 2019-2021 [in Mdm³]

Wastewater discharge [in Mdm ³]	2019	2020	2021
Total wastewater discharged	2.086	1.21	4.477

As indicated above, on the premises of the Group's individual companies, water is drawn for social and living purposes only. It comes from municipal or municipal water supply networks. According to information available on the websites of individual water utilities, water is drawn from deep-sea sources, after which it is treated and pumped to consumers via municipal water supply networks.

All of the water that the Group's individual companies take from the network should be classified as freshwater, i.e. (≤ 1000 mg/l Total Dissolved Solids), and its quantity is shown in the table below.

Water withdrawal by the Elemental Holding Group in 2019-2021 [in Mdm³]

Water withdrawal [in Mdm ³]	2019	2020	2021
Total water withdrawal, including:	2.086	1.21	4.477
from municipal intakes/water supplies	2.086	1.21	4.477
seawater	0	0	0
surface water	0	0	0
groundwater	2.086	1.21	4.477
from drainage	0	0	0

Due to the considerable geographic dispersion of the Group's individual companies, it is not possible to calculate the water stress associated with groundwater withdrawal for social and living needs in an unambiguous way. However, it can be said that the relatively small amount of water that is abstracted by all Elemental Holding Group companies does not contribute to the reduction of water for other residents in these areas.

6.5. Elemental Holding Group’s proximity to areas of significant natural value and its impact on biodiversity

GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

As mentioned earlier in this chapter, Elemental Holding Group follows the principle of locating its plants in areas already transformed by man, which are not distinguished by significant natural value, and, in addition, at an appropriate distance from areas of significant natural value. When considering new locations, an assessment of the state of the environment and the necessary degree of interference with it is also always made. In cases where the law requires the preparation of an environmental impact assessment prior to the start of the investment process, a nature inventory is always commissioned, which is aimed at checking the state of the environment, the presence of potential habitats of protected species or the number of specimens.



As a result, the Elemental Holding Group does not have any operations in the direct or even close vicinity of areas protected under both national and international laws.

6.6. Performance measured by GRI disclosures related to the Environment area for Elemental Holding Group for 2021

All the measures outlined above have had their very good effect in the form of very positive performance as measured by GRI disclosures related to the Environment area, as shown below:

GRI 301-1 – Materials used by weight or volume within the organization

Elemental Holding Group	
in 2021	
Total weight or volume of materials used during the reporting period in tons (t)	
non-renewable materials	24,393.670
renewable materials	147,568.773
Total	171,962.443

GRI 301-2 – Recycled input materials used in the organization

Elemental Holding Group	
in 2021	
Percentage of recycled input materials used (%)	71.80

GRI 302-1 – Energy consumption within the organization

Elemental Holding Group	
in 2021	
Total energy consumption in the organization by type of fuel in gigajoules (GJ)	
fuels from non-renewable sources	142,282,778.417
fuels from renewable sources	0
electricity, heating, cooling and steam purchased for consumption*	25,480.444
electricity, heating, cooling and steam generated that are not consumed	0
electricity, heating, cooling and steam sold	0
Total	142,308,262.061

* only electricity was purchased

GRI 302-3 – Energy intensity in the organization

Elemental Holding Group	
in 2021	
Energy intensity ratio* in gigajoules (GJ) per metric ton (t) of materials purchased	827.554

* only electricity

GRI 303-3 – Water withdrawal by the organization

Elemental Holding Group	
in 2021	
Total water withdrawal from all areas in megaliters (MI) by source	
8.542	
Surface water	
0	
Groundwater	
5.413	
Seawater	
0	
Produced water	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)
	0
Third party water	Other water ($> 1,000$ mg/L total dissolved solids)
	0
Third party water	Freshwater ($\leq 1,000$ mg/L total dissolved solids)
	3.129
Third party water	Other water ($> 1,000$ mg/L total dissolved solids)
	0

Total water withdrawal from all areas with water stress in megaliters (MI) by source		1.802
Surface water		0
Groundwater		0
Seawater		0
Produced water	Freshwater ($\leq 1,000$ mg/L total dissolved solids)	0
	Other water ($> 1,000$ mg/L total dissolved solids)	0
Third party water	Freshwater ($\leq 1,000$ mg/L total dissolved solids)	1.802
	Other water ($> 1,000$ mg/L total dissolved solids)	0

GRI 303-4 – Water discharge by the organization

		Elemental Holding Group
		in 2021
Total water discharge to all areas in megaliters (MI) by type of destination		15.131
Surface water		7.525
Groundwater		0
Seawater		0
Third party water	Freshwater ($\leq 1,000$ mg/L total dissolved solids)	7.606
	Other water ($> 1,000$ mg/L total dissolved solids)	0
Water discharge to all areas in megaliters (ML)	Freshwater ($\leq 1,000$ mg/L total dissolved solids)	7.606
	Other water ($> 1,000$ mg/L total dissolved solids)	7.525
Total water discharge to all areas with water stress in megaliters (MI) by type of destination		1.802
Water discharge to all areas with water stress in megaliters (MI)	Freshwater ($\leq 1,000$ mg/L total dissolved solids)	1.802
	Other water ($> 1,000$ mg/L total dissolved solids)	0

GRI 303-5 – Water consumption in the organization

	Elemental Holding Group
	in 2021
Total water consumption from all areas in megaliters (MI)	0
Total water consumption from all areas with water stress in megaliters (MI)	0.003

GRI 304-1 – Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

	Elemental Holding Group
	in 2021
Number of operational sites in, or adjacent to, areas of high biodiversity value	0

GRI 305-1 – Direct (Scope 1) GHG emissions in the organization

	Elemental Holding Group
	in 2021
Direct (Scope 1) GHG emissions	
Gross direct (Scope 1) GHG emissions (tCO ₂ e)	6,496.372

GRI 305-6 – Emissions of ozone-depleting substances (ODS) in the organization

	Elemental Holding Group
	in 2021
Emissions of ozone-depleting substances (ODS)	
Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent (t)	0

GRI 305-7 – Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions in the organization

	Elemental Holding Group
	in 2021
Significant air emissions in metric tons (t)	
Nitrogen oxides (NOx)	102.394
Sulfur oxides (SOx)	4.693
Persistent organic pollutants (POP)	0
Volatile organic compounds (VOC)	36.870
Hazardous air pollutants (HAP)	29.670
Particulate matter (PM)	6.359
other – carbon monoxide (CO)	1.712

GRI 306-3 – Waste generated by the organization

Elemental Holding Group	
in 2021	
Total weight of waste generated in metric tons (t)	
Discharge of water treated as waste	1,747.520
Hazardous waste	24,062.402
Non-hazardous	128,624.640
Total	154,343.562

GRI 306-4 – Waste diverted from disposal* by the organization

Elemental Holding Group	
in 2021	
Total weight of hazardous waste diverted from disposal in metric tons (t)	24,052.892
Preparation for reuse	0
Recycling	22,577.420
Other recovery operations (transfer to third parties)	1,475.472
Total weight of non-hazardous waste diverted from disposal in metric tons (t)	128,314.580
Preparation for reuse	302.990
Recycling	128,011.590
Other recovery operations (transfer to third parties)	0
Total weight of waste diverted from disposal in metric tons	152,367.472

* excluding water

GRI 306-5 – Waste directed to disposal* by the organization

Elemental Holding Group	
in 2021	
Total weight of hazardous waste directed to disposal in metric tons (t)	9.510
Incineration (with energy recovery)	0
Incineration (without energy recovery)	2.150
Landfilling	7.360
Other disposal operations	0
Total weight of non-hazardous waste directed to disposal in metric tons (t)	310.060
Incineration (with energy recovery)	0
Incineration (without energy recovery)	1.300
Landfilling	308.760
Other disposal operations	0
Total weight of waste directed to disposal in metric tons (t)	320.116

* excluding water



ECO



ECO

ECO



7. ESG Report 2021 | ESG risks and their management in the Elemental Holding Group

„Access to information on sustainable development – including the environmental, climate and social challenges – is now the key to making well-informed investment decisions. That is why, at Elemental Holding, we have adopted objective indicators and transparent ways of measuring and evaluating risks that are associated with these areas.”

Paweł Jarski, the CEO of the Elemental Holding Group

GRI 102-15 Key impacts, risks, and opportunities

The recycling industry is a diverse and highly growth-oriented industry, which operates in a complex legal, financial and economic environment (environmental, banking, technology development, labor market regulations, etc.). This means that **all decisions relating to the day-to-day operation and development of companies operating in this industry must be based on effective identification of existing risks and opportunities and a thorough risk analysis.**

The Elemental Holding Group defines risk as the lower or higher probability of unexpected circumstances with a negative (threat) impact on a project or business. The current and future actual and potential impact of the risk on the Group's business is assessed. Based on the assessment, management practices are then reviewed and adjusted as part of the risk response. The above process of risk identification, validation and defense also applies to ESG risks, related to the environmental, social and corporate governance areas.

All the above activities are carried out in the Elemental Holding Group as part of the risk management process. In 2021, all these processes in the Group were supervised by the Group's parent company. **The risk management process in place at the Elemental Holding Group is inspired by the guidelines set forth in the ISO 31000 risk management standard,** best practices in risk management and the holding structure of the Group, and consists of the following stages:

- 1. Definition of the risk context in terms of external risks (originating outside the Group) and internal risks (originating within the company),**
- 2. Identification and assessment of risks,**
- 3. Analysis and response to risks,**
- 4. Monitoring and communication of the risk response.**

As part of the process described above, a number of risks, including the ESG risks, have been identified, analyzed and managed at the Elemental Holding Group. These are presented in the table below, broken down into internal and external risks, and also broken down into environmental (E), social, labor and respect for human rights (S), corruption and bribery (G) ones. The table also shows the Elemental Holding Group's other risks, which are not directly ESG risks, but which may have the potential to magnify the ESG risks for the Group.

Zidentyfikowane ryzyka ESG Grupy Kapitałowej Elemental Holding w podziale na ryzyka wewnętrzne i zewnętrzne		
Grupa ryzyk	Ryzyka	
	Zewnętrzne	Wewnętrzne
Environmental (E)	Risk of changes in environmental legislation at national, EU or international level, tightening the requirements for the applied technologies, changing the rules on waste management, including, for example, the rules on international waste trade	Risk of environmental damage (leakage, fire, release of freon from the installation, etc.)
	Risks related to the activities of environmental organizations and the reaction of local communities to the activities of Group companies in a given location	Risk of withdrawal of environmental permits
Social, labor and respect for human rights (S)	Risks related to the shortage of adequate labor in a given location (e.g. due to low unemployment)	Risk of losing key staff
	Risk of sourcing waste in countries with low socio-economic development, where suppliers might use cheap labor, including child and forced labor (modern slavery)	Risk of unforeseeable events (including accidents at work) that may disrupt the normal operation of the plant(s)
	Risk of changes in labor regulations resulting in the need to make organizational changes in the organization	Risk of ineffective anti-mobbing and anti-discrimination mechanisms in the organization
	Risk of rising labor costs due to changes in the labor market	Risk of collective industrial action at the workplace
Corruption and bribery (G)	Risk of sourcing waste in countries with low socio-economic development with a high risk of corruption and sourcing by suppliers from the "grey market"	Risks related to transactions between related parties
		Risk of dealing in waste from the "grey market"
		Risk of trading waste from sanctioned countries

Corruption and bribery (G)		Risk of trading with “money launderers”
		Risk of ineffective anti-corruption mechanisms in the organization
Other	<ul style="list-style-type: none"> related to the macroeconomic situation in the world and in Poland, fluctuations in raw material prices related to the structure of the holding company foreign exchange rates rising interest rates credit-related related to tax proceedings and audit proceedings of tax authorities and tax inspection authorities competitors technological changes related to waste recovery 	<ul style="list-style-type: none"> related to maintaining an adequate level of working capital related to the adverse impact of investments and acquisitions made or planned by the Group technological changes related to waste recovery unforeseen events that may disrupt the normal operation of the plant(s)

Individual ESG risks are described below (other risks are not described as they are considered not to be ESG risks), identified and managed by the Elemental Holding Group.

Group of environmental risks (E)

Risk of changes in environmental regulations at the national, EU and international level

The operations of Elemental Holding Group companies are carried out in a special legal environment: the environmental law, which, among other things due to climate change, is subject to frequent changes. Also, the Group operates globally, so it is necessary to take into account local legal requirements in the field of environmental law, but also regulations on international waste shipments.

Changes in generally applicable laws may have an adverse effect on the functioning and operations of the entire Elemental Holding Group, or individual companies. In particular, the operations of Group companies may be significantly affected by changes in achieving levels of recovery, including recycling of particular types of waste, changes in permissible levels of pollutants emitted from installations,



changes in the principles of waste shipments, particularly at the international level (e.g. restriction of the possibility of exporting or importing certain groups of waste), changes in permissible waste management methods. As a consequence of the changes taking place, it may be necessary to adapt the Group’s technological, logistic, IT and organizational solutions to the changed regulations, which involves incurring significant financial expenditures for modernizing or replacing the technological lines used so far, the need to implement new IT systems for monitoring processes, e.g. waste recording, waste transportation, emissions control, etc.



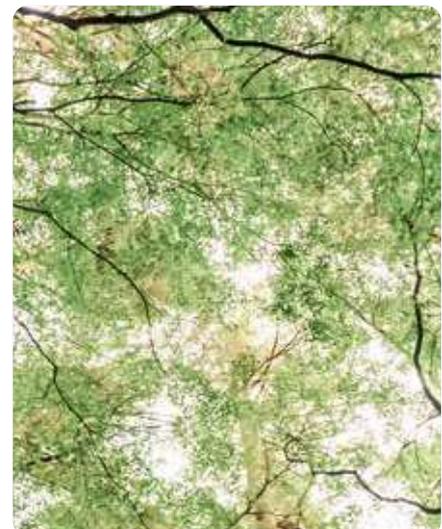
Risk of environmental damage

Elemental Holding Group companies pay special attention to operate in compliance with applicable laws, monitor the efficiency of equipment and vehicles used in the waste management process in order to minimize the risk of an environmental accident involving uncontrolled emission of harmful substances into the environment. Such emissions may occur in particular as a result of the failure of installations used in the Group, as a result of leakage from means of transport or waste, fire, release of freon from the installation for processing refrigeration equipment. Depending on the causes of such an event, there is a risk that an Elemental Holding Group company may be required to remove the consequences of the failure, which may involve significant costs, as well as the potential risk of losing its permits or licenses.

In order to reduce the risk of such a negative event, Group companies regularly check the technical condition of their equipment, follow the recommended methods of waste handling (it is important, among other things, to remove hazardous elements from incoming waste in the first place, the appropriate way of storing waste, e.g. on paved yards, under a roof, etc.), and carry out regular training of employees in case of an accident.

Risk of withdrawal of environmental permits

Each of the Elemental Holding Group companies engaged in the collection and recovery, including recycling of waste, is required to comply with the standards set forth in the broader environmental law. This was also shown in earlier sections of this Report. Failure to apply the standards set forth in the environmental law, as well as failure by any of the Group companies to comply with the requirements or grossly exceeding the conditions of the permits and approvals they hold, may result in the relevant authorities (e.g. environmental inspections) suspending waste management activities until the deficiencies are remedied, as well as the loss of authorization to conduct waste collection, processing, recycling or transportation activities by the companies. In order to mitigate such risks, Elemental Holding Group companies strictly adhere to the conditions set forth in the permits and industry permits they have obtained. The results of inspections carried out by the relevant authorities have not revealed any significant irregularities in the conduct of operations by Group companies to date, including for 2021, and any post-inspection recommendations were promptly implemented by their addressees.



Risks related to the activities of environmental organizations and the reaction of local communities

Environmental organizations working to reduce adverse environmental impacts and local communities have the right to participate in proceedings to examine the environmental impact of a given investment. The activities of these social organizations may hinder or prolong the proceedings leading to Elemental Holding Group companies obtaining the necessary permits and approvals. In addition, operations already underway at plants owned by Group companies may face protests from local communities due to the nature of these activities and emissions, such as noise or increased truck traffic on local roads.

Elemental Holding Group companies take all measures to ensure that the installations and equipment used in their operations have the least possible negative impact on the environment. The primary way to reduce this risk is to locate plants operated by Group companies in industrial areas. In addition, all activities carried out by the companies are undertaken in such a way as to ensure compliance with environmental laws and regulations on proper waste management.



Group of social, labor and human rights risks (S)



Risks related to the shortage of adequate labor in a given location (e.g. due to low unemployment)

Elemental Holding Group's manufacturing companies strive to support local communities and employ local workers, especially as blue-collar and mid-level employees. Such action affects the image of a given company as an important employer in the local labor market, contributes to maintaining lower employment costs due to the reduction of costs of employees' commuting, their accommodation, and is associated with employment stability, which reduces recruitment costs. It should be pointed out, however, that there is a risk of reducing the availability of labor in a given location due to high competition with other workplaces, which may increase labor costs and necessitate organizational changes at the workplace.

Risk of losing key staff

The efficiency of the operations of the Elemental Holding Group and its individual companies is highly dependent on the experience of the management and employees of the various departments within the companies. A sudden and unplanned reduction in personnel could therefore negatively affect the Elemental Holding Group's current operations and future financial performance. In order to prevent the loss of key employees, the Group strives to create appropriate working conditions while offering a competitive level of remuneration based on employee performance and commitment, as described in another chapter of the Report.



Risk of sourcing waste in countries with low socio-economic development, where suppliers might use cheap labor, including child and forced labor (modern slavery)

The global nature of the Elemental Holding Group’s operations and its wide purchasing network covering also countries with low socio-economic development (South Asia, the Middle East, North Africa), as well as the specific nature of the Group companies’ operations (waste recycling and metal recovery), gives rise to the risk that waste sourced for production at the Group’s plants comes from contractors who violate human rights (in particular, they use child labor, do not provide adequate safe working conditions, do not provide legal employment, etc.). Group companies are required to carry out verification of the supply chain, including obtaining information on the subject from suppliers before entering into contracts for the purchase of waste, and, as reasonable doubts arise as to the veracity of the statements made, to carry out visits to supplier facilities. The above rules are in line with the Group’s Code of Ethics.

Risk of changes in labor regulations resulting in the need to make organizational changes in the organization

Changes in labor law regulations at the national and international (mainly EU) level create the risk of a rise in labor costs at individual plants associated with the need to: raise salaries in the event of, for example, a rise in the minimum wage, incur the cost of paying higher social security contributions, incur additional costs for: employee training related to the implementation of new regulations, equipment, or changes in working conditions in the event that workplaces need to be adjusted to new regulations, introduce organizational changes in the event of the introduction of new rules for vacation and paid absences of employees, etc.

Changes in regulations may also cause difficulties in finding or retaining a sufficient workforce if there is a reduction in employment opportunities for foreigners as a result of the new regulations, or the procedures for hiring them change.

Risk of increased labor costs associated with changes in the labor market other than regulatory changes

The Group identifies the risk of an increase in employee compensation costs as a result of the changing macroeconomic situation, for instance the wage-price spiral.

Risk of unforeseeable events (including accidents at work) that may disrupt the normal operation of the plant(s)

The production activities carried out at the Group’s plants, the carrying out of investments related to construction processes, and the use by Group companies of internal means of transportation to transport waste and to operate the plants involve the risk of unforeseen events such as accidents at work or traffic accidents. The operations of plants operated by Elemental Holding Group companies may also be disrupted by a number of events that are difficult to predict, such as fortuitous events (pandemic) and natural disasters (earthquakes, flooding, hurricanes, etc.), or failures, destruction or loss of tangible fixed assets, including installations. In the event of such events, there may be a temporary halt to processing processes, which may temporarily result in a lack of timely delivery to Elemental Holding Group customers or the need to halt the purchase of materials processed at a given installation.





It is noteworthy that there has not been a fatal accident at any of the Group companies to date. Accidents that occur at the plants are usually of a light nature and are usually cuts, blows, etc. However, the occurrence of more serious events of this nature cannot be ruled out, especially in situations of accidents, such as fire. The occurrence of such events causes unforeseen interruptions in the continuity of work, the need to incur costs associated with the absence of employees or costs associated with cleaning up the consequences of the accident. In order to minimize such risks, Group companies conduct regular health and safety training, provide employees with personal protective equipment, verify service providers (e.g. construction contractors) for compliance with construction site safety rules and conduct fire protection audits at their locations.

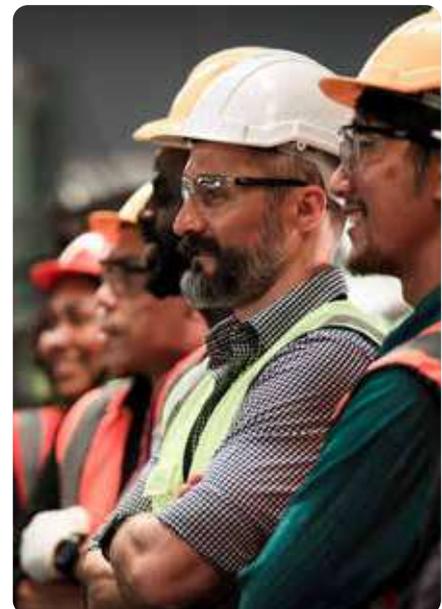
Risk of ineffective anti-mobbing and anti-discrimination mechanisms in place in the organization

The global reach of the Elemental Holding Group and the Group’s dynamically developing structure, the intensive growth in the number of operating companies, and the consequent rapid increase in total employment in the Group, creates a risk that the anti-mobbing and anti-discrimination mechanisms introduced in the Group may not be adapted to the companies’ operations. In order to minimize this risk, standardized procedures are being introduced, as well as training for both managers and lower-level employees, in order to make managers aware of what behavior is undesirable and what practices are prohibited in the organization, on the one hand, and to make employees aware of their options for reporting violations in this regard, on the other. In order to monitor the occurrence of undesirable cases, employee surveys are conducted, and a procedure for reporting violations is implemented.

Risk of collective industrial action at the workplace

Elemental Holding Group companies provide employees with the right of association and allow the formation of labor councils composed of employee representatives who consult with company managements on behalf of the team. In the event of a potential dispute between employees and the management of the companies, there is a risk of collective protests at the workplace, which may cause stoppages in production processes, disruptions to normal plant operations, or difficulties in transportation, if the protests involve a group of employees responsible for transportation, delays in deliveries. As a consequence of the occurrence of such protests, there may be not only damage caused by the disruption of production processes, or the disruption of the supply chain, but also an increase in the cost of wages or the cost of workplace equipment.

In order to prevent the risks associated with collective protests, employee satisfaction surveys are conducted and regular discussions are held with labor council representatives in organizations.



Group of corruption and bribery risks (G)

Risk of sourcing waste in countries with low socio-economic development with a high risk of corruption and sourcing by suppliers from the “grey market”, risk of operating in undeveloped markets

The global nature of the Elemental Holding Group’s operations and its wide purchasing network that includes countries with low levels of socio-economic development (South Asia, the Middle East, North Africa), as well as the specific

nature of the Group companies' operations (waste recycling and metal recovery), raises the risk that some of the waste used in production at Group companies has been acquired in violation of the law, or from entities that do not have the appropriate permits to conduct waste management activities. In countries with a high level of corruption, there is also a risk that waste has been acquired from entities using corruption in their practices as one of the methods of obtaining waste at more favorable than market price terms. The need to mitigate this risk involves maximizing the effectiveness of supply chain investigations to verify the legitimacy of the waste's origin and ensure that transactions are taxed correctly.

In addition, it should be noted that, particularly in the indicated geographic areas, there are numerous entities operating in violation of the law, within the gray zone, which incur significantly lower operating costs, thus providing unfair competition to entities operating in a manner consistent with the applicable law, with the appropriate permits and meeting the requirements set by law. The need to compete in the market with entities whose cost base is at a much lower level reduces the margins of entities operating legally, while forcing maximum cost efficiency. Increasing the area of the shadow economy may have a negative impact on the Elemental Holding Group's financial performance. However, the Group's assessment is that the shadow economy's market share will decrease in the long term. The shadow economy will also cause difficulties for the Group's competitors with lower cost efficiency.



Risks related to transactions between related parties

Elemental Holding Group companies have and will in the future enter into transactions with related parties. All such transactions have been concluded on market terms. However, the risk of tax authorities challenging the market nature of the aforementioned transactions cannot be ruled out, which could result in an increase in tax liabilities and thus could have a negative impact on operations, financial position and results.



As part of the process of building the capital group, Group companies perform transactions involving the acquisition or disposal of shares in business entities. In the course of preparing such transactions, in order to ensure that they are optimized, including in terms of the tax burden of the Elemental Holding Group's current operations, the holding company, as well as other Group companies, carry out transactions among themselves, the object of which is, in particular, the transfer of shares in Elemental Holding Group companies or in other entities. In addition, transactions between Elemental Holding Group companies are carried out as part of ongoing operational and financial activities in order to achieve synergies and optimize Group operations. The execution of intra-Group transactions may be subject to verification by tax authorities with regard to the emergence and amount of income tax and civil law activity tax liabilities. Such a situation, in turn, may be associated with the adoption by the relevant tax authorities of a different interpretation and assessment of the value of these transactions, and, as a consequence, may lead to the emergence, in the event of failure to obtain a favorable resolution of the dispute through the courts, of tax liabilities not included in the financial plans and, as a consequence, a reduction in the projected financial results of the companies and the entire Elemental Holding Group.

Risk of dealing in waste from the “grey market”

Some categories of waste, particularly used catalytic converters, or non-ferrous metal waste, are often obtained illegally (stolen) by individuals and then sold at collection points. Particularly in countries with a lower level of development, or in countries where the cost of living is rising rapidly, the theft of car catalytic converters or, for example, cables from railroad tractions, is popular. In order to reduce the risk of acquiring waste from theft, the Group limits the possibility of purchasing waste from individuals only to non-ferrous metal scrap in Poland and Slovakia, which is carried out under the regime of verification of personal data of sellers in order to register suppliers for possible criminal proceedings, and as a rule excludes the possibility of payment in cash.



Risk of trading waste from sanctioned countries

The global nature of the Elemental Holding Group involves working with entities (both suppliers and customers) from various countries, including potentially sanctioned ones. In order to verify suppliers and recipients, it is important to conduct a full AML investigation according to an established procedure aimed at determining the beneficial owner and verifying that the supplier is not subject to individual sanctions or is not an entity operating in a sanctioned country.

Risk of trading with “money launderers”

The global nature of the Elemental Holding Group and the sector in which the Group operates gives rise to the risk of cooperation with entities that are involved in money laundering. In order to mitigate this risk, verification of suppliers and customers is carried out as part of AML proceedings. It is also crucial to exclude cash trading, which ensures that transactions are also controlled by the banking system.



Risk of ineffective anti-corruption mechanisms in place in the organization

Operating in countries with a high level of corruption risk (e.g. Turkey ranked 38th, and Malaysia – 48th in the 2021 Corruption Perception Index published by Transparency International), as well as high diversity and organizational distinctiveness within the Group’s structure at the level of operating companies, entails the risk of ineffectiveness of anti-corruption mechanisms implemented in the organization. Key to mitigating this risk is employee training and raising awareness among managers of operating companies.

With regard to all identified risks, including ESG risks, the Elemental Holding Group conducts coordinated actions to keep their level within acceptable limits. These activities concern both minimizing the probability of materialization of identified risks and their consequences. These activities, in terms of ESG risks, include:

for environmental risks (E):

- ongoing monitoring of environmental regulations,
- application of the precautionary principle in actions taken,
- implementation of environmental audits,
- employing specialists dedicated to environmental protection and waste management issues,
- implementation of integrated environmental management systems (e.g. ISO 14001), including identification of significant environmental aspects at the company level, formulation of environmental objectives, implementation of emergency response scenarios,

- investing in modern waste treatment technologies,
- controlling the environmental impact of waste treatment facilities,
- training and awareness-raising activities,
- selection of new sites located away from concentrations of people;

for social, labor risks and respect for human rights (S):

- cooperation with labor offices,
- training of employees,
- implementation of an occupational health and safety management system (e.g. ISO 45001),
- participation in trade fairs and other industry events,
- affiliation with international industry organizations,
- investment in occupational health and safety infrastructure,
- provision of increasingly better personal protective equipment,
- cooperation with occupational health and safety specialists, including cooperation with local fire departments,
- verifying contractors and cooperators,
- non-acceptance of behavior that could result in violations of human rights,
- taking initiatives to integrate employees,
- absolute compliance with the requirements of local labor codes and ILO international labor standards;

for corruption and bribery risks (G):

- application of fair operating practices in accordance with ISO 26000 recommendations,
- verification of contractors,
- transparent supplier selection system,
- a multi-level system of control and approval of transactions,
- a transparent system for recruiting, promoting, motivating and rewarding employees,
- promotion of ethical behavior among employees,
- cooperation with specialized legal offices.

Based on the above approach and the defined minimum principles, **Elemental Holding Group plans to expand the ESG risk management process in 2022 as part of the work on the comprehensive ESG Strategy under development**, creating an organizational system for it, based on three lines of defense, with the issue of the Internal Audit Department central to their operation.

