

supply chain management policy in the elemental capital group



SUPPLY CHAIN MANAGEMENT POLICY OF THE ELEMENTAL CAPITAL GROUP

Taking into account applicable international laws, standards of ethics and responsible business conduct, including those relating to human rights, environmental protection, health, personal safety and sustainable development, the Elemental Group has adopted the principles of responsible supply chain management in order to implement the idea of corporate social responsibility within the framework of the **Supply Chain Management Policy** (hereinafter also referred to as the “**Policy**”). Elemental is a global organization operating in the recycling segment of spent automotive converters (SAC), printed circuit boards (PCB), batteries and accumulators, scrap, non-ferrous metals and waste electrical and electronic equipment (WEEE). In order to be able to achieve strategic business goals, it consciously manages its environmental and social impacts. And the supply chain is one of key elements of this management system.

In line with the risk analysis conducted within the Group, the Organization has identified counterparties, both upstream and downstream the supply chain, who are obligatorily covered by the Counterparty review procedure. In the case of other entities, the Organization has adopted the principle of including in an agreement signed with them the obligation to comply with the standards and values specified in the Code of Ethics and the Code of Conduct in the Supply Chain applicable in the Elemental Group, which, inter alia, contain the basic principles specified in this Policy, and verifying connections with countries and sanction lists of a given counterparty using a dedicated platform.

The Policy was created based on guidelines specified in the following documents:

- OECD Guidelines on Business and Human Rights;
- OECD Guidelines for Multinational Enterprises on Responsible Business Conduct;
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;
- Due Diligence Guidance for Responsible Business Conduct;
- The London Platinum and Palladium Market’s Responsible Sourcing Guidance for Platinum and Palladium (“LPPM Guidance”);
- Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing (“AMLA Regulation”);



- Directive of the European Parliament and of the Council on corporate due diligence for sustainable development and amending Directive (EU) 2019/1937.

BASIC PRINCIPLES

All Elemental Group Companies **do not agree to:**

- using torture or other forms of inhuman or degrading treatment;
- using forced or compulsory labour, which means work or provision of services that is exacted from any person under the threat of punishment and for which the person concerned has not offered himself voluntarily;
- any forms of children work;
- committing serious violations of human rights, including abuses such as large-scale sexual violence;
- supporting, benefiting from or initiating, directly or indirectly, war crimes or other serious violations of international humanitarian law, crimes against humanity or genocide;
- participating in money laundering or terrorism financing;
- trading in goods originating from unlawful acts (e.g. theft);
- any forms of corruption;
- cooperating with an entity subject to sanctions or based or operating in a country subject to large-scale sanctions;
- cooperating with counterparties who do not apply basic occupational health and safety standards resulting from international standards;
- conducting activities that cause significant pollution/contamination of the environment, including soil, air or water, or excessive exploitation of natural resources;
- cooperating with entities that do not comply with national laws applicable to them, including those that avoid taxation through illegal practices;
- cooperating with entities who violate employee rights, such as the right to association, the right to a friendly working environment free from discrimination and mobbing, or the right to adequate remuneration for work performed.

SUPPLY CHAIN DUE DILIGENCE SYSTEM

The supply chain due diligence system includes the following elements:

A) Identification and assessment of risks

The Organization mapped its supply chain and based on the mapping identified risks that are material for its business activity. This allowed developing a process of verification and assessment of counterparties, taking into account their geographical location, type of business and nature of cooperation with the Elemental Group. Assessment of counterparties enables risk management and taking appropriate mitigation measures. In order to ensure the smoothness, reliability and efficiency of the supply chain, both the mapping of counterparties and preparing a supply chain map based on this, in line with good international industry practice, which are prepared by the Controlling Department of the Parent Company and the analysis of risks related to the supply chain are a continuous process, repeated at least once every two years.

B) Establishing a management system to support the supply chain due diligence

1.1. Based on the supply chain risk assessment and international guidelines, internal supply chain regulations have been adopted, i.e.:

- this Supply Chain Management Policy,
- Code of Conduct in the Supply Chain,
- Counterparty Verification Rules,
- and other accompanying documents.

Together they form the pillar on which the supply chain management system in the Elemental Group is based. This Policy, the Code of Conduct in the Supply Chain and the Counterparty Verification Rules are subject to direct implementation according to the procedure adopted in the Elemental Capital Group.

1.2. In order to ensure **supervision over the supply chain due diligence process**, this function has been assigned to the Director of the Sustainability Department (in the area of environmental, health and safety or other social issues) established at the central level of the Group and to

the Compliance Department managers responsible for their geographically assigned areas, regarding ethical business conduct and identified geographic risks.

Based on available tools, the adopted organizational structure and established communication processes, these people ensure internal accountability in relation to the implementation of the due diligence process in the supply chain, including they carry out reviews of the risk analysis process at least once every two years, provide the Management Board of the Parent Company and the Audit Committee of the Supervisory Board of the Parent Company with annual report on the update of the risk analysis and verification of the effectiveness of due diligence procedures in the supply chain.

1.3. A core assumption adhered to by the Organization is **to establish lasting and long-term forms of cooperation with counterparties**. Such an approach provides greater possibilities in terms of ensuring compliance with the standards adopted in the Group, as well as monitoring and responding to potential changes. However, regardless of the duration of a business relationship, a counterparty who, in accordance with the Group's internal regulations regarding the supply chain, is subject to mandatory review should:

- ensure compliance with the Organization's Code of Ethics and Code of Conduct in the Supply Chain;
- undergo the counterparty review procedure and obtain a positive assessment;
- in justified cases, enable the Elemental Group Companies to conduct an audit at their place of business;
- implement instructions and recommendations from the Organization aimed at eliminating deficiencies identified during the verification process.

1.4. In order to ensure accountability and transparency, all information and documents collected during the audit of counterparties, as well as opinions and recommendations made in this regard are recorded and stored for a period of 5 years from the end of the financial year in which they were collected.

- 1.5. Each Group Company has implemented a whistleblowing mechanism available to employees, internal collaborators of the Organization and external stakeholders or their employees. This system is in compliance with the regulations of the jurisdiction in which the Group Companies operate. System ensures full confidentiality, anonymous reports, protection of the whistleblower. The Whistleblowing Procedure and available reporting channels can be found on the given Elemental Group Company's website.

C) Adopting a strategy to respond to identified risks

The established supply chain management system is supposed to enable prevention or mitigation of identified risks and negative effects. In the event of a justified suspicion regarding a given counterparty and relating to practices not tolerated by the Elemental Group, proper measures are taken, such as:

- not initiating or stopping cooperation with a given counterparty;
- temporary suspension of cooperation for the time before the counterparty implements remedial measures necessary to eliminate identified risks;
- initiating or continuing cooperation while simultaneously determining and implementing actions aimed at eliminating or limiting identified risks.

In cases where high risk is identified, senior management staff appointed to supervise the due diligence process may issue an opinion on the application of mitigation measures that condition the establishment/continuation of cooperation with a given counterparty. If there is no possibility of complying with the recommended mitigation measures in the process of reviewing the counterparty, the Management Board of the Company having business relations with the counterparty subject to the review, may consent to the establishment/continuation of cooperation, but must justify its decision, ensuring that it is compliant with the principles and documents adopted as part of the due diligence system in the supply chain.

Improvement plans recommended for a counterparty (accompanied by, among other things, independent audits, site visits or remote reviews, as applicable) must include measurable steps to be taken by the counterparty in order to make improvements in the supply chain, and include monitoring of results and notifying the person in charge of the counterparty's review in the Company on the current status of the implementation of the agreed



actions by the responsible persons from the Group Company cooperating with the counterparty, as well as periodic reassessment of risks in accordance with the principles adopted in the Organization.

D) Carrying out verification by the Internal Audit Department established in the Group

In order to confirm the proper design and implementation of due diligence policies and processes in the supply chain, the Parent Company has delegated relevant tasks to the Internal Audit Department, reporting to the Supervisory Board of the Parent Company. The Audit Department may also use help of independent external auditors having required skills and experience.

E) Reporting on supply chain due diligence

The Elemental Group publishes regular reports on sustainable development. An important element of these reports is the reference to supply chain management, taking into account environmental, social and ethical aspects. Public disclosure of this information, in the opinion of the Organization, ensures transparency of the activities carried out.

COUNTERPARTY VERIFICATION AND ASSESSMENT PROCESS

The adopted supply chain management principles apply to all counterparties of the Elemental Group Companies, both upstream and downstream of the supply chain, who, in accordance with the risk analysis conducted and the principles adopted in the Group, are obligatorily covered by the counterparty review procedure.

Each Company, through dedicated operational persons, initiates the verification process of a given counterparty before starting cooperation and when there is no such possibility, immediately after starting it. After collecting required information from the counterparty such as a statement confirming the status of corporate regulations, completed KYC forms, provided extracts from business registers, following verification of the counterparty on platforms supporting identification of risks regarding sanctions or the AML area, the person who conducts the counterparty review process in a given Company expresses an opinion on the possibility of establishing/continuing cooperation with a given counterparty along with suggested mitigating actions (if they are necessary, adapted to the identified



risks, including: conducting a site visit, audit, checking press information or taking other actions considered as justified (e.g. introducing relevant contractual clauses)), or temporary suspension or definitive termination of business relations. In justified cases, such recommendations should be consulted with senior management. The Management Board of a given Company may also be involved in the counterparty verification and assessment process.

Identification of irregularities, together with designation of the identified risk and the established methods of minimizing its effects, should be communicated to the counterparty subject to the review. After providing the counterparty with information indicating the areas requiring adjustment and methods of eliminating irregularities, the progress in the implementation of corrective actions should be verified periodically.

FINAL PROVISIONS

In line with the generally adopted principles in the Elemental Capital Group, all regulations, including this Policy, are subject to mandatory review at least once every two years and in the event of the entry into force of significant changes in legal regulations to which the Code refers, or when such a change is conditioned by a change or introduction of another specific internal policy/procedure in the Elemental Group, or if there is another important reason.

The definitions contained in the Policy have the meanings assigned to them, regardless of whether they are written in capital or lower case. The definitions used, but not defined in this document and not containing a reference to another procedure, policy or regulation, have the meanings assigned to them in the Code of Ethics of the Elemental Group.

This Policy is communicated to employees, collaborators, counterparties and all entities from the business and social environment of the Elemental Capital Group. It should be understood and applied in accordance with the Code of Ethics, the Code of Conduct in the Supply Chain and other procedures adopted in the Organization, and any doubts regarding its provisions should be referred to the Compliance Department at the following address: compliance@elemental.biz.



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