SUSTAINABILITY REPORT 2024

VOLUNTARY

Partially consolidated, ESRS Sustainability Report

BorsodChem
Chemistry for generations

SUSTAINABILITY REPORT

2024

1 April 2026

BORSODCHEM ZRT.

VOLUNTARY

PARTIALLY CONSOLIDATED
ESRS
SUSTAINABILITY REPORT

2024[1]

Taking into account the Corporate Sustainability Reporting Directive (CSRD) and the Hungarian Accounting Act (Act C of 2000 on Accounting, Act C of 2001 on Accounting), in accordance with the provisions of the European Sustainability Reporting Standards (ESRS) adopted pursuant to Directive 2013/34/EU

[1] For the financial year ending December 31, 2024.

Content

PRESIDENT GREETINGS

Dear Reader!

Dear Partners! Dear Colleagues! Dear Interested Parties!

The European Union's new "EU Clean Industrial Deal" clearly sets the direction for the future of industry: we are moving towards an economy where competitiveness and sustainability go hand in hand. As a key player in the European chemical industry, our company is directly affected by this transformation, as the agreement aims to decarbonize industry, reduce greenhouse gas emissions, support energy-efficient operations, and promote the spread of circular and innovative technologies. For us, this is not only an opportunity, but also a responsibility.

We prepared our first sustainability report in 2017, and since then we have improved our reporting practices year after year and gradually expanded the range of indicators and assessment methods used. The year 2024 was a milestone in our sustainability efforts, as we prepared our Sustainability Report for the first time in accordance with the EU CSRD (Corporate Sustainability Reporting Directive) guidelines and the ESRS (European Sustainability Reporting Standards). The report was verified by an external, independent party, thus ensuring transparency and reliability.

We treated the Double Materiality Assessment (DMA) as a key focus point, during which we comprehensively examined our company's own operations and our entire value chain. We mapped and assessed sustainability impacts, risks, and options for managing them. This assessment not only forms the basis of the report, but also serves as a strategic compass for our future decisions.

We successfully integrated the objectives of our sustainability strategy into our daily operations in 2024. Thanks to the commitment and joint efforts of our employees, we have made significant progress in the field of sustainability.

As a result of the conscious coordination of reclamation and development projects, our Company won the title of "Green Large Company of the Year" in 2024 at the Green Awards competition, which rewarded our perseverance and sustainable approach over the years.

We are proud that BorsodChem achieved an outstanding result in the EcoVadis rating based on its sustainability performance in 2024, which confirms that our company belongs to the outstanding 3% of the global chemical sector.

As a result of a successful audit, our Company obtained the Responsible Care certification in 2024. The award of the certificate also marks BorsodChem's corporate culture, which focuses on environmental protection, increasing technical safety and preventing accidents at work.

In addition to the above, we continue to pay special attention to the well-being of our employees, shaping social attitudes and developing responsible purchasing practices. I would like to thank all our colleagues, partners and stakeholders for their joint work and support. We believe that through transparent reporting according to CSRD and the application of the double materiality approach, we can contribute even more effectively to creating a more sustainable future.

Sincerely,

László Kruppa
President
BorsodChem Zrt.

GENERAL INFORMATION ABOUT THE REPORT

BP-1 General basis for preparing a sustainability report

BorsodChem Zrt., a large company, prepared its Sustainability Report on a voluntary basis, taking into account the Corporate Sustainability Reporting Directive (CSRD) and the Hungarian Accounting Act (Act C of 2000 on Accounting) and the European Sustainability Reporting Standards (ESRS), adopted on the basis of Directive 2013/34/EU and published in the Official Journal of the European Union by delegated regulation.

BorsodChem Zrt. (full name: BorsodChem Zártkörűen Működő Részvénytársaság, registered office: Hungary, 3700 Kazincbarcika, Bolyai tér 1.) prepares its consolidated financial reports in accordance with International Financial Reporting Standards (IFRS), in accordance with EU accounting rules. The 2024 Sustainability Report is not yet part of the financial statements, but will be published on a voluntary basis and as a stand-alone report, after external auditor verification.

Boundary: The scope of the 2024 Sustainability Report differs from the consolidation scope of the financial report. The scope of the 2024 Sustainability Report covers BorsodChem Zrt and its subsidiaries (BC Energiakereskedő Co., BC-KC Formalin Co., BC Power Energiatermelő II Co.). (Hereinafter: BorsodChem Group) The selection criteria for the subsidiaries included in the Report comprised the availability of the required sustainability data, their integration into the integrated enterprise management system (SAP), as well as the existence of adequate sustainability knowledge and background expertise.

The future expansion of the scope and full alignment with the financial consolidation scope are the objectives of the next reporting period. The Company's goal and aspiration is that the scope of sustainability reporting in the future will be in line with the consolidation scope of the financial report. To achieve this, the company is in a preparatory phase, which includes the gradual harmonization of data collection, methodology and internal processes.

Reporting period: The reporting period covers the period from January 1, 2024 to December 31, 2024, in accordance with the business year.

The subsidiaries of BorsodChem

Name of subsidiary	Place of incorporation	Main activity	Ownership percentage (2024)
BC-KC Formalin Co.	**3702 Kazincbarcika, Bolyai tér 1. Hungary**	**2014 Production of organic chemical raw materials**	**69,63%**
BC-Energiakereskedő Co.	**3702 Kazincbarcika, Bolyai tér 1. Hungary**	**3515.25 Electricity trading**	**100,00%**
BC-MCHZ s.r.o.	70903 Ostrava, Marianské Hory, Chemicka ul. 1., Czech Republic	2014. Production of organic chemical raw materials	100,00 %
Wanhua BorsodChem Italia s.r.l.	Via Larga n 6. 20122 Milánó, Italy	Distribution of Wanhua Group products	100,00 %
Wanhua BorsodChem Latin-America Comércio de Produtos Químicos Co.a.	(Alameda Rio Negro 503, offices 701 and 704 CEP: 06454-000, Alphaville, Barueri (São Paulo State)	Distribution of Wanhua Group products	99,91%
BC Power Energiatermelő II. Co.	**3700 Kazincbarcika, Bolyai tér 1. Hungary**	**3530.25 Steam supply, air conditioning**	**100,00 %**
Wanhua BorsodChem Rus LLC	105064 Moszkva, Zemlyanoy val. 9. office 4060, Russia	Distribution of Wanhua Group products	99,90%
Polimer Szolgáltató Co.	3702 Kazincbarcika, Szent Flórián tér 2. Hungary	5510.25 Hotel service	100,00 %
Chematur Technologies A.B.	69146 Karlskoga, Baggängsvägen 43., Sweden	Design and sales of chemical industry technologies	100,00 %
Wanhua Chemical Europe Innovation S.L.	08940 Barcelona, Cornellá de Llobregat Carretera de Hospitalet 147., Spain	Research and development, innovation, consulting	100,00 %

Data collection

The data presented in the report was collected by the relevant entities and organizations of BorsodChem Zrt. The full content of the sustainability report, its double materiality assessment, and its material topics are published with the approval of the CEO of BorsodChem Zrt.

BorsodChem considers sustainability, energy efficiency, environmental protection, and human rights aspects to be important and prioritized throughout its entire value chain, i.e. in its internal processes, in the procurement of raw materials, in the production, development, distribution, and sales of its products.

BorsodChem and the value chain

BorsodChem Zrt. has based its reporting on its own operations and activities, but has also examined the upstream and downstream stages of its entire value chain. In addition to the impacts, risks and opportunities that apply to the group, the report also addresses factors identified in the upstream and downstream value chains. The metrics include indicators for both the upstream value chain and the group. The Company's policies, objectives and measures primarily apply to the BorsodChem Group, but may also affect the upstream and downstream stages of the value chain in certain areas.

Omission of classified and sensitive information regarding intellectual property, know-how or innovation results

BorsodChem uses the option of omission, thus not disclosing data related to trade secrets, intellectual property and other confidential information. The omitted information does not affect the completeness and understanding of the report; the company discloses all other relevant information, with the exception of confidential details.

The CSRD Directive requires that the sustainability report be published in a single electronic reporting format (European Single Electronic Format – ESEF), using the eXtensible Business Reporting Language (XBRL) markup related to the ESRS standards. Given that the XBRL taxonomy related to the ESRS and the mandatory technical implementation requirements for ESEF are not yet in force at the time of reporting, BorsodChem publishes its sustainability report for the 2024 reporting period in a non-XBRL-marked format.

BP-2 Disclosures regarding unique circumstances

Time horizons

When preparing the sustainability report, the Company applies time horizons according to the requirements of ESRS BP 2, starting from the end of the reporting period, with the short term being less than one year, the medium term being between one and five years, and the long term being more than five years.

Uncertainty of the methods used, estimates and results

Details of the applied calculation methodology are included in the relevant sections of the respective thematic chapters. No significant measurement uncertainty was identified in the reporting of the published quantitative metrics and monetary amounts. Detailed disclosure of quantitative and qualitative uncertainty regarding Scope calculations can be found in the methodology of the third-party verified GHG emissions report for 2024, available on BorsodChem's website. The extrapolation and measurement presented in Chapter S3 are not 100% accurate, but provide adequate guidance for the evaluation of BorsodChem's noise protection developments.

Changes in the preparation and presentation of sustainability information

The compilation of this report includes a methodological change compared to the previous period, as the company prepared its sustainability information for the first time according to the ESRS standard instead of the previously applied GRI (Global Reporting Initiative) standards. The purpose of the change in framework is to ensure more transparent and comparable data provision in addition to legal compliance. The company specifically draws attention to any possible recalculations in the report.

Reporting errors in prior periods / Restatements

This sustainability report is BorsodChem's first sustainability report prepared in accordance with the CSRD Directive and the ESRS standard. There will be no re-disclosure or correction of data and information published in previous ESG reports.

Governance

BorsodChem's long-term, sustainable operation is ensured by responsible and transparent corporate governance. The corporate governance system enables the effective management of sustainability risks, the integration of ESG aspects into business operations, and the consideration of stakeholder expectations in strategic decisions.

GOV-1 The role of the administrative, management and supervisory bodies

Organizational and operational structure

The organizational and operational structure of BorsodChem Zrt. is determined by the Articles of Association. The executive body of BorsodChem Zrt. is the Board of Directors, which is responsible for making decisions related to the management of the Company. According to the Articles of Association, the election and recall of the members of the Board of Directors falls within the competence of the Sole Shareholder.

BorsodChem Board of Directors

The Board of Directors consists of nine members, four of whom are Hungarian and five of whom are Chinese citizens. One of the nine directors is a woman. The roles of the Chairman and the Vice Chairman are separate. Three members of the BorsodChem Board of Directors are employed by the parent company and are independent from the operational management of the company.

The Supervisory Board consists of three members and is independent from the operational management of the company and the Board of Directors. In order to exclude any concerns regarding conflicts of interest, the Chairman of the Board of Directors holds his position in the organization as an independent member.

Of the 9-member Board of Directors, 3 members (33%) are independent, while 6 members (67%) are not independent.

Board of Directors
Lu Hongjie - Chairman
Li Junyan - Vice Chairman
Yifeng Chen - Executive of headquarter
Weiqi Hua - Executive of headquarter

Hao Ding - Executive of headquarter
László Kruppa - President
Béla Varga – Vice President HR and Communication
János Szabó - VP Procurement and Logistic
Supervisory Board members
Kou Guangwu - Executive of headquarter
Jihua Zou - Executive of headquarter
Zhou Yongjin - Executive of headquarter

Members of the Board of Directors

According to the Company's Articles of Association, the members of the Board of Directors are appointed by the Owner, and their term of office is three years. When making appointments, the Company complies with the mandatory provisions of the applicable laws, in addition to which competence, experience and conflict of interest are additional important selection criteria.

The members of the Board of Directors, as well as its Chairman, have relevant professional (engineering or economic) qualifications and extensive practical experience. External stakeholders were not involved in the selection process.

Management levels

n level: President

n-1 level: Vice President, Chief Officer

n-2 level: Director

n-3 level: Senior Manager/Manager

n-4 level: Officer, Deputy Manager, Chief Foreman, Foreman

BorsodChem Group Organizational Structure

BorsodChem’s corporate organization is structured according to functions, this structure effectively serves the implementation of our Company’s strategic goals. The heads of organizational units are responsible for implementing the corporate strategy and coordinating operational processes. The development of the corporate strategy falls within the scope of ownership.

The members of the Board of Directors include leaders from many professional fields, therefore, the coordination of critical matters at the highest level is ensured. No critical matters were reported in the 2024 reporting period.

Continuous development of ESG knowledge as a strategic priority

The management has been continuously developing its sustainability and ESG knowledge for years to keep up with rapidly changing expectations and regulations. Increasing the Board’s collective ESG knowledge is a top priority, and training, professional meetings and knowledge-sharing opportunities ensure that decision-making consistently reflects sustainability considerations. This approach is now an integral part of strategy development and risk management.

Further details on corporate governance can be found in the thematic chapter G1 Business Conduct.

GOV-2 Information provided to the business's management, executive and supervisory bodies and the sustainability issues they address.

The Board of Directors is informed by the Chairman/Vice Chairman – in the form of a Board of Directors meeting or via e-mail.

Non-independent members of the Board of Directors receive information on current sustainability-related topics at the quarterly meeting, and annually, as part of the Integrated Management System, the manager responsible for the field informs the management about sustainability results and tasks at the Management Review Meeting.

In the end of 2024, we introduced the Sustainability Committee Meeting, at which the management receives information at regular intervals in the form of a detailed report on current tasks, changes in legal requirements and expected changes, makes decisions and defines tasks on emerging sustainability topics. We held the first Sustainability Committee meeting in 2025.

GOV-3 Incorporating sustainability performance into incentive mechanisms

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The remuneration of the members of the administrative, management and supervisory bodies is based on several indicators, which are determined by the Company's business strategy, so BorsodChem does not consider this to be publicly shareable information. However, the remuneration of BorsodChem's senior managers includes – non-public – performance indicators that indirectly affect sustainability. Several members of the board of directors are paid an energy consumption reduction indicator and a specific waste reduction indicator, the GHG emissions generated during the disposal of which can also be linked to BorsodChem's activities.

Remuneration paid to the members of the Supervisory Board and of the Board of Directors*:

Designation		**2024**
Board of Directors	Chairman of Board of Directors	10.575 EUR
	Members of Board of Directors	84.600 EUR
	Total	*95.175 EUR*
Supervisory board	Chairman of Supervisory Board	21.150 EUR
	Members of Supervisory Board	21.150 EUR
	Total	*42.300 EUR*
Total		137.475 EUR

*Annual report 2024 of the BorsodChem: Annex C: Notes to the income statement page 31.

GOV-4 Due Diligence Statement

BorsodChem's sustainability due diligence practice is closely aligned with the corporate governance system, sustainability strategy and operating model. The process aims to identify and address actual or potential environmental and social impacts that arise from our own activities and our upstream and downstream value chains. Due diligence is integrated into the governance structure and business decision-making processes. The assessment and management of sustainability risks is part of strategic planning, overseen by the President (CEO).

The integration of screening is carried out at the following levels:

At the strategic level:

BorsodChem developed its sustainability strategy in 2022, in line with the global sustainability objectives of its parent company, Wanhua Chemical, and the Company's Sustainability Policy[2]. The strategy is based on our long-term business concept and sets priorities along the three pillars of sustainable development – economy, environment, society. Accordingly, seven focus areas have been identified, to which the Company has assigned specific Sustainability Goals. These goals serve as the basis for measuring sustainability performance, assessing risks and opportunities, and establishing continuous improvement processes.

At the management level:

The results of the sustainability due diligence are fed back to senior management as part of the strategic assessment of risks and opportunities. During the reporting period, the Company further strengthened the ESG integration of decision-making processes.

At the business model level:

The results of the due diligence also influence decisions related to the product portfolio, technological developments, suppliers and operational processes. Based on the identified impacts, for example, the substitution of environmentally risky materials, energy efficiency investments and the application of responsible procurement principles are made.

Sustainability due diligence is not a one-off activity, but an ongoing tool to identify material impacts and risks and to support strategic and operational decisions. The approach used during the process is in line with the principles set out in the international guidelines of the UN and OECD.

Collaboration with relevant stakeholders

During each key step of the due diligence, BorsodChem consults with employees, suppliers, customers, professional organizations and local communities. The aim of the dialogue is to accurately identify risks, coordinate preventive measures and integrate the needs of stakeholders into decision-making. In 2024, it addressed its stakeholders via an online questionnaire as part of the double materiality assessment.

Identification and assessment of adverse impacts

In connection with the due diligence, the company also began preparing for the sustainability due diligence obligation required by the Hungarian ESG Act during the sustainability reporting period. Supply chain due diligence will be carried out for the first time in 2025 using questionnaires available on the website of the Regulatory Activities Supervision Authority (SZTFH).

As part of the sustainability due diligence, BorsodChem conducted a double materiality assessment (DMA) in order to identify and prioritize the actual and potential positive and negative impacts arising from its own operations and value chain (upstream and downstream).

Based on the results of the double materiality assessment (DMA), it set up a priority order for the management of material actual and potential adverse impacts. When determining the measures, it took into account the severity and likelihood of the impact, as well as legal and industry expectations.

The main measures used to address adverse impacts are disclosed in subsequent chapters deemed relevant.

The relevant areas (EHS, HR, Procurement, Compliance, etc.) and external experts, if necessary, are involved in decision-making and the development of measures. The Company reviews the effectiveness of the measures annually based on metrics (e.g. number of incidents, emission data, complaint closure time) and incorporates the experiences into the risk management processes.

[2] https://borsodchem.com/en/our-policies

The Company pays special attention to ensuring that the measures are in line with internationally recognized human rights and environmental standards and that they are developed with the involvement of stakeholders (e.g. employees, partners, etc.).

The Company regularly shares the monitoring results with the decision-making bodies in the form of internal reports and management reports, and also publishes them in the sustainability report as part of external communication. The goal is to provide stakeholders with a transparent view of how effective the measures are and to incorporate feedback for continuous improvement.

GOV-5 Risk management and internal control over sustainability reporting

The Company has developed a comprehensive internal control system to manage sustainability risks and ensure the reliability of sustainability data. This system covers, among other things, the measurement and continuous monitoring of environmental, social and governance (ESG) impacts, the verification of the accuracy of data collection and processing, and the protection of employee rights.

The Company evaluates risk management and control processes in accordance with the double materiality assessment, taking into account legislative changes and industry best practices. BorsodChem pays special attention to sustainability reporting risks, such as the completeness and integrity of data, the accuracy of estimation results, the availability of data related to the upstream (supplier) and downstream (sales, users) value chain, and the timing of information availability.

To mitigate risks, the Company develops action plans and strategies, including, for example, supplier diversification and optimization of the procurement strategy, thereby increasing the stability of the supply chain and the efficiency of processes.

The Company sets out the responsibilities, tasks and detailed procedures related to sustainability reporting obligations, as well as the detailed rules for managing sustainability risks in the BC-SG- 002 Guidelines for the Preparation of the Sustainability Report.

STRATEGY

SBM-1 Strategy, business model and value chain

Introduction

BorsodChem develops and produces world-class chemical raw materials for its customers, which can be used to produce diverse, innovative and high-quality products in many industries, thereby meeting the constantly growing and demanding consumer expectations.

The Company is engaged in the production of plastic raw materials and the production of organic and inorganic chemical raw materials, as one of the leading manufacturers in Europe in terms of MDI (methylene diphenyl diisocyanate) and TDI (toluene diisocyanate) products, PVC powders, and special chemicals and raw materials (lye, hydrochloric acid). The Company provides chemical raw materials to many industries, such as the automotive industry, construction, footwear and clothing, furniture, pharmaceuticals and rubber industries. Isocyanate production has expanded further since 2020, and the company's product range now also includes thermoplastic polyurethanes (TPU).

The main raw materials of the MDI product are aniline and formalin, which BorsodChem previously procured from external sources, and then, thanks to a large-scale investment, launched its own Aniline plant from 2023, in order to improve continuous operation and reduce Scope 3 emissions from transportation. The raw material for aniline production, benzene, and part of the aniline required for MDI production continue to be procured from external sources. The latter is imported from the Czech subsidiary (BC-MCHZ s.r.o.). Formalin is purchased from the Company's subsidiary (BC-KC Formalin Co.) operating on the Company's premises.

The main raw materials required for the production of the Company's other isocyanate flagship product, TDI, are toluene and nitric acid. Nitric acid is produced in Kazincbarcika, in the Company's own plant, while toluene is purchased from several European suppliers.

The raw material for PVC production is ethylene, and the raw material for chlorine production is rock salt, which also come from European suppliers.

Main products

BorsodChem supplies its raw materials to more than 30 industries, which are used to make products that we encounter in our daily lives. They guarantee comfort, safety, durability in our buildings, furniture, cars, clothing, households and many other areas, contributing in various ways to increasing energy efficiency, environmental protection and sustainability. Further information about the Company's products is available on the https://borsodchem.com/en/our-products.

89,37% of BorsodChem's products are sold in Europe (Western Europe (46,73%), Central and Eastern Europe (29,87%), domestically (12,76%)), but we are also present in the markets of North and South America, Africa, the Middle and Far East. In 2024, the Company exported its products to 61 countries. In the area of primary, auxiliary and packaging material procurement, BorsodChem strives to involve and support local and EU-producing companies, thanks to which 87% of our suppliers are EU partners.

The company does not operate in the fossil fuel industry (coal, oil, gas), does not participate in systematic economic activities related to fossil gas, and does not generate income from these sources. In addition, it does not manufacture weapons, nor does it grow or produce tobacco, and therefore does not generate income from these activities.

The company is engaged in the production of chemicals, which falls under NACE Rev. 2 code 20.2 according to Annex I to Regulation (EC) No 1893/2006. The main profile of BorsodChem is the production of isocyanates (MDI, TDI), PVC and chlor-alkali compounds, which serve as chemical raw materials for various industries (construction, automotive, furniture, packaging, etc.). Chemical production accounts for 65.42% of the company's total revenue, but these are not included in the scope of controversial or banned products.

Major markets and customer groups

BorsodChem's products are primarily used by industries that rely on large quantities of reliable quality plastic and chemical raw materials. The most important customer segments include the construction industry, the automotive industry, the furniture and consumer goods industry, the packaging industry, the chemical industry and the electronics industry.

PVC products – such as pipes, profiles, floor coverings and insulation materials – are essential for the construction industry. MDI and TDI, which are required for polyurethane foams, are also essential for building insulation and energy-saving solutions. The automotive industry uses flexible and rigid foams for the production of seats, headrests, sound insulation and interior trim, for which BorsodChem isocyanate raw materials are an excellent fit.

The furniture industry and consumer goods sectors are also significant customers for the company, especially for foams used in the production of mattresses, pillows, insulation elements and soft interior components. The packaging industry relies on the reliability and consistent quality of the company's raw materials for its demand for PVC-based films and molded plastic products. Chemical processors - such as companies producing cleaning agents, water treatment chemicals, additives or adhesives - use the chlor-alkali products (caustic soda, hydrochloric acid, hypo) produced by BorsodChem for industrial and household purposes. The electronics industry uses PVC and TPU-based solutions for cable sheaths, insulation layers and other technical plastic components. These industries have in common that they require a high-volume and reliable supply chain, which BorsodChem's integrated production model, logistical flexibility and wide product range can serve. The company's products are ideally suited to serve as the basis for technologically complex, long-lasting and sustainable industrial solutions.

The value for partners is primarily in the security of supply, stable quality, product certifications and price-performance ratio. The group's products and services comply with applicable legislation in all markets and none are subject to prohibition.

The company reduces the effects of fluctuations in demand for products and purchase and sales prices with a diversified product portfolio and by opening up new markets.

Employees

Number of employees:

Closing number: 3.355 Average statistical: 3.309

By geographical area

Location	Closing headcount
Kazincbarcika	3.270
Budapest	39
Gödöllő	21
Abroad	25
Total:	**3.355**

Revenue

BorsodChem Zrt.’s consolidated net revenue for 2024 was EUR 2.521.521.430,2. The company does not disclose data on the breakdown of revenue by material ESRS sectors or other relevant sectors in the 2024 reporting period, as the ESRS sector standards have not yet been finalized and officially adopted, but the company will monitor legal changes in the future and act accordingly.

Business model and value chain description

BorsodChem’s business model implements a vertically integrated, specialized chemical value chain, focusing mainly on the production of isocyanates (MDI, TDI), PVC and chlor-alkali products for the

construction, automotive and furniture industries. The company, headquartered in Kazincbarcika, relies on integrated production technologies, optimized logistics, low material and energy consumption, and high product yield. Partly through its own energy supply system and waste heat recovery, it ensures cost-effective and environmentally friendly operation, complying with the requirements of ISO14001 and ISO50001 certificates. Its sustainability goal is to reduce CO_2 emissions, introduce circular management, recycling and waste, water and noise management. Innovation activity is based on university collaborations, R&D projects and catalyst technology development, with plant management supported by digital solutions. Since 2011, it has been a member of the Chinese Wanhua group, which fully integrated it in 2019, providing strategic financial and technological background for growth in the European PU and PVC markets. The core elements of its business model are customer focus, high export share (primarily to Europe), flexible services and continuous quality development.

BorsodChem's value chain is highly vertically integrated, from raw material production through manufacturing to the logistics delivery of finished products. The company has its own production capacity for isocyanates (MDI, TDI), PVC and chlor-alkali chemicals, as well as for the production of several essential raw materials (e.g. aniline, nitrobenzene, nitric acid, HCl). The recently launched Site 4 brownfield investment has resulted in the establishment of new factories, further strengthening raw material self-sufficiency and reducing supply chain exposure.

The company's energy management is also based on its own system: its on-site combined heat and power generation unit improves energy efficiency, while waste heat recycling and water recycling also reduce the environmental footprint. The BAT (Best Available Technology) membrane cell technology introduced during chlorine production is a mercury-free, energy-efficient and water-saving solution that contributes to the reduction of greenhouse gas emissions.

Raw material self-sufficiency, integrated manufacturing, digitalized production management, sustainable energy use and environmentally friendly logistics all contribute to reducing the carbon footprint and sustainable business operations.

Strategic Sustainability Efforts

In the spirit of innovation and sustainable development, the Company aims to provide quality raw materials for products that are indispensable in everyday life. It works tirelessly to overcome everyday challenges and turn its achievements into benefits for society and the environment. The secret of its outstanding performance lies in its integrated production technology, optimized logistics and inventory management solutions, low specific material and energy consumption, and high product yield. In order to become the bridgehead for the Wanhua Group's European growth, it is constantly looking for solutions that can strengthen its position in the PU and PVC markets.

Customer focus is an important element of the company's core values and quality management system. The key to its long-term development is to offer high-quality products and flexible services in a sustainable manner. In order to develop, it identified its external and internal customers, designated areas for development in order to provide them with quality service, and set ambitious but achievable goals.

SBM-2 Stakeholder interests and positions

Stakeholders

As a responsible company, it is crucial for BorsodChem to establish active dialogue and effective cooperation with its internal and external stakeholders. The involvement of stakeholders is also used to determine our positive and negative impacts on society, human rights, the economy and the environment.

Stakeholder analysis

BorsodChem has identified as stakeholders those individuals and groups who are or may be affected by our activities, who have an impact on the Company's operations, and whose interests are or may be affected by our activities. BorsodChem maintains relationships with stakeholders and continuously seeks opportunities for joint cooperation.

BorsodChem's stakeholders	
External stakeholders	**Inrernal stakeholders**
• Subsidiaries • Professional associations and organizations • Authorities • Local communities and municipalities • Customers • Educational institutions • Suppliers • Media	• Owners • Employees • Labor union
Other stakeholders: Students, Internships, Silent Stakeholders (Next Generation, Environment, Planet)	

Overview of the relationships established with key stakeholders of BorsodChem Zrt.

Key stakeholders	Purpose of cooperation	Method and frequency of contact
Employees	The focus of our cooperation with our employees is on the up-to-date and target group-oriented sharing of news related to our activities, as well as on creating a culture in which we can openly discuss our Company's current events, challenges, and further development opportunities, horizontally and vertically, taking into account the aspects and interests of both our Company and our employees.	▪ Presentation of news, trainings, programs published via intranet (regularly) ▪ Communication emails on key topics (regularly) ▪ „HR Let's chat" programs (monthly) ▪ BorsodChem internal electronic newspaper (BC Click) on significant events affecting the companies (quarterly) ▪ Roundtable discussions with senior managers (quarterly), "Coffee Time meetings" ▪ Employee forum (annually) ▪ Employee satisfaction survey (at least every two years) ▪ Consultation through interest representation (regularly) ▪ HR visits (occasional) ▪ Sustainability Newsletter (semi-annually)

Owners	As a 100% owned subsidiary of the Chinese Wanhua Chemical, BorsodChem's top priority is to ensure that our owner is confident that we are providing the most stable and greatest value possible, along with the highest quality professional knowledge.	▪ Preparing reports (regularly) ▪ Senior management meetings (regularly) ▪ Mutual factory visits (occasional)
Labor union	We have always sought to establish a positive social dialogue with trade unions in order to achieve our common goals. During our negotiations, we try to define a common set of criteria that ensures business continuity, successful and stable operations, while supporting employee satisfaction and safety.	▪ Executive level liaison, Vice Chairman, and Director HR Services (quarterly)
Subsidiaries	It is important for our subsidiaries to always have up-to-date information available regarding corporate goals and strategies, and it is also important for them to be informed in a timely manner about internal changes affecting our Company.	▪ Management and Senior Management meetings (regular) ▪ Newsletters, brochures (semi-annual)
Professional organizations and associations	As an integrated, complex chemical organization, many problems arise in our daily operations or during the planning of our developments, the solution of which represents a serious challenge even for a large company. We believe that open communication with professional organizations and associations, knowledge sharing and mutual professional assistance, and joint professional advocacy provide us with a great advantage in solving emerging problems.	▪ Conferences, events (occasional) ▪ Meetings, discussions (regular) ▪ Circulars (occasional) ▪ Professional questionnaires (occasional) ▪ Sustainability Newsletter (biannual)
Authorities	It is important for us to maintain good relations with the authorities, as knowledge and compliance with the appropriate legal regulations, as well as smooth administration and cooperation, are essential for the efficient operation of our Company.	▪ Licensing processes and negotiations (continuous) ▪ Inspections and inspections by the authorities (continuous) ▪ Mandatory reports and data provision, notification obligation (continuous) ▪ Holding official open days (occasional) ▪ Sustainability Newsletter (semi-annual)
Local communities and municipalities	Our main goal is to become an integral part of Kazincbarcika and the surrounding settlements through cooperation and communication with	▪ Company brochure (ongoing) ▪ Company website (ongoing)

	local communities. Information and effective dialogue are important to us in order to understand and mutually support each other.	▪ Sustainability Newsletter (biannually) ▪ Municipal Open Days (occasional) ▪ Online contact, e.g. via social media (ongoing)
Customers	Regular contact with our customers is essential in order to map out their needs and learn about their level of satisfaction with our work and products. In addition, we also provide assistance in navigating market trends through our professional events.	▪ Email contact (regular) ▪ Personal visits (regular) ▪ Customer satisfaction survey (every two years) ▪ Customer forum (occasional) ▪ Personal meetings, exhibitions, conferences (occasional) ▪ Sustainability Newsletter (semi-annual)
Educational institutions	We develop close cooperation with educational institutions through our joint professional and research programs. In addition, we consider it important to actively participate in dual training, both in terms of transferring professional theoretical and practical knowledge.	▪ Professional cooperation (ongoing) ▪ Research programs (ongoing) ▪ Participation in dual training (ongoing)
Suppliers	We strive to build long-term, mutually beneficial partnerships with our suppliers, while paying special attention to implementing our sustainability, environmental and human rights objectives.	▪ Daily business contact (regularly) ▪ Supplier audits (regularly) ▪ Sustainability Newsletter (semi-annually)
Future generation / students, interns	Our company has been a leader in the industry in the region for decades, and it is essential to have a motivated and highly qualified workforce in all areas of the Company. Our goal is to not only provide attractive career opportunities for young workers, but also to help them acquire the right skills.	▪ Launching and supporting specialized training courses in secondary and higher education institutions (continuous) ▪ Dual training, internship program (continuous) ▪ Organizing factory visits (occasional) ▪ Holding lectures to get to know the company better (occasional) ▪ Supporting research and programs (continuous)

Stakeholder Engagement

As part of its double materiality assessment, BorsodChem addressed its external stakeholders with an online questionnaire. Stakeholders were able to rate the relevance of the sustainability topics (IROs) deemed material by the Company on a scale of 1 to 5, and were also able to provide additional sustainability-related opinions and suggestions in text form. The Company sent the questionnaire to a total of 157 individuals/organizations, divided into 24 stakeholder groups, for the online survey.

The Company believes that the 39% return rate of the questionnaire survey ensured adequate and evaluable participation among stakeholders, thus allowing for well-founded conclusions to be drawn for the preparation of the report.

Taking into account stakeholder feedback

The feedback received during the stakeholder engagement clearly indicated that the ESRS E1 topics – especially energy use and climate change issues – are highly relevant to BorsodChem's activities. Respondents also rated product quality as a company-specific topic of high importance.

The Company has systematized and integrated the comments of stakeholders into the content of the sustainability report. Based on the feedback, special emphasis was placed on the ESRS S1 topic – Own workforce – which was considered to be of particular importance by several stakeholders. Although the ESRS S1 topic was not considered material according to the results of the double materiality assessment (DMA), the Company has decided to present this topic on a voluntary basis in order to meet the expectations of stakeholders.

In the future, the Company aims to involve stakeholders more broadly in the sustainability reporting process, thereby further strengthening the dialogue and the content relevance of the report.

Further details on the communities involved can be found in the thematic chapter S3.

SBM-3 Interaction of material IROs with strategy and business model

The material impacts, risks and opportunities (IROs) identified during the double materiality assessment – including the affected activities, value chain relationships and the company's response measures – are explained in detail in further thematic professional chapters of the report, broken down by individual environmental (E), social (S) and governance (G) ESRS standards.

DOUBLE MATERIALITY ASSESSMENT

IRO-1 Identification and assessment of material impacts, risks and opportunities

The Double Materiality Assessment (DMA) aims to map the company's resilience to sustainability issues, including environmental and social impacts, as well as risks and opportunities that affect financial performance along the value chain. BorsodChem has conducted a double materiality assessment in accordance with the ESRS (European Sustainability Reporting Standards). The purpose of BorsodChem's first DMA was to support the preparation of a sustainability report for the 2024 reporting period on a voluntary basis, in order to establish a basis for compliance with future reporting obligations.

Methodology

During the double materiality assessment, BorsodChem examined and assessed its identified impacts, risks and opportunities (IROs) across its own activities and the entire value chain, in accordance with the ESRS requirements. The assessment covered both upstream, own operations and downstream value chain segments, ensuring that the definition of materiality was aligned with the company's operating model and actual impact mechanisms. The Company performed the double materiality assessment in two dimensions: (i) impact materiality and (ii) financial materiality. The interdependencies and feedbacks between the two perspectives were taken into account throughout the methodology when designing and implementing the assessment. The starting point was the systematic exploration and assessment of corporate impacts; at the same time, the Company also identified risks and opportunities that could not be directly derived from corporate impacts but could be considered material from a financial perspective.

Determining Impact Materiality

Impact materiality occurs when a sustainability issue is related to the Company's actual or potential, positive or negative impacts on people and/or the environment. The Company assessed the severity of the impact based on the following criteria: (i) the magnitude (intensity) of the impact, (ii) the scope (extent of those affected/geographical area) of the impact, (iii) the degree of irreversibility. In the case of potential negative human rights impacts, the methodology prioritized severity over likelihood.

The criteria for assessing the materiality of each IRO impact are included in the table below:

	Positive	**Negative**
Actual	• scale • scope	• scale • scope • reversibility
Potencial	• scale • scope • probability	• scale • scope • probability • reversibility

Determining Financial Materiality

The objective of the financial materiality assessment is to identify information that could be relevant to the primary users of general purpose financial statements in making decisions about providing resources to the Company. Information is considered to be financially material if its omission or misstatement could reasonably be expected to influence the decisions of users based on the Company's sustainability

statements. In assessing IROs based on financial materiality, we considered the severity of the financial impact and the likelihood of its occurrence.

Risks and Opportunities

A sustainability issue is material from a financial perspective if it can reasonably be expected to have a material financial impact on the Company. The examination also covers risks and opportunities arising from business relationships outside the scope of consolidation of the financial statements, if they could have a material impact on the Company in the short, medium or long term: (i) its development and business prospects, (ii) its financial position and performance, (iii) its cash flows, (iv) its access to financing, and (v) its cost of capital. Risks and opportunities may arise from both past and future events. The assessment of their materiality is based on a combination of the likelihood of occurrence and the magnitude of the potential financial impact.

Dependencies

The Company's methodology also identified dependencies on natural and social resources, as these can be sources of both financial risks and opportunities. Dependencies can affect the Company's ability to continue to use/acquire resources required for its business processes, the quality and pricing of these resources, and access to and terms of key business relationships.

Time horizons

Materiality conclusions were drawn for short, medium and long-term time horizons.

Value chain coverage

The double materiality assessment covered the following relevant stages of the value chain:

Own activities

– Production

– Product development

Upstream (supplier side)

– Procurement of raw materials, technical materials and services

– Energy trading

– Supplier relations

Downstream (user and customer side)

– Sales

– Customer relations

Process

BorsodChem performed the double materiality assessment in accordance with the ESRS requirements, based on a structured and documented methodology. A dedicated project team was assigned to carry out the process. The preparation of the analysis was characterized by the active cooperation of the company's sustainability group, the data owners responsible for sustainability, and the managers of the affected areas. At the beginning of the project, the Company placed special emphasis on detailed knowledge and uniform interpretation of the ESRS standards and double materiality requirements. The methodological foundation was supported by kick-off meetings and thematic workshops, during which the compliance requirements, the assessment frameworks applicable to the company, and the individual steps of the DMA process were presented.

In the introductory phase of the assessment, the sustainability topic list (ESRS 1 AR 16) specified in the ESRS standard was fully reviewed for relevance. The Company assessed each topic from several perspectives in order to determine which issues could be considered potentially material to the Company's operations, stakeholders and value chain. The initial – so-called "long" – topic list was narrowed down during the relevance assessment and supplemented with company-specific topics that are not included in the ESRS list but are relevant to the Company's operations. The topics examined could only be considered irrelevant if the Company could justify this with appropriate justification and sufficiently detailed support.

The so-called "short list" developed as a result of the relevance assessment served as the basis for determining the impacts, risks and opportunities (IROs). The IRO identification and assessment took place in the framework of professional workshops, in which managers and experts from the relevant areas of the Company participated. The aim of the workshops was to fully explore, assess and document IROs related to the selected topics according to uniform criteria.

The methodology ensured that the determination of materiality was transparent, consistent and in line with ESRS expectations, resulting in a well-founded IRO assessment of the company's operations, value chain and stakeholder environment.

Calculation logic and formulas during evaluation

Name	Evaluation factors	Formula
Actual positive impact (impact materiality)	Scale, Scope	(Scale + Scope) / Maximum score × 5
Actual negative impact (impact materiality)	Scale, Scope, Reversibility	(Scale + Scope + Reversibility) / Maximum score × 5
Potential positive impact (impact materiality)	Scale, Scope, Probability	(Scale + Scope) × Probability / Maximum score × 5
Potential negative impact (impact materiality)	Scale, Scope, Probability, Reversibility	(Scale + Scope + Reversibility) × Probability / Maximum score × 5
Current/anticipated financial risk or opportunity	Scale/Financial Impact, Probability	Scale × Probability / Maximum score × 5

When assessing the impacts, the Company applied a uniform scale of 1–5 for all severity factors (severity, scope, reversibility). In the case of potential impacts and financial risks and opportunities, the probability of occurrence was determined using a weighting factor based on a conservative methodology.

Threshold

The Impact and Financial materiality thresholds have been determined based on the approval of the management. The company considers topics as material if they exceed the specified threshold (4.00 points) in at least one of the dimensions (Impact / Financial). The Company reviews the materiality thresholds annually and as necessary.

Financial Thresholds

Within the framework of the financial materiality analysis, the Company determined the threshold-based financial categories in close cooperation with the Finance and Controlling organization. The basis for the development of the financial categories was the Company's accounting policy, which was developed based on the provisions of the current Hungarian Accounting Act. This approach ensures that the financial materiality assessment is carried out in a consistent, transparent and consistent manner with the Company's financial operations.

Documentation

To support the findings, the Company documented the assessment criteria, the applied substantiations, and the justifications (with particular regard to topics classified as non-material), ensuring the transparency, traceability, and verifiability of the DMA process.

Approval of the double materiality assessment

The results of the double materiality assessment were validated by BorsodChem's sustainability team leader, professional managers of other areas, external experts, auditors, and assessed by external stakeholders. The final result was approved by the CEO.

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

IRO-2 Disclosure requirements under ESRS covered by corporate sustainability statements

The Company identified the impacts, risks and opportunities (IROs) related to sustainability topics in the framework of the double materiality assessment, both along the impact materiality and financial dimensions. The table below summarizes the sustainability topics that reached or exceeded the specified materiality threshold in terms of impact and/or financial materiality. The table presents the IROs only at the identification level; their detailed explanation, management and presentation of the applied policies, measures, targets and indicators are provided in the relevant thematic ESRS chapters.

During the double materiality assessment for the 2024 Sustainability Report, a total of 125 IROs were identified for each topic. Their distribution was as follows:

	ESRS E1	ESRS E2	ESRS E3	ESRS E4	ESRS E5	ESRS S1	ESRS S2	ESRS S3	ESRS G1	Company-specific
All IROs	12	20	3	7	19	31	12	12	7	2
Actual	10	10	2	5	14	27	9	11	6	2
Potential	2	10	1	2	5	4	3	1	1	-
Positive	10	4	1	3	15	25	10	10	6	2
Negative	2	16	2	4	4	6	2	2	1	-
Upstream	1	-	-	-	1	-	7	-	3	-
Own operation	10	18	3	7	16	31	3	12	4	1
Downstream	1	2	-	-	2	-	2	-	-	1
Material IRO	**4**	**2**	**1**	**-**	**1**	**-**	**2**	**1**	**2**	**2**

Based on the table above, it can be seen that BorsodChem extensively reviewed the entire value chain during the analysis, determined both the negative and positive aspects of the impacts associated with it, and explored the expected and current risks and opportunities in the future. During the analysis, we performed the double materiality assessment not only based on the topics defined by the ESRS standard, but also included areas that are of particular importance to BorsodChem. These are Innovation and Product Quality, which were already included in our 2023 Sustainability Report.

List of material topics based on impact and/or financial materiality

IRO ID	Standard	Topic	Material IRO[3] description	Impact materiality[4]	Financial materiality[5]
BC-IRO-2024-1	ESRS E1 Climate change	Climate change adaptation	BorsodChem's production activities take place at our Kazincbarcika site. Production requires a significant amount of water and raw materials, and a significant amount of mainly technological wastewater is generated. As a result of the capacity expansion, the amount of water withdrawn from the Sajó River increases year by year, but extreme water level fluctuations pose a potential risk to the continuity of production. In order to reduce this risk, we have launched our WWRP (Wastewater recycling project), within the framework of which we can avoid the withdrawal of 2 million m3 of raw water per year by pre-treating and returning to production the rainwater falling on the BorsodChem site and the potentially easily cleaned wastewater generated in the plants on the BorsodChem site. This significantly reduces our impact on the Sajó River and the ecology in the river, and significantly reduces the risk of shutdowns due to drought periods.	----	X
BC-IRO-2024-2	ESRS E1 Climate change	Climate change mitigation	BorsodChem Zrt is currently developing several programs and projects supporting energy and emission reduction goals. The programs facilitate the implementation of energy reduction goals related to the Energy Management System operated by BorsodChem. With the help of energy consumption reduction and optimization programs, we significantly reduce BorsodChem's energy demand, which contributes to reducing our operating costs, reducing GHG emissions related to our operations and reducing Scope 3 GHG emissions of partners located downstream in the value chain. For the actors in our value chain, as important stakeholders, BorsodChem's support in achieving their own decarbonization goals is very positive.	X	-----
BC-IRO-2024-3	ESRS E1 Climate change	Climate change mitigation	Meeting the European climate targets is particularly challenging for energy and raw material intensive sectors such as the chemical industry. Emissions related to other actors in our value chain (Scope 3 category) account for the majority of our total corporate emissions (70,47%). BorsodChem has no direct influence on the development of these partners' technologies, modification of their business strategies or reduction of these emissions, so in order to achieve carbon neutrality it is forced to use other solutions (e.g. declaration of authenticity, carbon quota, DACCS quota, etc.), which involve significant financial outlay.	X	-----
BC-IRO-2024-4	ESRS E1 Climate change	Energy	The technologies operated by BorsodChem Zrt, as a European chemical company, are extremely energy-intensive. The Kazincbarcika site is one of the largest consumers of electricity in the country. Our natural gas consumption in 2024 was 6% of the total consumption in Hungary.	X	X
BC-IRO-2024-5	ESRS E2 Pollution	Air pollution	BorsodChem Zrt., as a company engaged in chemical activities, emits air pollutants into the environment under controlled conditions at several points during its operation due to its technological processes. Their quantity is effectively minimized by the separation and purification equipment used at all relevant points of the production processes, so the quantity of substances entering the atmosphere is significantly lower than the legal limit values. At the same time, the conscious recognition of the inevitable risk on the part of the company includes the consistent enforcement of a preventive approach, the continuous development of technological and operational procedures, and transparent communication with the communities and authorities concerned.	-----	X
BC-IRO-2024-6	ESRS E2 Pollution	Soil pollution	BorsodChem's legal predecessor, Borsodi Vegyi Kombinát, caused subsurface pollution during its operation, despite operating in accordance with the standards of the time. In order to eliminate the replenishment of the pollutant, BorsodChem dismantled the entire technology responsible for soil and groundwater pollution and sealed its area with a concrete sarcophagus. Since the remediation of deeper layers is not yet possible not only for financial, but also for technological reasons, the pollutant is currently still below the surface. BorsodChem is conducting remediation monitoring activities in the affected area, with the help of which it	---	X

[3] I = Impact, R = Risk, O = Opportunity

[4] There are two bases for materiality. I = Impact Materiality and/or F = Financial Materiality. An X in the column indicates that the topic is (also) material from an impact materiality perspective.

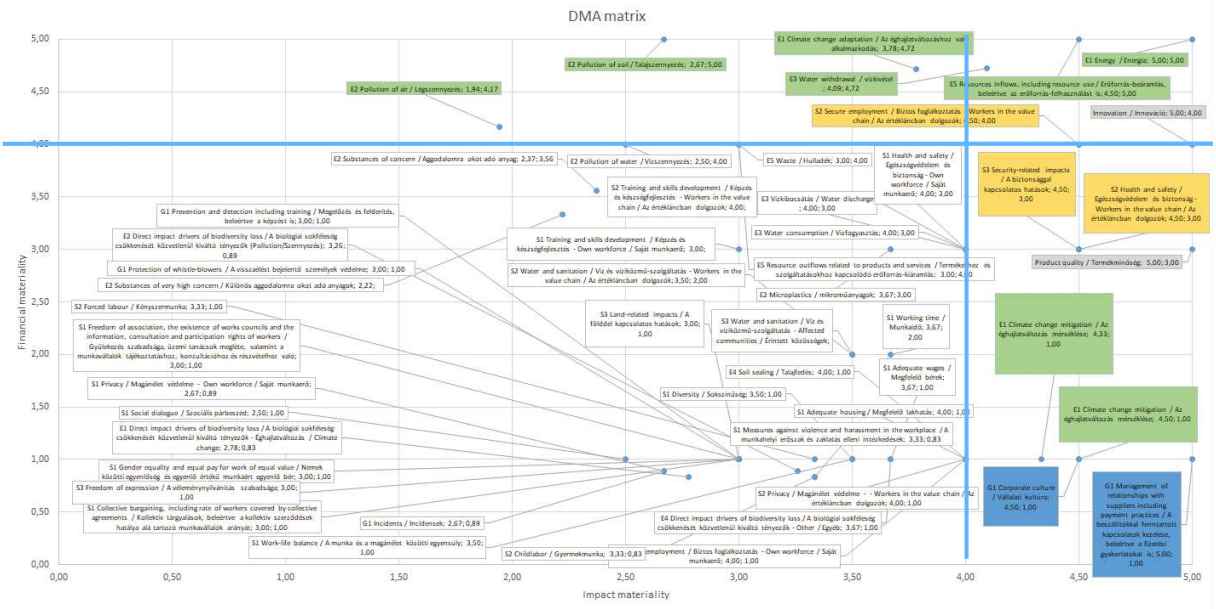
[5] There are two bases for materiality. I = Impact Materiality and/or F = Financial Materiality. An X in the column indicates that the topic is material (also) from a financial materiality perspective.

			continuously monitors the concentration of the pollutant and its possible movement. Given that the extraction of the pollutant is technically highly limited and an unprecedentedly special task, we are currently unable to assess its cost from a financial perspective.		
BC-IRO-2024-7	**ESRS E3 Water and marine resources**	Water Water withdrawal	BorsodChem meets 100% of its industrial water needs for its operations from the Sajó River (1.400-1.500 m3/h). After pre-treatment, we produce soft water and deionized water - essential for our cooling systems - from the extracted raw water. Due to the water-intensive technologies operated by BorsodChem, the continuous capacity increases and the new plants, our water needs are constantly increasing. The low water level caused by the expected drought period due to climate change may have an adverse effect on ensuring the continuity of our production capacity in the future. The average water flow of the Sajó ranges between 60-65 m3/s, but during droughts it may decrease to 3,5 m3/s.	X	X
BC-IRO-2024-8	**ESRS E5 Circular economy**	Resource inflow, including resource use	BorsodChem Zrt., as one of the most important chemical companies in Europe, has a complex technological process based on the principle of circular economy. In our technology, we were able to achieve a large amount of material recovery through the circulation of hydrochloric acid solution and technological brine. Due to this effect, less raw materials need to be produced and purchased for BorsodChem, thus emissions and environmental impact are reduced by avoided transportation, and we were also able to achieve significant cost savings due to the savings in raw materials. (205.000 t/year HCl recycling, 379.000 t/year rock salt savings, 457.200 MWh/year energy savings, 66.000 tCO2 emissions avoided)	X	X
BC-IRO-2024-9	**ESRS S2 Workers in the value chain**	Working conditions Secure employment	BorsodChem Zrt., as one of the most significant plastic raw material manufacturers in Europe (chemical industry), has an extensive operating area and site. The site requires the performance of a number of tasks (electrical installation, construction, chemical industry, etc.), which are not necessarily part of BorsodChem Zrt.'s portfolio. These activities are performed by external partners (~700 people), which means a secure livelihood for these external employees.	X	---
BC-IRO-2024-10	**ESRS S2 Workers in the value chain**	Working Conditions Health and Safety	In order to ensure the safe transport of products and the health and safety of customers, the safety data sheet attached to the product, in addition to the mandatory official contact information, contains an emergency telephone service voluntarily provided by BorsodChem in several languages used in the European Union and beyond, with the help of which we can successfully reduce the impact of chemicals potentially released into the environment throughout Europe..	X	---
BC-IRO-2024-11	**ESRS S3 Affected communities**	Economic, Social and Cultural Rights of Communities Security-Related Impacts	In order to prevent and contain fires in a timely manner, we are continuously improving the technological level of our Facility Fire Department, as a result of which we far exceed legal expectations in terms of professional qualifications and the quality of fire safety equipment. Thanks to our continuous developments, we significantly reduce the probability of fires occurring and their impact on the surrounding population.	X	----
BC-IRO-2024-12	**ESRS G1 Business conduct**	Corporate culture	BorsodChem Zrt., as one of the most important chemical companies in Europe, has numerous suppliers (2.000-2.500). During the process of selecting our suppliers, we pay great attention to equality between companies. There is no discrimination, in social terms all suppliers are equal and start with equal opportunities.	X	----
BC-IRO-2024-13	**ESRS G1 Business conduct**	Managing relationships with suppliers, including payment practices	BorsodChem Zrt., as one of the most significant chemical companies in Europe, has numerous suppliers (2.000-2.500). In order to ensure appropriate business conduct with suppliers, a supplier code of ethics and various internal instructions are available. Compliance with these is also mandatory for supplier partners. The supplier code of ethics and internal instructions are not only regulatory tools within the company, but also have a positive social impact in the areas of human rights (e.g. corruption, protection of employee rights) and environmental protection.	X	----
BC-IRO-2024-14	**Company-specific topic (non-ESRS)**	Innovation	BorsodChem Zrt. annually analyses its own GHG emissions, which it publishes in the form of a GHG report. The majority of its GHG emissions (Scope 3 in 2024: 2.907.218 tCO2e, accounting for 70,47% of our total emissions) are related to Scope 3 emissions, one of the main categories of which is emissions from the end-of-life management of our products (BorsodChem Scope 3.12 emissions in 2024: 453.635 tCO2, accounting for 15,6% of total emissions). We contribute to the recycling of materials and	X	----

			waste reduction by developing adhesives that facilitate the physical recycling of our products at the end of their life.		
BC-IRO-2024-15	**Company-specific topic (non-ESRS)**	Product quality	For BorsodChem Zrt., maintaining product quality and customer satisfaction is a particularly important task. We always investigate our customers' reports and regularly evaluate their satisfaction. We document every stage of the investigation of a customer complaint in our internal records and record the agreement made with the customer. During our internal investigation, in cases according to our regulations, we also perform an 8D analysis, which is an accepted problem-solving, analysis and development method in the field of quality assurance. We check the effectiveness of the introduced error correction measures, and in the case of significant or recurring complaints, we review our previously taken measures in order to improve them as soon as possible. By placing special emphasis on product quality, our company can prevent plant shutdowns due to inadequate quality chemical raw materials, thereby reducing out-of-plant shutdowns in our value chain. Unplanned downtimes result in higher emissions, rejected products and increased waste generation, so by ensuring the quality of our products, our partners in the value chain can gain not only economic but also environmental benefits. One of the most important expectations that customers have of a product is to ensure a high level of stable quality. This contributes to our corporate reputation and customer satisfaction, thereby ensuring a stable, long-term business relationship, which is of paramount importance for economic stability.	X	----

DMA matrix

The results of the DMA are illustrated in the matrix below, which displays the topics in terms of their impact and financial materiality. The matrix clearly shows which topics have been given the highest priority level, thus providing a decisive basis for the content focus of the sustainability report and strategic decision-making. In the matrix, we have marked the Environment in green, Society in yellow, Governance in blue, and the material IROs that are not included in the standard and are designated as our own focus areas in grey. The blue line indicates the materiality threshold based on the two assessment criteria.



ENVIRONMENT

E1 Climate change

A presentation of the climate change-related aspects of climate change-related management responsibilities, decision-making and incentive mechanisms can be found in the Governance chapter.

E1.GOV-3

Transitional plan for climate change mitigation

E1-1

BorsodChem's long-term sustainability objectives include achieving carbon neutrality by 2050. To this end, it has also set short- and medium-term specific reduction targets that will help it achieve this long-term goal. Achieving carbon neutrality as a long-term goal is fully in line with the goals of the Paris Agreement. BorsodChem's short- and medium-term sustainability objectives aimed at reducing GHG emissions also support the achievement of this long-term goal.

Chemical technologies are characterized by high levels of chemical raw material and energy consumption, long transport routes, and emissions from long and complex value chains. Due to these factors, achieving the goal is a particularly complex task. Solutions with appropriate economic indicators have not yet been found to replace critical activities and raw materials, which is why BorsodChem has not yet finalized its transition plan.

Although the Company will not publish its transition plan during the reporting period, in order to provide transparent information to stakeholders, it is already sharing the information and ideas contained below and available during the preparation phase.

As part of the Wanhua Group's sustainability strategy, BorsodChem Zrt. has developed its own GHG reduction plan in accordance with the requirements of the European Union Taxonomy Regulation (EU) 2020/852) and Commission Delegated Regulation 2021/2178, during which BorsodChem launched the following projects and programs in 2024.

The most significant of these are the following:

1. Energy efficiency developments: optimization of the supply chain with new, modern, energy-efficient plants (Own hydrogen and carbon monoxide production plant, New Aniline plant, replacement of outdated, non-energy-efficient Vinyl Chloride Monomer plants according to current technologies.

2. Renewable energy integration: installation of a 30 MW solar park on site, with an energy storage unit

3. Low carbon intensity technologies: optimization of steam supply and reduction of gas-based steam demand by recovering waste steam (TDI and MDI plants)

4. Emission reduction investments: investigation of launching a CO_2 liquefaction project, other energy efficiency improvement projects to reduce our CO_2 emissions, such as:

- Optimization of sulfuric acid concentration in the DNT SAR-1 plant

- Insulation of chlorine plant ion exchange towers

- MDI plant - Compressor replacement of chiller with absorption chiller

- Optimization of DNT plant feed preheating

- Modernization of TDI plant pump

5. Research and development: use of bio and biocircular raw materials (biobenzene, biotoluene) for TDI, MDI production.

BorsodChem Zrt.'s operating costs (OpEx) related to the implementation of the reduction plan are exclusively related to measures that directly support the achievement of the company's climate protection goals, thus the operating costs of energy efficiency measures, the operating costs of emission monitoring and reporting systems, and the operating expenses of sustainability research and development projects are particularly affected.

During 2024, the operating costs allocated to the reduction plan totaled EUR 3,6 million, which accounted for 1,3% of the total annual OpEx. According to the company's forecasts, the proportion of operating costs related to the further implementation of the plan will gradually increase in the next 3–5 years, in line with the emission reduction and energy transition goals. During 2024, the Company implemented a total of EUR 149,9 million of CAPEX related to reduction projects and programs, of which 20.7% (EUR 31,0 million) corresponded to taxonomy-compliant investments under EU Regulation 2021/2178. BorsodChem aims to continuously increase the proportion of taxonomy-compliant capital expenditures in the coming years and reach 30% of total annual investments by 2030. Although BorsodChem Zrt. currently does not have an official corporate transition plan at the time of preparing the report, which shows the schedule and methods it intends to use to reduce the GHG emissions associated with its operations, it is aware of its own emissions and their priorities. Since 2021, BorsodChem has been preparing a full (Scope 1-3) corporate GHG inventory every year, which presents the absolute value and relative ratio of emissions belonging to the emission categories related to its operations. The Scope 1 and Scope 2 emission categories of the company's GHG inventory contain in detail all GHG emissions related to the company's Kazincbarcika site, owned and controlled by it. These values have also been verified with the involvement of an external partner. During its operations, BorsodChem has applied the best available techniques (Best Available Techniques BAT), which meet all emission limit values and other requirements prescribed by the European Union. However, the technologies, tools and infrastructures used by BorsodChem have high raw material and energy requirements, as a characteristic of the chemical industry. BorsodChem is aware that the rapid and economical replacement of these industrial characteristics may cause transition risks. Power plants used to generate steam and electricity, as well as equipment and by-product incinerators in production plants, have high electricity, natural gas and other fuel requirements, thus posing a high transition risk. Replacing these poses a major economic and technological challenge for BorsodChem. BorsodChem does not have direct contact with end users (B2B company), so in order to reduce this emission category, we are looking for cooperation, collection and pre-treatment opportunities with our customers.

BorsodChem does not yet have a transition plan, but it is currently in progress and is expected to be finalized and published within 2 years.

The Company's resilience analysis in line with this is also still in progress. Managing the problems, risks and challenges experienced during the transition period is a complex process that can be developed and accepted by senior management and the parent company with the joint involvement of several disciplines. The resilience analysis must take into account the expected needs of the European market in the short, medium and long term, changes in the supply chain, changes in legal requirements and the schedule of necessary technological modifications. These represent a serious economic challenge for every company, which determines the direction of its business strategy for the next 15-25 years.

Material Impacts, Risks and Opportunities (IROs) and their relationship with the business model and strategy

ESRS 2 IRO-1, SBM-3, E1.SBM-3

During the preparation of the double materiality assessment that forms the basis of this report, BorsodChem identified the following material IROs, based on which it provides its stakeholders with highlighted information regarding the materiality of topic E1.

IRO ID	Topic	Material IRO[6] description	Classification	Connect to business model and strategy
BC-IRO-2024-1	ESRS E1 Climate change Climate change adaptation	BorsodChem's production activities take place at our Kazincbarcika site. Production requires a significant amount of water and raw materials, and a significant amount of mainly technological wastewater is generated. As a result of the capacity expansion, the amount of water withdrawn from the Sajó River is increasing year by year, but extreme water level fluctuations pose a potential risk to the continuity of production. In order to reduce this risk, we have launched our WWRP (Wastewater recycling project), within the framework of which we can avoid the withdrawal of 2 million m3 of raw water per year by pre-treating and returning to production the rainwater falling on the BorsodChem site and the potentially easily cleaned wastewater generated in the plants on the BorsodChem site. This significantly reduces our impact on the Sajó River and the ecology in the river, and significantly reduces the risk of shutdowns due to drought periods. Increasing the amount of recirculated water has a positive impact on the Sajó environment, as the amount of raw water withdrawn is reduced. In the event of an extreme decrease in water flow, a reduction in production volume lasting up to 4-7 days or even a loss of production may occur.	Potential opportunity Own operation	Ensuring long-term and continuous operation is of primary interest to BorsodChem. Avoiding future shutdowns due to possible periods of water shortage and ensuring the necessary water requirements is part of BorsodChem's business and sustainability strategy. By avoiding critical periods and minimizing their effects, significant financial savings can be achieved.
BC-IRO-2024-2	ESRS E1 Climate change Climate change mitigation	BorsodChem Zrt is currently developing several programs and projects supporting energy and emission reduction goals. The programs facilitate the implementation of energy reduction goals related to the Energy Management System operated by BorsodChem. With the help of energy consumption reduction and optimization programs, we significantly reduce BorsodChem's energy demand, which contributes to reducing our operating costs, reducing GHG emissions related to our operations and reducing Scope 3 GHG emissions of partners located downstream in the value chain. For the actors in our value chain, as important stakeholders, BorsodChem's support in achieving their own decarbonization goals is very positive.	Real positive impact Downstream	An important part of BorsodChem's business strategy is the continuous reduction of energy consumption. The reduction of GHG emissions resulting from energy savings is a particularly important issue not only from an environmental but also from a financial perspective. BorsodChem's sustainability strategy and objectives also identify the reduction of GHG emissions intensity as a key focus area. Another particularly important element of BorsodChem's business strategy is ensuring customer satisfaction, and with sustainability issues coming to the fore, one of its important elements is the reduction of GHG emissions in the value chain.
BC-IRO-2024-3	ESRS E1 Climate change Climate change mitigation	Meeting the European climate targets is particularly challenging for energy and raw material intensive sectors such as the chemical industry. Emissions related to other actors in our value chain (Scope 3 category) account for the majority of our total corporate emissions (70,47%). BorsodChem has no direct influence on the development of these partners' technologies, modification of their business strategies or reduction of these emissions, so in order to achieve carbon neutrality it is forced to use other solutions (e.g. declaration of authenticity, carbon quota, DACCS quota, etc.), which involve significant financial outlay.	Actual negative impact Own activity	BorsodChem's sustainability strategy is closely aligned with its business strategy. A key part of the sustainability strategy is the reduction of GHG emissions, including Scope 3 emissions, which determines the intensity reductions to be achieved in both the short and long term. Another key focus of the sustainability strategy is the achievement of Climate Neutrality by 2050, which is closely aligned with our Scope 3 emission plans.

[6] I = Impact, R = Risk, O = Opportunity

BC-IRO-2024-4	ESRS E1 Climate change Energy	The technologies operated by BorsodChem Zrt, as a European chemical company, are extremely energy-intensive. The Kazincbarcika site is one of the largest consumers of electricity in the country. Our natural gas consumption in 2024 was 6% of the total consumption in Hungary.	Actual negative impact Current risk Own activity	As mentioned, the continuous reduction of energy consumption is an important part of BorsodChem's business strategy. The reduction of GHG emissions resulting from energy savings is a particularly important issue not only from an environmental but also from a financial perspective. Reducing the intensity of GHG emissions and achieving carbon neutrality by 2050 have been identified as key focus areas in BorsodChem's sustainability strategy and objectives.

BorsodChem has a sustainability strategy and policy valid in 2024, which define its long-term objectives and vision in the field of sustainable development. The review of the strategy began at the end of 2024 in order to better align operational and long-term goals related to climate change with the company's business model. The key focus areas of the strategy reflect the company's commitment, in particular the development of management decision-making that integrates sustainability considerations, the reduction of greenhouse gas emissions (net carbon neutrality by 2050, integrate SBTI-approved guidelines and targets into our long-term strategy,, 10% reduction in Scope 1-3 GHG intensity of flagship products by 2030), the promotion of the circular economy (bio- and bio-circular product portfolio, recycling technologies), and the strengthening of sustainable procurement in supplier evaluation from 2026. The impact of climate change has been felt in the chemical industry for the past decade. The experiences of previous years and the expected future effects of climate change will have a material impact on BorsodChem and its immediate environment, and must be taken into account in the following period.

Borsodchem has examined the hazardous impact on its assets for the following periods: short-term 1-3 years, medium-term 3-10 years, long-term 10+ years.

Chronic climate hazards

Problem	Type of hazard	Area affected	Time frame	Impact description	Adaptation measures
Temperature rise	Increased average temperature	Production, cooling system, tools	Short–long	Increasing cooling demand, decreasing efficiency	Wastewater Recirculation Program (WWRP) and increasing water recycling
Water management	Hydrological variability	Water supply	hort–medium	Low water flow, risk of production decline	Wastewater Recirculation Program (WWRP) and Fresh Water Demand Reduction
Water scarcity	Permanent water scarcity	Production	Short–medium	Partial or complete shutdown of production	Finding alternative water uses, increasing water recycling
Labor	Heat stress	Employee health	Medium–long	Health risks, loss of work	Heat Alert Plan (LIFE project)
Soil stability	Soil erosion	Industrial area, landfills	Long	Risk of land displacement	Use of drainage system and groundwater monitoring

BorsodChem has identified the following chronic climate-related hazards in relation to its operations:

- *Hazards related to temperature increase*: BorsodChem Zrt. fully meets its water requirements for its operations from the Sajó River. The water withdrawn from here is pre-treated, thus producing soft water and deionized water. Most of the industrial water is required to supply the water cooling system. Due to

the increased average temperature experienced during climate change, the amount of water withdrawn from the river decreases in the summer period and its temperature increases, so more water is needed to achieve the appropriate cooling capacity. Due to the increased average air temperature in the summer period, a larger cooling capacity is also needed to maintain continuous production. The effects occurring during the summer periods can affect the efficiency of our equipment even in the short term, however, in order to reduce the effects of these effects, BorsodChem has launched the Wastewater Recirculation Program (WWRP), which gives us additional opportunities to manage critical periods. After the completion of the program (in the medium and long term), we can save up to 20% of our total water withdrawal, and we can reduce the amount of fresh water by increasing the circulation of existing water volumes.

- *Water management-related risks*: BorsodChem Zrt. fully meets its water needs for its operations from the Sajó River, the water yield of which is strongly correlated with the amount of precipitation falling on the watershed. During summer droughts, the water yield of the Sajó River decreases significantly and there is a risk of production reduction or shutdown due to water shortages, even in the short term. We will be able to reduce this effect with the help of our WWRP project presented above.

- *Water shortage-related risks*: BorsodChem Zrt. fully meets its water needs for its operations from the Sajó River. The river's water flow is influenced by several factors, so the amount of precipitation, water retention across the border and other water users on the Hungarian section of the river must be taken into account. As a result, water shortages in summer drought areas increase the risk of production reduction or shutdown, even in the short term. We will be able to reduce this effect with the help of our WWRP project presented above.

- *Heat stress-related hazards affecting the workforce*: The increased temperature experienced during the summer period has a major impact on the health of BorsodChem Zrt. employees. Heat waves and heat alerts are already becoming more frequent in the current periods, but this will become increasingly material in the medium and long term due to the intensification of the effects of climate change. To counteract this, BorsodChem launched the LIFE project together with the city of Kazincbarcika and the University of Miskolc, which aimed to develop adaptation to the effects of climate change. Within the framework of this project, we have developed a so-called Heat Alert Plan, which helps the population and BorsodChem employees to reduce the health effects of heat stress.

- *Hazards related to soil stability*: Due to the sudden, large amount of precipitation, the neutral water pressure caused by infiltrating water may increase the risk of soil erosion. The possible displacement of the hillside located next to the BorsodChem industrial area and the BorsodChem waste dumps has a serious risk value due to the variability of precipitation intensities, however, due to continuous monitoring, its material impact will only appear in the long term. Against soil erosion, BorsodChem installed drainage pipes, which significantly reduced the risk of landslides by properly draining rainwater. In addition to the drainage pipelines, inclinometer wells (wells measuring depth layer displacement) and a surface measurement point network were created, thus reducing the possibility of occurrence.

Acute climate hazards

Problem area	Type of hazard	Affected area	Time period	Description of effect	Adaptation measures
Extreme heat	Heat wave	Employees, equipment	Short	Health and operational risks	Heatwave plan, stricter planning requirements
Extreme weather	Storm, strong winds	Buildings, infrastructure	Short	Production decline or shutdown	More weather-resistant design for new investments
Drought	Sudden water shortage	Production	Short	Termeléscsökkenés vagy leállás	Wastewater return program (WWRP)
Heavy rainfall	Landslides	Hillsides, landfills	Short to medium	Land instability	Use of drainage systems for groundwater drainage, groundwater monitoring
Árvíz Flooding	Flooding of the Sajó River	Site	Short	Risk of physical damage	Raising flood protection barriers (100+ years of protection)

BorsodChem has identified the following acute climate-related risks in connection with its operations:

- Extreme heat-related risks: The increased temperatures experienced during the summer period have a material impact on the health of BorsodChem Zrt. employees. Heat waves and heat alerts are already becoming more frequent, but this will become even more material as the effects of climate change intensify. High temperatures in summer are also critical for the equipment and tools required for operation and for rail transport, as they reduce usability, efficiency, and service life. These effects are already being felt in the short term, but due to long-term foresight, we are already taking into account the impact of heat waves on production in the design phase of new equipment and tools.

- *Extreme weather hazards:* Sudden storms and strong winds caused by climate change have already affected BorsodChem's buildings and operations in previous years. These effects are already being felt in the short term, but due to long-term foresight, we are already taking into account the impact of heat waves on production in the design phase of new equipment and tools.

- *Drought-related hazards:* BorsodChem Zrt. meets its entire water demand for its operations from the Sajó River. The river's water yield is influenced by several factors, so the amount of precipitation, water retention beyond the country's borders, and other water users on the Hungarian section of the river must be taken into account. As a result, water shortages in areas affected by summer droughts increase the risk of production reductions or shutdowns. We will also be able to mitigate this impact with the help of our WWRP project described above.

- *Hazards associated with heavy precipitation:* Due to sudden, heavy rainfall, the neutral water pressure caused by infiltrating water may increase the risk of soil erosion. The hillside adjacent to the BorsodChem industrial site and the possible displacement of BorsodChem's waste disposal sites pose a serious risk due to the variability of precipitation intensities. To prevent landslides, BorsodChem installed drainage pipes, which significantly reduced the risk of landslides by professionally draining rainwater. In addition to the drainage pipes, inclinometer wells (depth layer displacement measuring wells) and a network of surface measuring points have been established, thus reducing the possibility of occurrence.

- *Flood-related hazards:* BorsodChem Zrt. meets its entire water demand for its operations from the Sajó River, which is located in the immediate vicinity of the BorsodChem site. In 2010, heavy rainfall increased the river's water flow and created a flood risk. Following the flood, BorsodChem increased the size of its flood protection dam by an additional 1,5 m compared to the reference flood level (the highest flood level to date), thus ensuring that the harmful effects of potential floods will be reduced for more than 100 years into the future.

The DMA analysis focused on the fact that the Company's assets, equipment, and employees are exposed to climate-related risks, but it can be said that the Company is striving to reduce the extent of the impacts and the likelihood of their occurrence through numerous projects. As BorsodChem operates integrated technologies (the production activities of the plants are linked in a chain), the usability and efficiency of individual pieces of equipment are treated as priority issues. BorsodChem employees check the operability of equipment and tools on a daily basis and assess the consequences of individual external environmental impacts. In order to facilitate continuous production, annual maintenance shutdowns are carried out. Prior to this, the maintenance and repair needs of the equipment are assessed on the basis of professional criteria, and the extent and schedule of the necessary repair work is determined. These schedules provide the basis for determining the capital requirements for repair and maintenance work.

The company's main production activities take place in Kazincbarcika, in the north-eastern region of Hungary, where most of its subsidiaries also operate. The company used the WWF Risk Filter analysis to assess the environmental and climate risks associated with the production site.

Based on the WWF Risk Filter assessment, the climate risks in the region are as follows: water supply is generally at medium to low risk, but basic water stress is high. The risk of drought is medium, the probability of drought occurrence is very high, while the risk of desertification is low. The overall risk

level for flooding is low, despite the high estimated frequency of flooding, as the flood hazard is very low.

When determining the risks associated with climate change, the Company did not use scenario analysis, but instead examined the impact of our corporate activities on the environment and society, as well as the related financial impacts, in team workshops organized by our experts.

Transition risks

Risk category	Risk factor
Political and legislative	Higher price of greenhouse gas emissions
	Enhanced emission reporting obligations
	Orders and regulations relating to existing products and production processes
Technological	Replacing existing products and services with lower-emission alternatives
	Unsuccessful investment in new technologies and the costs of switching to lower-emission technologies
On the market	Changes in consumer behavior
	Changes in consumer preferences
	Uncertainty in market signals
	Increased raw material costs
Reputational	Stigmatization of the sector and increased concern and negative feedback from stakeholders

As mentioned above, one of BorsodChem Zrt.'s long-term goals is to achieve carbon neutrality by 2050. However, during the transition period leading up to that date, a number of events are expected to occur or have already occurred that will have an impact (in the short, medium, and long term) on business operations as we know them today. Below, we list and explain the transition risks identified by BorsodChem for greater transparency:

Legal and regulatory events

- *Higher price of greenhouse gas emissions:* One of the characteristics of the integrated technology used by BorsodChem Zrt. is the high energy and natural gas intensity of production. As a result, BorsodChem's direct GHG emissions are significant. As the amount of carbon quotas decreases year by year and the value of existing quotas increases, the costs associated with GHG emissions will also increase. The impact of this is already being felt in the short term, but the cost implications will continue to grow in the future. BorsodChem plans to significantly reduce the amount of direct emissions (from combustion equipment, by-product incinerators, etc.) through investments aimed at reducing GHG emissions.

-*Increased emission reporting obligations:* In addition to the mandatory EU ETS reports on GHG emissions, new administrative obligations have been introduced that seriously affect the professional capacity of companies in the short, medium, and long term. Both the Sustainability Report under the CSRD and the Hungarian ESG report require the presentation of GHG emissions trends. The CSRD Sustainability Reporting obligation will be mandatory for BorsdoChem from 2028, but the Hungarian ESG report will have to be prepared from 2026. However, in the future, not only will the volume of mandatory reporting increase, but so will other data reporting requirements expected by stakeholders. The increase in the frequency of reporting on the status of sustainability-related development investments and future plans, mainly from customers and banks, was already evident in 2024, but as the EU's targets approach, these data reporting requirements will only become more important.

- *Mandates and regulations for existing products and production processes:* European Union regulations (BAT) for individual products and production processes have previously set increasingly stringent limits that manufacturers have had to take into account in their production developments. With carbon neutrality as a key EU goal, further regulations are expected for individual energy-intensive sectors and related products, which will further change the face of the European market.

Technological events

- *Replacing existing products and services with lower-emission alternatives:* BorsodChem's GHG inventory clearly shows that the most significant emissions are related to the production and transportation of raw materials required for manufacturing. By reducing these, we can achieve a significant reduction in GHG emissions. An additional risk is the lack of a uniform product carbon footprint calculation methodology for individual products and the lack of a sustainable approach in the market. BorsodChem currently holds ISCC plus certification, which enables us to produce sustainable products with a significantly lower carbon footprint using bio-based and bio-circular raw materials when market demand requires.

- *Unsuccessful investment in new technologies and the costs of switching to lower-emission technologies:* Replacing the technologies currently in use with carbon-neutral or lower-carbon technologies poses a high risk for companies. On the one hand, in the current market situation, the use of these new technologies is not economically viable due to the unsustainable approach prevailing in the market. On the other hand, the use of these radically new technologies creates many risks due to a lack of experience, which is unacceptable in a chemical environment.

Market events

- *Changes in consumer behavior:* Many companies have also set carbon neutrality, as defined by the EU, as a long-term goal. In order to achieve their carbon neutrality goals, companies are requiring their partners in the value chain to reduce and monitor their own GHG emissions. With the rise of sustainability, in addition to product price, sustainability parameters are also becoming increasingly important to buyers.

- *Changes in consumer preferences:* Many companies have also set carbon neutrality as a long-term goal, as defined by the EU. In order to achieve their carbon neutrality goals, companies are requiring their partners in the value chain to reduce and monitor their own GHG emissions, and there is increased demand for products with a lower carbon footprint. With the rise of sustainability, in addition to product price, sustainability parameters are also becoming increasingly important to buyers.

- *Uncertainty in market signals:* Due to stricter regulatory changes and the growing importance of sustainability, market demands are constantly and dynamically changing. Identifying these market changes is becoming an increasingly complex task, as markets outside the European Union also have a significant impact on these changes.

- *Increased raw material costs:* BorsodChem's GHG inventory clearly shows that the most significant emissions are related to the production and transportation of raw materials required for production. By reducing this, we can achieve a significant reduction in GHG emissions. An additional risk is the lack of a uniform product carbon footprint calculation methodology for individual products and the lack of a sustainable approach in the market. BorsodChem currently holds ISCC plus certification, which enables us to produce sustainable products with a significantly lower carbon footprint using bio-based and bio-circular raw materials when market demand requires.

Reputational events

- *Stigmatization of the sector and increased concern and negative feedback from stakeholders:* achieving carbon neutrality is a particularly big challenge for the chemical industry, which is an energy- and raw material-intensive sector, and this makes the chemical industry look bad to other players in the value chain.

Based on the above, it is clear that its production technology and infrastructure are exposed to all identified transition risks. As the Company is already in the process of transition, these effects are already being felt in its operations. Tighter EU and domestic regulations, rapid technological developments, changes in the European market, and the growing expectations of stakeholders are all influencing chemical industry activities. The emission reductions required to achieve carbon neutrality require increasing technological and financial investment, while the time available is decreasing, putting pressure on players in the value chain. These impacts will be felt in the short, medium, and long term.

The company's chemical technology is extremely energy- and natural gas-intensive, which means that the identified transition risks are already apparent. Most of the steam and electricity required for production is provided by the company's own natural gas-fired power plants, supplemented by energy purchased from the grid. The by-product burners and emergency flare systems associated with the technological processes also require natural gas. The hydrogen and carbon monoxide required for the production of our isocyanate products are supplied by an external partner through the decomposition of natural gas. The transport of finished products involves the use of electricity and fuel. The company has been operating with these technological and infrastructural assets for more than 75 years, so the transition risks are expected to have an increasing impact on operations with a high probability and to a significant extent.

Our company did not use scenario analysis to identify transitional events and assess their impact. We assessed the risk posed by these transition events based on our experience in the chemical industry to date and changes in the market. With regard to the time horizon of the transition events, we took the deadline for the European Union's targets (carbon neutrality by 2050) as the end date.

It conducted a taxonomy analysis of the company's activities, which presents the company's economically significant activities that are compatible with the transition to a climate-neutral economy in Europe, as described below.

Policies aimed at mitigating climate change and adapting to it

MDR-P

BorsodChem operates several integrated management systems, within the framework of which it sets sustainability and energy efficiency targets, among other things. The objectives set by the Energy Management System (EMS) in 2022 were valid until 2024 and included the following: optimisation of technological processes, energy source conversion, and equipment development to reduce CO2 emissions and increase energy efficiency; increasing the efficiency of thermal energy utilization; using renewable energy sources (at least 40% share by 2030); and identifying and reducing energy losses in production equipment and facilities. One of the key focus areas of our sustainability policy is the reduction of greenhouse gas emissions, which includes the optimization of our current technologies, the application of the best available techniques, the increase in the share of carbon-neutral and renewable energy, and the reduction of GHG emissions.

Due to the increasing importance of sustainability considerations, and in order to further integrate the policies and objectives related to the integrated management systems applied by BorsodChem, an Integrated Policy and Integrated Objectives document was implemented in 2025, which summarises the guidelines and objectives of this management system for a 3-year period. In this document, the management of BorsodChem committed itself to continuously increasing energy efficiency, raising employee energy awareness, and minimizing environmental production.

In order to develop a sustainable management system, in 2025 we redefined the guidelines of our sustainability policy, our long-term (15-25 year) strategic objectives, and our short-term (3-year) objectives, which are contained in our Sustainability Strategies and Sustainability Objectives. In these, our company's management committed itself to reducing greenhouse gases, using available new technologies, increasing the proportion of carbon-free and renewable energy sources, and reducing the carbon footprint of our products.

These new guidelines were published on our company website at the beginning of 2025.

The policies and objectives set by BorsodChem apply to the activities of its own plants and subsidiaries located at its site in Kazincbarcika, Hungary.

Within BorsodChem, the highest management level responsible for implementing the policy is the President, i.e., the CEO. He is responsible for the adoption and approval of the public policies and objectives set by BorsodChem.

Measures and resources related to climate change policies

E1-3

BorsodChem Zrt. has made a bunch of investments in the past few years to cut GHG emissions, but it's also planning more stuff to get to carbon neutrality. GHG reduction programs and investments completed in 2024 and those still in progress have already been presented. In addition to the above list, the company continues to update its corporate GHG inventory every year to track its progress. BorsodChem has set 2021 as the base year for measuring GHG emissions associated with its Kazincbarcika site, against which it will compare the absolute reductions in GHG emissions associated with its company.

In order to reduce GHG emissions and meet changing market demands, we are expanding the scope of our ISCC plus certification, which will further expand our sustainable product portfolio from 2025 onwards.

BorsodChem Zrt. plans to implement a number of investments to reduce its GHG emissions, which we have already presented in the chapter entitled "Transitional plan for climate change mitigation." These investments will ensure that a significant part of BorsodChem's energy consumption and GHG emission reduction targets are met.

The implementation of BorsodChem Zrt.'s measures and investments depends only partly on the availability of financial resources and their cost level. In implementing the transition plan aimed at mitigating climate change, it is crucial for the company to have continuous access to affordable financing.

Funding requirements arise primarily in the following areas: investments, R&D and innovation support, and costs incurred during operations and the supply chain (quota costs and taxes, renewable energy, bio-based raw material costs, etc.).

BorsodChem ensures access to financial resources in the following ways:

- Utilizing bank financing while maintaining competitive borrowing costs.
- Involvement of EU and domestic subsidies for energy efficiency and climate protection investments (e.g., development tax credit used for energy storage projects, individual subsidies for VCM 3 - Solar Power Plant projects)
- Parent company financing and group-level capital allocation to support strategic goals.

Overall, the successful implementation of the company's transition plan depends on the parent company's strategy, the effectiveness of its operations, the stability of the financing markets, and the development of capital costs. These factors have a direct impact on the pace and volume at which the company can implement its climate protection and sustainability investments.

BorsodChem Zrt. only discloses operating expenses (OPEX) and capital expenditures (CAPEX) that are directly related to the implementation of measures aimed at mitigating climate change (taxonomy) and that actually contribute to the implementation of the company's transition plan.

The amounts disclosed include:

- the increase in value of tangible and intangible assets during the financial year that support the company's climate protection goals,
- investments planned for future periods that are related to the transition plan,
- new costs and expenses that directly contribute to the company's goals (e.g., energy efficiency investments, integration of renewable energy, low-emission technologies).

The company does not disclose amounts that are not relevant to the transition plan.

Climate protection and adaptation goals

MDR-T, E1-4

In 2022, BorsodChem published its sustainability policy and sustainability goals, which include the company's climate change-related plans and objectives. These goals include achieving carbon neutrality by 2050, as set by the European Commission, and, related to this, reducing Scope 3 greenhouse gas emissions. At the end of 2024, the sustainability goals were reviewed in order to formulate more transparent, measurable, and quantifiable short- and long-term goals for the company.

As a result, in 2025, BorsodChem published its Sustainability Goals, which include short-term (1-3 year) goals, and its Sustainability Strategy, which includes long-term (5-25 year) goals.

The Sustainability Goals set climate targets for the three-year period from 2025 to 2027:

- A 5% reduction in GHG intensity for leading products under Scope 1-3. (Base year: 2024)

The Sustainability Strategy sets long-term goals for 2050:

- Achieve net carbon neutrality by 2050 (Base year: 2021)

- 10% reduction in GHG intensity for leading products under Scope 1-3 by 2030 (Base year: 2021)

The energy management targets for the period 2022-2024 include the following commitments:

- By increasing the efficiency of heat extraction during technological processes - achieving wider use - reducing the energy used for cooling and heating by 30.000 GJ and reducing CO2 emissions by 1.500 tons.

- Increasing renewable energy sources by 5 MW of capacity. Increasing the share of renewable energy in our energy consumption to at least 40% by 2030.

- Achieving energy savings of at least 150.000 MWh through the implementation of energy efficiency programs.

- Achieving at least a 3% improvement in energy efficiency at the company level through continuous development and optimized processes.

Our integrated objectives, renewed in 2025, further expanded and detailed our energy management objectives:

- Improve energy efficiency and reduce CO2 emissions by optimizing technological processes, switching energy sources, maintaining, developing and renewing equipment, and increasing the efficiency of heat extraction during technological processes.

- Achieve annual energy savings of at least 50.000 MWh at the corporate level

- Achieve a minimum 1% improvement in energy efficiency at the corporate level on an annual basis

These targets focus on energy-intensive technologies and the reduction of greenhouse gases and are closely linked to the relevant IROs related to climate change identified in the DMA.

Due to the integrated technologies, its climate change mitigation and adaptation objectives apply to BorsodChem Zrt.'s site in Kazincbarcika and its subsidiaries operating there, as well as to the activities of its research and development center in Gödöllő. Due to different operating conditions, companies operating at other BorsodChem sites have set separate targets, but these are not covered by the 2024 Sustainability Report.

Achievement of targets

For the targets set out in the Sustainability Strategies renewed in 2025, which include long-term GHG emission targets, 2021 was designated as the base year. The GHG emissions (intensity) value for BorsodChem's leading products in 2021 was 2,89 tCO2e/t product, while the total for 2024 was reduced to 2,67 tCO2e/t product. It is clear that the 10% reduction target planned for 2030 (2,601 tCO2e/t product) is absolutely achievable and will likely be met in the near future. In terms of achieving carbon neutrality, the Company's absolute GHG emissions in 2021 were 3.250.955 tCO2e, which decreased to 2.907.218 tCO2e in 2024. This 10,5% reduction clearly demonstrates BorsodChem's commitment to achieving carbon neutrality. For the sake of completeness and transparency, we are also sharing our GHG emission values for 2022 and 2023 (2022: 2.910.911 t CO2e; 2023: 2.583.310 t CO2e).

For short-term (1-3 year) GHG emission targets covering the period 2025-2027, the base year has been set as 2024. The Company plans to achieve a 5% reduction in GHG intensity for its main products by 2027. As mentioned above, GHG intensity in 2024 was tCO2e/t product, but we do not yet have data for 2025, so we cannot provide any information on progress in this regard in our report.

When setting its targets, BorsodChem took the following factors into account due to the high degree of market and calculation uncertainty: calculations were based on production plan volumes determined in line with likely market developments; the calculation methodology used to prepare the GHG inventory was applied for monitoring purposes; external databases were used for the emission factors associated with individual raw materials and auxiliary materials, the calculations assumed that projects and programs with a positive impact on their officially reported GHG emissions to date would be implemented according to schedule, all objectives of the integrated management system that have an impact on reducing GHG emissions will be met, and previously completed projects and investments will result in GHG reductions in line with the planned level during their operation.

The company has developed its GHG targets based on its business strategy, technological development opportunities, and the carbon neutrality strategy of its parent company (Wanhua Co.). As mentioned above, due to the high energy and raw material requirements of the chemical industry, the transition poses significant challenges and economic risks. Nevertheless, the company plans to develop a transition plan and review its targets over the next two years, taking into account the SBTi chemical industry transition standard and the EU Clean Industrial Deal guidelines.

The short- and long-term sustainability goals published by BorsodChem, as well as the definition and approval of the sustainability policy, were carried out with the involvement of the BorsodChem Sustainability Group Leader, the Director leading the Sustainability Group, BC senior management, the CEO, and BC owners. so it can be said that a number of internal stakeholders were involved in the target setting process.

The primary data for the preparation of the GHG inventory summarizing and measuring the company's GHG emissions comes from the SAP system in Kazincbarcika, while the secondary data contains basic and auxiliary material emission factors from external databases, as well as data on transport distances. The company only used estimates in Scope 3.7, for the proportion of vehicles used for work. The detailed calculation methodology, assumptions, and data reliability are available on the company's website: https://borsodchem.com/en/borsodchem-zrts-report-on-greenhouse-gas-emissions-in-2024

The energy management goals set for the period 2022-2024 were as follows:

- By increasing the efficiency of heat removal during technological processes - achieving wider use - reducing the energy used for cooling and heating by 30,000 GJ and 1,500 t CO2 emissions: With the help of our waste heat utilization projects, we successfully achieved more than 62,180 GJ of energy savings and 3,882 tons of CO2 emissions avoidance by the end of 2024, thus successfully achieving this goal.

- Increasing renewable energy sources by 5 MW capacity. Increasing the renewable share of our energy consumption to at least 40% by 2030: In order to increase the share of our renewable energy, we installed solar panels on the roofs of several buildings as a first step, however, the construction of the 30 MW solar power plant planned for the next phase is still in progress. The combined output of the solar panels was 222.25 kWp, so we were unable to meet our renewable energy targets.

- Achieving at least 150,000 MWh of energy savings through the implementation of energy efficiency programs: BorsodChem achieved a total of 149,385 MWh of energy savings through its 42 energy

efficiency programs between 2022 and 2024. Since the difference between the achieved savings result and the target is below 1%, which is much smaller than the calculation uncertainty, we consider this target to have been successfully achieved.

- Achieve at least 3% energy efficiency improvement at the company level through our continuous developments and optimized processes: During the development and optimization activities between 2022-2024, BorsodChem successfully achieved 0.49% energy efficiency improvement. Unfortunately, this falls short of our 3% target, so this objective was not met.

Methodology

BorsodChem's objectives apply to companies operating at the Kazincbarcika site over which BorsodChem Zrt. exercises 100% operational or majority control. This limitation was also deliberately applied in the case of the GHG inventory, so that the annual GHG inventory can be used in its entirety to monitor the achievement of the target values.

BorsodChem Zrt. has set the 2021 financial year as the base year for its comprehensive GHG inventory. Due to the pandemic, 2020 did not reflect GHG emissions under normal operating conditions. In 2021, the economic situation and production stabilized for BorsodChem. The base year inventory was not recalculated.

When determining decarbonization tools, the Company took into account solutions related to its own integrated chemical technologies that meet the requirements and emission limits of the best available techniques (BAT) prescribed by the EU. Replacing technologies is extremely complex and risky, so the company considered the environmental, social, and economic impacts of the changes, as well as the safety risks. The use of new technologies and materials carries significant uncertainty, so the company is implementing modifications and improvements that it can manage with a high degree of safety with the help of its experienced professionals.

Energy consumption and energy mix

E1-5

Energy consumption related to the company's own operations in 2024:

- Total energy consumption of the BorsodChem Group: 4.633.689 MWh.

- Total energy consumption of BorsodChem Zrt.: 4.172.563 MWh

These figures include energy purchased from the grid, energy produced in-house, fuel consumption and resold energy. In the case of BorsodChem, part of the energy required for production (natural gas and electricity) is purchased by BC Energiakereskedő Co. and then transferred to BorsodChem Zrt. The steam essential for our production and a smaller portion of the electricity are produced by another subsidiary of BorsodChem Zrt., BC Energiatermelő II Co., using natural gas. The steam and electricity produced by BC Energiatermelő II Co. and part of the electricity and natural gas purchased from the grid are resold to other organizations and plants located on the site. BorsodChem Zrt. also continuously monitors the fuel consumption of its vehicle fleet. It is also worth mentioning the relationship between BorsodChem Zrt. and Linde Co., which operates on its site, whereby part of the natural gas supplied is used to produce steam, which is returned to BorsodChem Zrt. for use.

BC-Power Energiatermelő II Kft. (subsidiary) transfers the energy it produces and that purchased by BorsodChem Zrt.;and BorsodChem Zrt. distributes the energy among the users (BC plants, BC subsidiaries and external companies). Both BC plants, BC subsidiaries and external companies are end users (producers) and none of them perform intermediary activities. BC Power Energiatermelő II Kft. deals with industrial energy production. The main scope of activity of BC Energiakereskedő Kft.: wholesale agent trade of raw materials and fuels, including the trade of natural gas and electricity as energy carriers.

Calculation methodology: Total energy consumption = fuel consumption + purchased energy + own energy production – energy sold.

Hungary's energy mix in 2024

In 2024, the composition of purchased electricity was as follows:

Fossil fuels: 35,95%

Nuclear energy: 43,36%

Renewable energy: 20,69%

In 2024, the BorsodChem Group's total energy consumption was 4.633.689 MWh, which includes all purchased and self-generated energy. Since the energy produced by BC Energiatermelő II Co. and Linde Co. is entirely of fossil origin, the nuclear and renewable portions of the purchased electricity, as well as the energy derived from BorsodChem's own solar panels and biogas use, must be deducted from the total value in order to calculate the amount of fossil-based energy. In 2024, the BorsodChem Group purchased a total of 1.039.484 MWh of electricity from the Hungarian grid, of which 43,36 + 20,69 = 64,05% was non-fossil-based, amounting to: 1.039.484 x 64,05/100 = 665.789 MWh. BorsodChem generated and utilized 1.625 MWh of renewable energy through the use of its own solar panels and biogas. Based on the above, **the total fossil energy consumption** of the BorsodChem Group in 2024 will be: 4.633.689 – 665.789 – 1.625 = **3.966.275 MWh**. The proportion of fossil-based energy consumption of the BorsodChem Group compared to total energy consumption: **85,59%.**

In 2024, the BorsodChem Group purchased a total of 1.039.484 MWh of electricity from the Hungarian grid, 43,36% of which was of **nuclear origin:** 1.039.484*43,36/100 = **450.720 MWh**. The **proportion of nuclear-generated energy consumption** of the BorsodChem Group compared to total energy consumption: **9,73%.**

In 2024, the BorsodChem Group purchased a total of 1.039.484 MWh of electricity from the Hungarian grid, 20,69% of which was renewable: 1.039.484 x 20,69 / 100 = 215.069 MWh. A total of 1.625 MWh of renewable energy was generated from the use of solar panels and biogas at BorsodChem's Kazincbarcika site. The sum of these figures gives the total amount of renewable energy used by BorsodChem: 215.069 + 1.625 = **216.694 MWh**. **The proportion of renewable energy consumption** by the BorsodChem Group compared to total energy consumption is **4,68%.**

There is no fuel consumption from renewable sources (0 MWh).

Since BorsodChem does not allocate different types of energy between its individual activities or subsidiaries, all energy units used must be considered to have the same composition. Following this logic, the energy consumption of BorsodChem Zrt. (excluding subsidiaries) will have the same composition as that of the BorsodChem Group.

The total energy consumption of BorsodChem Zrt. in 2024 was 4.172.563 MWh.

Of this energy, **9,73% was of nuclear origin**, amounting to 4.172.563 x 9,73 / 100 = **405.991 MWh.**

85,59% of this energy was of **fossil origin,** amounting to: 4.172.563 x 85,59 / 100 = **3.571.296 MWh.**

4,68% of this energy is **from renewable sources**, amounting to: 4.172.563 x 4,68 / 100 = **195.276 MWh.**

GHG emissions falling under Scope 1, 2, and 3

E1-6

GHG emissions by scope (2024)

GHG emission scope	Emissions 2024 (tCO_2e)
Scope 1 – Direct GHG emissions	680.279
Scope 2 – Indirect GHG emissions	178.256
Scope 3 – Other indirect GHG emissions	2.048.684
Total GHG emissions (Scope 1+2+3)	2.907.218

GHG emissions by gas (2024) [7]

GHG	Scope	Emissions (t)	Comments
Carbon dioxide (CO_2)	Scope 1	639.080	Direct emissions
Carbon dioxide (CO_2)	Scope 2	178.256	Electricity consumption
Methane (CH_4)	–	0	The biogas produced is used for combustion and heat generation; direct CH_4 emissions are not typical.
Nitrous oxide (N_2O)	Scope 1	93	Converted to CO_2e using GWP
HFCs	Scope 1	12	Weighted GWP application
Sulfur hexafluoride (SF_6)	–	0	Does not occur
NF_3, PFCs	–	0	Does not occur at the company

Scope 1, Scope 2, Scope 3, and total greenhouse gas emissions by financial and operational control approach (2024) [8]

Scope of GHG emissions	Group preparing consolidated financial statements* (tCO_2e)	Investee companies** (tCO_2e)	Total (tCO_2e)
Scope 1 – Direct emissions	680.279	–	680.279
Scope 2 – Indirect emissions (energy)	178.256	–	178.256
Scope 3 – Other indirect emissions	2.048.684	–	2.048.684
Total GHG emissions (Scope 1–3)	2.907.218	–	2.907.218

[7] GHG GWP Source:
CH4 28 IPCC Fifth Assessment Report, 2014
N2O 265 IPCC Fifth Assessment Report, 2014
HFCs*1434 IPCC Fourth Assessment Report, 2007
SF6 22.800 IPCC Fourth Assessment Report, 2007
* Weighted GWP calculated using the GWP values of individual refrigerants.

The methods used to calculate or measure GHG emissions are listed on the following website.
https://borsodchem.com/en/borsodchem-zrts-report-on-greenhouse-gas-emissions-in-2024
https://borsodchem.com/en/download/80/ghg-report-2024-description-of-methodologies-data-sources

[8] * The group preparing the consolidated financial statements comprises the parent company (BC Zrt.) and its Hungarian subsidiaries that are under full or majority operational control.
https://borsodchem.com/en/borsodchem-zrts-report-on-greenhouse-gas-emissions-in-2024
https://borsodchem.com/en/download/80/ghg-report-2024-description-of-methodologies-data-sources
*The group preparing the consolidated financial statements includes the parent company (BC Zrt.) and Hungarian subsidiaries under full or majority operational control.
** Emissions from investee companies (associated companies, joint ventures, unconsolidated subsidiaries, and jointly controlled operations and assets) are not included in the GHG Inventory and are therefore marked with "–".

Subsidiaries included in the 2024 GHG inventory

Subsidiary name	Site	Ownership ratio	Operational control	Main activities	Comments
BC-Energiakereskedő Co.	Kazincbarcika, Hungary	100%	Full control	Trade in basic and fuel materials, energy	Significant in terms of GHG emissions
BC Power Energiatermelő II. Co.	Kazincbarcika, Hungary	100%	Full control	Electricity and heat production and supply	Significant in terms of GHG emissions
BC-KC Formalin Co.	Kazincbarcika, Hungary	69,63%	Majority	Formaldehyde production and sales	Significant in terms of GHG emissions
Polimer Szolgáltató Co.	Kazincbarcika, Hungary	100%	Full control	Accommodation and catering services	Not significant (<1% emissions)

The management of BorsodChem Zrt. has decided to conduct a comprehensive assessment of the GHG emissions of its facilities operating at its sites in Hungary. Accordingly, the organizations included in the GHG Inventory are:

- BorsodChem Zrt.'s own facilities located at its sites in Hungary (Kazincbarcika, Berente, Múcsony, Gödöllő, Budapest), and
- subsidiaries operating in Hungary over which BorsodChem Zrt. exercises 100% operational or majority control, including the development of operating rules and the implementation of investments, developments, and energy efficiency improvement projects.

The GHG inventory only presents the company's GHG emissions in a consolidated manner. In the 2021-2024 period, the GHG inventory does not treat BorsodChem Zrt.'s own GHG emissions separately, so we are not yet able to present this in our 2024 GHG inventory. BorsodChem plans to prepare its GHG inventory for 2025 based on ESRS-based resolution.

The emissions of offices, branches, and subsidiaries operating outside Hungary are not included in the GHG inventory. The GHG inventory takes into account the emissions from the production and sale of products resulting from BorsodChem Zrt.'s manufacturing activities in Hungary. The GHG Inventory takes into account the emission sources (facilities, subsidiaries) of the company that account for more than 1% of its total emissions.

Value chain segment	Related scope(s)	GHG emissions 2024 (tCO_2e)
Upstream (supplier value chain)	Scope 3 (upstream)	1.508.414
Own operations	Scope 1 + Scope 2	858.535
Downstream (customer value chain)	Scope 3 (downstream)	540.270
Total GHG emissions (Scope 1–3)	Scope 1 + Scope 2 + Scope 3	**2.907.218**

Scope 1 category	Description	Emissions 2024 (tCO_2e)	Description
	Emissions from stationary combustion equipment	632.320	Includes 272 tCO_2e emissions from biogas combustion
	Emissions from mobile combustion equipment (vehicles)	1.594	
	Technological emissions	29.745	

	Diffuse emissions from refrigerants (HFCs) and SF6	16.620	
	Scope 1 total	**680.279**	

The company's industrial wastewater treatment activities generate biogas with a high methane content, all of which is burned. Most of it is burned in boilers to replace natural gas and recycled as heat, while the unused biogas is flared. Emissions from biogas combustion are accounted for as Scope 1 emissions under "Category 1.1: Emissions from stationary combustion equipment" as incidental emissions. Emissions from biogas combustion: 272 tons of CO2e.

BorsodChem Zrt. did not use CO2 absorption and did not use carbon dioxide credits or other GHG emission units during its operations in 2024.

BorsodChem reports the CO2 emissions from its stationary combustion equipment at its Kazincbarcika sites to the National Climate Protection Authority using the EU ETS methodology. The stationary and mobile combustion plants of BorsdoChem Zrt. and its subsidiaries were selected for reporting in the EU ETS system based on the following criteria: Combustion plants with a total rated thermal input exceeding 20 MW (except hazardous waste incineration and municipal waste incineration plants), and Production of bulk organic chemicals by cracking, reforming, partial or total oxidation or similar processes, with a production capacity exceeding 100 tons/day. The emissions from installations covered by the EU ETS and the values reported for Scope 1 emissions from the same installations are identical.

At its Kazincbarcika site, BorsodChem emitted a total of 680.279 tons of CO2 into the atmosphere in 2024 in the Scope 1 emission category. Of this, CO2 emissions amounted to 639.080 tons, while N2O emissions amounted to 24.579 tons of CO2e (1 ton of N2O = 265 tons of CO2e IPCC AR4, AR5). Of this, 140.828 t CO2 falls under the EU ETS.

The EU ETS emissions of the subsidiaries in 2024 were as follows:

BC Energiatermelő II Co. subsidiary: 501.553 t CO2.

BC-KC Formalin emissions: 5.385 t CO2.

BC Energiakereskedő Co. only engages in commercial activities, so there were no EU ETS emissions associated with it.

The subsidiaries report their total emissions to the EU ETS system. Total emissions from activities not covered by the EU ETS system (aniline production, wastewater treatment, research and development) amount to 14.298 t CO2. Based on the above, 97,89% of Scope 1 emissions fall under the EU ETS.

Indicator	Value
Total Scope 1 emissions	**680.279 tCO_2e**
Of which CO_2	639.080 tCO_2
Of which N_2O (in CO_2e)	24.579 tCO_2e
Proportion of Scope 1 emissions covered by EU ETS	**97,89%**
Emissions from activities not covered by EU ETS (total)	14.298 tCO_2

The sum of BorsodChem Scope 2 local emissions is: 178.256 t CO2e.

As mentioned, BorsodChem generates part of its electricity in its own natural gas-fired power plants operating as a subsidiary. It purchases the additional electricity required for its operation from the grid, about which it does not receive detailed information at the time of purchase. BorsodChem was unable

to publish its Scope 2 emissions using the market-based method based on the 2024 data, as the electricity supplier was unable to provide the necessary background information.

GHG emission category	Location-based	Market-based	Megjegyzés
Scope 1 – Direct emissions (t CO2e)	680.279	680.279	Market/local distinction is not relevant
Scope 2 – Indirect emissions (t CO2e)	**178.256**	–	Market-based data cannot be calculated due to lack of provider information
Scope 3 – Other indirect emissions (t CO2e)	**2.048.684**	**2.048.684**	Does not depend on electricity procurement method
Total GHG emissions (Scope 1–3) (t CO2e)	**2.907.218**	–	Full market-based issuance cannot be published

Methodology:

The methods used to calculate or measure greenhouse gas emissions, the data used and the category descriptions are provided in the table at the following link:

https://borsodchem.com/en/download/80/ghg-report-2024-description-of-methodologies-data-sources

https://borsodchem.com/en/borsodchem-zrts-report-on-greenhouse-gas-emissions-in-2024

The descriptions in the table above are used in the Sustainability Report.

BorsodChem Zrt. intends to primarily meet its own and its subsidiaries' energy needs with the electricity generated by its own natural gas-based power plants. In addition, it also supplies electricity to other external companies operating at the Kazincbarcika site, which is not included in the Scope 2 emissions. In 2024, the company sold a total of 172.890 MWh of electricity to other companies at their sites.

The company considered primary and secondary data sources when calculating the Scope 3 categories. The primary data comes from the Kazincbarcika SAP system, while the secondary data includes raw and auxiliary material emission factors from external databases, as well as data on transport distances. The company only used estimates in the Scope 3.7 category, for the proportion of vehicles commuting to work. The detailed calculation methodology, assumptions and data reliability are available on the company's website.

BorsodChem has been preparing the company's GHG inventory since 2021, which includes the absolute amount of GHG emissions related to its activities. The corporate GHG inventory is comprehensive, i.e. it also includes Scope 1-3 categories. Of course, due to the specific nature of our activities, not all categories appear in our GHG inventory, but we display the GHG emission values of relevant activities related to chemical operations in a validated form.

The company accounts for Scope 3 indirect emissions in the GHG Inventory in the following categories:

Category 3.1: Purchased goods and services

Category 3.2: Capital goods

Category 3.3: Fuel and energy-related activities

Category 3.4: Upstream transportation and distribution of purchased goods

Category 3.5: Waste generated during operations

Category 3.6: Business travel

Category 3.7: Employee commuting

Category 3.9: Downstream transportation and distribution of products

Category 3.11: Emissions from the use of products sold

Category 3.12: End-of-life management of products sold

The data sources, category descriptions, calculation methodologies and data quality descriptions used to calculate the subcategories of BorsodChem Scope 3 are available at the following link:

https://borsodchem.com/en/download/80/ghg-report-2024-description-of-methodologies-data-sources

https://borsodchem.com/en/borsodchem-zrts-report-on-greenhouse-gas-emissions-in-2024

The text here will be used to create the text of the Sustainability Report.

BorsodChem's total GHG emissions (Scope 1-3) in 2024 were: 2.904.218 t CO2e. Sales in 2024 were EUR 2.173 million. Based on these two figures, the greenhouse gas emission intensity of BorsodChem can be calculated in terms of sales revenue: 1.336,5 t CO2e / million EUR. The sales revenue in the Sustainability Report and the sales revenue in the annual financial report are exactly the same. This value was used as a basis for all sales-based calculations.

GHG mitigation projects financed through GHG removals and carbon credits

E1-7

BorsodChem Zrt. has several technological point sources, at which it measures the composition of the emitted gas in each case. Some technological units emit CO2 of such high purity that BorsodChem has started the liquefaction and storage of the CO2 in this gas stream for later sale. This technological development has not yet been implemented, but with this step it will be able to avoid nearly 60.000 t of CO2 emissions into the atmosphere within a few years. BorsodChem Zrt. has not yet carried out any activities in which GHG emission reductions or absorptions resulting from the purchase of carbon dioxide credits have occurred.

Internal carbon pricing

1-8

BorsodChem Zrt. does not operate an internal pricing system. The plants that fall under the scope of the EU-ETS operate with the most modern technological means following the principle of the best available technique (BAT) issued by the European Union. Based on this principle, the technology used by BorsodChem is the most modern currently available and the concentration of exhaust gas emitted at the plants' emission points complies with the strictest limit values. The exhaust gas treatment systems used reduce the emitted GHG gases with an efficiency of 90%, and the by-product incinerators in the plants also operate with an efficiency of 91%. Based on the above, it can be seen that the amount of GHG emitted is proportional to the amount of products, the amount of which is determined by market orders, so the company's senior management did not see the introduction of internal carbon dioxide pricing as justified. When calculating the costs of investments and developments, we performed the calculations using the cost savings due to the carbon quota, so there was no need to generate internal CO2 pricing.

EU Taxonomy

The EU Taxonomy Report of BorsodChem Zrt. serves to fulfill the disclosure obligations set out in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council (the Taxonomy Regulation). The content and format requirements of the disclosure are defined by the relevant delegated acts of the European Commission, in particular Commission Delegated Regulation (EU) 2021/2178 (the Disclosure Act).

Pursuant to Article 8 of the Taxonomy Regulation, non-financial undertakings are required to disclose the proportion of their turnover derived from environmentally sustainable economic activities as defined in Articles 3 and 9, as well as the proportion of their capital expenditure (CapEx) and operating expenditure (OpEx) related to assets or processes associated with such activities.

The European Union Taxonomy Regulation (2020/852/EU) establishes a uniform classification system for identifying environmentally sustainable economic activities. Its objective is to promote sustainable investments, support the green transition, and enhance the transparency of corporate activities by defining precise criteria for activities that make a substantial contribution to environmental objectives. This disclosure presents the proportion of environmentally sustainable economic activities in accordance with the EU Taxonomy.

Identification of EU Taxonomy activities

BorsodChem Zrt. analyzed its own activities in accordance with the Taxonomy Regulation for the 2024 business year and prepared its EU Taxonomy report according to the following process.

As the first step in assessing compliance with the Taxonomy Regulation, the Company identified its economic activities, assigned the relevant NACE codes, and compared them with the economic activities defined in the Regulation. Based on the breakdown of turnover by NACE codes, the Company identified its activities that are eligible for alignment with the EU Taxonomy (taxonomy-eligible activities).

Subsequently, the activity descriptions set out in the Taxonomy Regulation were compared with the processes actually carried out by the Company. As a result of this alignment assessment, within the scope of activities subject to the eligibility assessment, those activities were identified that meet the descriptions set out in the Regulation and therefore qualify as taxonomy-eligible activities. The assessment concluded that the Company has activities that are taxonomy-eligible but not necessarily taxonomy-aligned.

In order to comply with the disclosure obligations set out in Article 8 of the Taxonomy Regulation, the Company examined its activities based on NACE codes in order to identify the proportion of turnover related to environmentally sustainable economic activities. The following activity categories were identified.

Transparency and Reliability

The preparation of BorsodChem Zrt.'s EU Taxonomy Report is carried out in accordance with strict accounting principles. The Company's internal regulations ensure the accuracy of the data.

The Company prepared its EU Taxonomy reporting in line with strict internal regulations, processes, and controls. Relevant data were collected by the Company's financial experts, who ensured their accuracy, comparability, and the possibility of subsequent audit, if required.

The preparation of the report was subject to internal review, and the finalised report was approved by the Company's management, thereby guaranteeing compliance and credibility.

By publishing performance indicators linked to the EU Taxonomy, the Company ensures transparency and enables its stakeholders to obtain a clear and comprehensive view of the Company's performance.

BorsodChem Zrt. reports the ratios required under the Taxonomy Regulation based on its financial data. The relevant indicators relating to turnover, capital expenditure (CapEx) and operating expenditure (OpEx) are presented below.

Requirements for EU Taxonomy alignment

The European Union Taxonomy Regulation defines six environmental objectives, which form the basis for assessing environmentally sustainable economic activities:

- Climate Change Mitigation – CCM;
- Climate Change Adaptation – CCA;
- Water and Marine Resources – WTR;
- Circular Economy – CE;
- Pollution Prevention and Control – PPC;
- Biodiversity and Ecosystems – BIO.

In order for an economic activity to be considered environmentally sustainable, i.e., taxonomy-aligned, multiple conditions must be met simultaneously.

The first step is that the economic activity must be included in the list of activities specified in the annexes to the delegated acts of the Taxonomy Regulation. These are activities that can potentially contribute to achieving the EU's environmental objectives and are referred to as taxonomy-eligible activities.
After that, the activity must comply with the technical screening criteria (TSC) set out in the Taxonomy Regulation. The technical screening criteria consist of two main elements:

- the criteria for making a significant contribution (Significant Contribution – SC), which assess whether the economic activity substantially contributes to the achievement of at least one of the six environmental objectives; and
- the criteria for avoiding significant harm (Do No Significant Harm – DNSH), which ensure that the activity does not cause significant harm to any of the remaining environmental objectives.

Finally, the economic activity must also comply with the minimum safeguards (Minimum Safeguards – MSS). These safeguards ensure the protection of fundamental human rights, labor rights, and the application of ethical and transparent corporate governance principles, in line with the relevant international standards and guidelines.

Only those economic activities that simultaneously meet the requirements of eligibility, the technical screening criteria, and the minimum safeguards can be considered taxonomy-aligned.

Statement regarding activities related to nuclear energy and fossil gas

No.	Nuclear energy-related activities	
1.	The company conducts, finances, or holds exposures to research, development, demonstration, and practical implementation activities targeting innovative electricity-generating facilities that produce energy from nuclear processes and in which only a minimal amount of waste is generated in the nuclear fuel cycle.	**NO**
2.	The company engages in, finances, or holds exposures to the construction and safe operation of new nuclear facilities, or to the safety-oriented upgrading of such facilities, using the best available technologies, with the purpose of generating electricity or process heat, including energy production for district heating and industrial processes, such as hydrogen development.	**NO**
3.	The company engages in, finances, or holds exposures to the operation and safety-oriented upgrading of existing nuclear facilities, with the purpose of generating electricity or process heat using nuclear energy, including energy production for district heating and industrial processes, such as hydrogen production.	**NO**
	Fossil gas-related activities	
4.	The company engages in, finances, or holds exposures to the construction or operation of electricity-generating facilities that produce electricity using gaseous fossil fuels.	**NO**
5.	The company engages in, finances, or holds exposures to the construction, conversion, and operation of combined heat, cooling, and power generation facilities using gaseous fossil fuels.	**NO**
6.	The company engages in, finances, or holds exposures to the construction, conversion, or operation of heat generation facilities that produce heat or cooling energy using gaseous fossil fuels.	**NO**

2024 Financial Indicators

In accordance with the Taxonomy Regulation and Commission Delegated Regulation (EU) 2021/2178, BorsodChem discloses the proportion of turnover, capital expenditure (CapEx), and operating expenditure (OpEx) related to its taxonomy-eligible and taxonomy-aligned activities.

The Company conducted a Technical Screening Criteria (TSC) assessment for its taxonomy-eligible economic activities in line with the EU Taxonomy Regulation. Based on the results of this assessment, it was determined that the Company's eligible activities did not fully meet the applicable technical screening criteria during the reporting period, particularly with respect to the prescribed technical and performance parameters.

In its Taxonomy assessment, the Company evaluated economic activities not solely based on NACE classification, but on the actual content of the activities. In areas where compliance with the EU Taxonomy-defined economic activities could not be clearly substantiated, the Group applied a conservative approach and did not identify any taxonomy-eligible activities.

The activities listed in the Taxonomy are:

- Manufacture of basic plastics 20.16,
- Manufacture of basic organic chemicals 20.14,
- Manufacture of basic inorganic chemicals 20.13

Given that alignment with the Taxonomy requires compliance with the technical screening criteria, adherence to the Do No Significant Harm (DNSH) principle, and consideration of minimum safeguards, these requirements were not relevant for the 2024 financial year.

Accordingly, the Company did not identify any taxonomy-aligned economic activities for 2024. In its Taxonomy assessment, the Company consistently applied a prudent and conservative interpretation and only identified activities as taxonomy-eligible where alignment could be clearly substantiated.

Turnover 2024 (BorsodChem Zrt.)

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	"Water	Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	"Water	Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)
Text		*EUR*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*%*	*T*	*Á*
A. TAXONOMY-ELIGIBLE ACTIVITIES			65 %																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%																
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1417994485	65%																
Total (A.1+A.2)		1417994485	65%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		755008925	35%																
Total (A+B)		2173003410	100%																

CapEx 2024 (BorsodChem Zrt.)

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	*Water	Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	*Water	Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)
Text		*EUR*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*%*	*T*	*Á*
A. TAXONOMY-ELIGIBLE ACTIVITIES			85%																
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%																0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		127769004	85%																
Total (A.1+A.2)		127769004	85%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		22138614	15%																
Total (A+B)		149907618	100%																

OpEX 2024 (BorsodChem Zrt.)

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Econonic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	"Water	Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)	"Water	Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)
Text		*EUR*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*I/N*	*%*	*T*	*Á*
A. TAXONOMY-ELIGIBLE ACTIVITIES			82 %																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%																
A.2 Taxonómiához igazítható, de környezeti szempontból nem fenntartható (taxonómiához nem igazodó tevékenységek) tevékenységek OpEx-e																			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		59474990	82%																
Total (A.1+A.2)		59474990	82%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		12667703	18%																
Total (A+B)		72142693	100%																

Financial Indicators: The Company determined the proportions of turnover, capital expenditure (CapEx), and operating expenditure (OpEx) compatible with the Taxonomy for the year 2024. The calculations were prepared in accordance with the methodology set out in the relevant EU regulations (2021/2178/EU)[9].

Capital expenditure (CapEx) was determined based on capitalized investments recorded in the accounting books, related to tangible and intangible assets. Operating expenditure (OpEx) was determined based on items recorded in the Company's accounting system that relate to categories recognized by the Taxonomy Regulation, including, among others, costs associated with research and development, maintenance, and short-term leases.

Future objectives

Among the Company's future objectives is the development of its classification under the EU Taxonomy. The Company continuously monitors the evolution and expansion of the Taxonomy framework, including the potential introduction of new environmental objectives (e.g., circular economy, pollution prevention) or, possibly, social objectives, as well as the technological and operational parameters arising from its own activities. It evaluates development and investment opportunities that, in the future—if technical and economic conditions allow—could support the achievement of taxonomy alignment.

[9] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 on the content and presentation of information to be disclosed concerning environmentally sustainable economic activities - https://eur-lex.europa.eu/legal-content/HU/TXT/PDF/?uri=CELEX:32021R2178

E2 Pollution [10]

Material impacts, risks and opportunities (IROs) and their relationship to the business model and strategy

ESRS 2 IRO-1, SBM-3, E2.IRO

IRO ID	Topic	Material IRO[11] description	Classification	Connect to business model and strategy
BC-IRO-2024-5	ESRS E2 Pollution Air pollution	BorsodChem Zrt., as a company engaged in chemical activities, emits air pollutants into the environment under controlled conditions at several points during its operation due to its technological processes. Their quantity is effectively minimized by the separation and purification equipment used at all relevant points of the production processes, so the quantity of substances entering the atmosphere is significantly lower than the legal limit values. At the same time, the conscious recognition of the inevitable risk on the part of the company includes the consistent enforcement of a preventive approach, the continuous development of technological and operational procedures, and transparent communication with the communities and authorities concerned.	Potential Risk Own Operation	BorsodChem's EHS policy and objectives, published in 2022, treat the reduction of pollutant emissions as a key focus area in order to minimize the environmental footprint. Our Integrated Objectives and Policy, developed at the end of 2024, also focus on reducing emissions and complying with BAT regulations, both in existing and new developments.
BC-IRO-2024-6	ESRS E2 Pollution Soil pollution	BorsodChem's legal predecessor, Borsodi Vegyi Kombinát, caused subsurface pollution during its operation, despite operating in accordance with the standards of the time. In order to eliminate the replenishment of the pollutant, BorsodChem dismantled the entire technology responsible for soil and groundwater pollution and sealed its area with a concrete sarcophagus. Since the remediation of deeper layers is not yet possible not only for financial, but also for technological reasons, the pollutant is currently still below the surface. BorsodChem is conducting remediation monitoring activities in the affected area, with the help of which it continuously monitors the concentration of the pollutant and its possible movement. Given that the extraction of the pollutant is technically highly limited and an unprecedentedly special task, we are currently unable to assess its cost from a financial perspective.	Current Risk Own Operation	BorsodChem's EHS policy and objectives, published in 2022, address the issue of groundwater protection as a key focus area. BorsodChem pays special attention to always operating in accordance with current legislation and acting responsibly in relation to pollutants released in the past. Continuous inspection and renovation of the paving of operating areas and spillage equipment with coatings resistant to potentially released substances, as well as soil and groundwater monitoring are integral parts of our current EHS activities.

[10] The Company does not consider the term “Pollution” in ESRS E2 to be appropriate, as BorsodChem does not exceed the legal limits. Instead, it uses the term “environmental burden” as emissions remain below regulatory requirements.
[11] I = Impact, R = Risk, O = Opportunity

Pollution policies and objectives
MDR-P, MDR-T

The negative environmental impacts identified in the DMA analysis are related to actual and potential pollutant releases to air and soil.

The scope of the policies and targets set by BorsodChem applies to the activities of its own plants and subsidiaries at the Kazincbarcika site in Hungary and covers the period 2022-2024. The highest management level within BorsodChem responsible for the implementation of the policy is the President, i.e. the CEO level. He is responsible for the adoption and approval of the public policies and targets set by BorsodChem. The targets related to the sustainability and integrated management systems published by BorsodChem were defined and approved with the involvement of BorsodChem experts, the Director leading the given field, the BC senior management, the CEO and the Company's owners, so it can be said that a number of internal stakeholders were involved in the target setting process.

The policies and objectives adopted and valid by BorsodChem are freely accessible to all interested parties on the company's website. They can also be found in separate printed forms in certain units and buildings of BorsodChem, so their content is accessible to all employees, as they can only be implemented through joint efforts.

Several points of the company's EHS objectives valid in 2024 anticipate potential future pollutant emissions:
- In order to protect groundwater, the renovation of the spill basins will continue, the replacement of coatings and covers will be carried out continuously in technically justified areas, and the underground sewer network will be regularly reviewed.
- In order to minimize BorsodChem's environmental footprint, they will reduce their emitted pollutants
- They will review and develop their wastewater pretreatment and central wastewater treatment technology related to the launch of new plants and the tightening of environmental legislation.

At the end of 2024, the objectives of the integrated management systems were reviewed, which were consolidated in 2025 and published by BorsodChem as Integrated Objectives, and included the objectives of its existing management systems for the next 3 years (QMS, MIR, EIR, MEBIR, supply chain). The Integrated Objectives include the following objectives in relation to pollution:
- We are committed to reducing emissions and complying with BAT regulations. To this end, we are continuously reducing the amount of pollutants emitted by developing technologies. We undertake to replace our oldest technology within 5 years, which will ensure compliance with the continuously tightening legal requirements in the long term
- In order to minimize our environmental impacts, we undertake to continue the renovation of the spill basins in order to protect groundwater. We continuously replace coatings and linings in technically justified areas, and regularly review the underground sewer network.

The presented pollution targets are voluntary.

BorsodChem’s current policies and objectives do not specifically address the substitution and minimization of substances of concern, but BorsodChem is nevertheless continuously looking for opportunities to substitute these substances, for example when replacing refrigerants with high GWP values. The GWP value of the new refrigerant must not exceed 150, so a substance with significantly lower environmental hazards will be used in the future.

BorsodChem Zrt is a plant subject to the SEVESO Directive. According to the law, it is an upper-threshold hazardous plant, and therefore has a Safety Report and an Internal Protection Plan. The public version of the Safety Report is made available to the surrounding settlements. The Safety Report is reviewed every 5 years, and the Internal Protection Plan every 3 years, if necessary, on an emergency basis. An Internal Protection Plan (IPP) exercise is organized annually. The Company regularly participates in the External Protection Plans of the surrounding settlements, where it presents the IPP exercise to the protection committee. Each production plant of the Company has an Emergency Response Policy and an Emergency Response Plan. These regulate the procedures for localizing and mitigating emergency and environmental incidents.

Pollution measures and resources
E2-2_02

The significant pollution-related impacts identified during the DMA process are not related to upstream and downstream actors in the value chain. All of the identified risks are related to BorsodChem's own production and are concentrated both environmentally and financially on the Kazincbarcika site. Therefore, there is no need to involve additional companies in the development and implementation of measures related to the impacts.

Measuring the effectiveness of policies and measures against the objectives set
MDR-T

BorsodChem is involved in the EU and national policy objectives through professional associations (Hungarian Chemical Industry Association, Association of Environmental Service Providers and Manufacturers, Environmental Protection Committee, etc.) in the opinion-making of drafts related to the objectives. They determine their future objectives by implementing the experiences of these drafts. Compliance with BAT and legal requirements is a fundamental goal in the design and operation of their technologies. In this case, compliance with relevant illustrative and horizontal BAT is presented in the IPPC documents. The increasingly strict limit values of pollutant concentrations related to the technologies used provide the basis for determining their objectives related to environmental protection, including pollutants.

Air, water, soil pollution
BorsodChem Zrt. releases pollutants into the air during normal operations through point sources in the air associated with its technologies. In 2024, the following quantities of pollutants were released into the air:

Amount of pollutant emissions into the air in 2024

Pollutant name	Quantity (t)
CO	173.405,552
NOx	58.480,595
SO2	80,089
szilárd anyag	23.568,982
CH4	589,736
NH3	2.708,647
N2O	92.645,309
Cl2	514,736
HCl	2.573,300
HF	22,285
DKE	5,314
VCM	9.088,159
ODCB	1.446,171
Benzol	0,696
Diklór-benzol	0,00

ip-alkohol	1,392
2-Butanon	12,063
Toluol	1,856
Aceton	30,854
PCDD/F	0,00002296
Hg	0,076
Cd, Tl	0,379
As, Co, Cu, Cr, Mn, Ni, Pb, Sb, V	3,531

There were no air pollutant emissions from the activities of BorsodChem's subsidiaries in 2024.

The company conducts all industrial and municipal wastewater and rainwater from its site to its own Central Wastewater Treatment Plant, where it is treated according to its composition. The treated water is returned to the Sajó River in accordance with official regulations. Since all the site's industrial wastewater, rainwater from the surrounding areas and municipal wastewater from the Berente settlement also arrive here, the impact of individual technologies cannot be separated after treatment. The mass of pollutants in the treated wastewater leaving BorsodChem's Central Wastewater Treatment Plant was as follows in 2024:

- COD (Chemical Oxygen Demand): 50,06 tons;
- Total Inorganic Nitrogen: 62,77 tons;
- Mercury: 0,0047 tons;
- BOD (Biochemical Oxygen Demand): 38,14 tons;
- AOX (Adsorbable Organic Halogen Content): 2,84 tons;
- TSS (Total Suspended Solids Content): 122,37 tons

Each technology has technical protection and remediation adapted to the stored material, which prevents the released pollutants from entering the soil and groundwater. At individual plants, wastewater with a higher pollutant concentration than can be handled first enters the plant pre-treatment units, where the given pollutant content is reduced to a level that can be handled by the Central Wastewater Treatment Plant. Minor unconsolidations occurring during rail transport can release a negligible amount onto the soil, which is immediately and effectively treated by the company's remediation unit. For this reason, the pollutant release into the soil cannot be quantified.

Emissions to environmental elements are qualified using monitoring data dating back decades. These can be online monitoring systems or regular, individual measurements, some of which are carried out by our own accredited measurement laboratory or with the help of an external accredited laboratory. These emissions are checked by the authorities on a random basis.

Pollutant emissions at the BorsodChem Kazincbarcika site are carried out under the following processes and conditions:

1. Air emissions - Where required by the permit, online monitoring equipment is used, which is regularly calibrated and verified. The components to be measured and the frequency are in accordance with the BREF (BAT-REF: Best Available Techniques Reference Document) specifications. Sampling and point source measurements are carried out by external accredited laboratories. The data of the online meters are regularly checked with individual measurements, involving an external laboratory.
2. Soil and groundwater monitoring - The concentration and extent of pollutants are examined using a network of monitoring wells. The components and frequency specified in the official permit are adhered to. The samples are tested in our own laboratory and, if necessary, in an external laboratory. The results are collected in a database, so that multi-year trends can be analyzed.

3. Wastewater tests - Based on BAT (Best Available Techniques) regulations, the composition of wastewater is measured at several points: Wastewater leaving plants, wastewater treatment plant discharge, Sajó receiving water quality

Substances of Concern (SoC) and Substances of Very High Concern (SVHC)
E2-5

Total quantity of substances of concern generated or used or purchased during production, broken down by main hazard class of substances of concern, in 2024

Name	Quantity (kg)
Total quantity of substances of concern generated or used or purchased during production (E2-5_02)	1.657.380.996
Total quantity of substances of concern leaving the facility as emissions, as products or as part of products or services (E2-5_03)	800.432.433
Quantity of substances of concern leaving the facility as emissions by main hazard class of substances of concern (E2-5_04)	279.969,041
Quantity of substances of concern leaving the facility as products by main hazard class of substances of concern (E2-5_05)	800.152.464
Quantity of substances of concern leaving the facility as part of products by main hazard class of substances of concern. (E2-5_06)	0
Amount of substances of very high concern leaving the facilities as services by main hazard class of substances of very high concern (E2-5_07)	0
Total amount of substances of very high concern generated or used or purchased during production by main hazard class of substances of very high concern. (E2-5_08)	821.194.618,7
Total amount of substances of very high concern leaving the facilities as emissions, as products or as part of products or services by main hazard class of substances of very high concern. (E2-5_09)	499,314
Quantity of substances of very high concern leaving the facilities as emissions by main hazard class of substances of very high concern (E2-5_10)	5,314
Quantity of substances of very high concern leaving the facilities as products by main hazard class of substances of very high concern. (E2-5_11)	0
Amount of substances of very high concern leaving the plant as part of products, by main hazard class of substances of concern. (E2-5_12)	494
Amount of substances of very high concern leaving the plant as a service, by main hazard class of substances of concern (E2-5_13)	0

E3 Water and marine resources

One of the most important conditions for BorsodChem's production is the development of appropriate and sustainable water management. For the Company, water use is essential for the operation of the wastewater treatment plant, the operation of the cooling system, steam generation, maintenance, production processes, the normal operation of the fire water system and, of course, for the employees' communal water use.

The fluctuating Sajó water flow rate due to climate change in recent times poses an increasing risk to the Company, as it can cause reduced production capacity and, in extreme cases, plant shutdowns. The Company has a database of water flow values for more than 10 years on the Sajó River, so quantitative evidence is also available for the increasingly extreme water flow changes and BorsodChem's increasing water demand. Although the above-mentioned extreme impact has not yet occurred, during the preparation of the DMA analysis, the expert team clearly indicated with the high score the outstanding environmental and financial risk in relation to the sub-sub-theme, for which measures need to be taken in order to ensure future operations. No significant impact was identified in relation to marine resources, on the one hand, because Hungary (where BorsodChem's main industrial activities also take place) does not have maritime connections, and on the other hand, transportation by ship does not cause an environmental impact of such a magnitude as to reach the materiality threshold.

Material impacts, risks and opportunities (IROs) and their relationship to the business model and strategy

ESRS 2 IRO-1, SBM-3

IRO ID	Topic	Material IRO[12] description	Classification	Connect to business model and strategy
BC-IRO-2024-7	ESRS E3 Water and marine resources Water Water withdrawal	BorsodChem meets 100% of its industrial water needs for its operations from the Sajó River (1400-1500 m3/h). After pre-treatment, we produce soft water and deionized water - essential for our cooling systems - from the extracted raw water. Due to the water-intensive technologies operated by BorsodChem, the continuous capacity increases and the new plants, our water needs are constantly increasing (2022: 9 million m3, 2023: 9.4 million m3, 2024: 11.5 million m3. Annual water withdrawals in m3). The low water level caused by the expected drought period due to climate change may have an adverse effect on ensuring the continuity of our production capacity in the future. The average water flow of the Sajó ranges between 60-65 m3/s, but during droughts it may decrease to 3.5 m3/s.	Potential negative impact Current risk Own activity	The fundamental business interest of BorsodChem and its subsidiaries is to maintain continuous and stable operations. Water, as one of the pillars of our production, is essential for the operation of our technologies. The importance of the area is clearly demonstrated by the fact that reducing water consumption, increasing water recycling and developing alternative water replacement solutions are prominently addressed in our 2022-2024 EHS policy, EHS objective, Sustainability policy, Sustainability objectives, as well as in our Integrated policy, integrated objective, and renewed Sustainability policy, Sustainability strategy and Sustainability objectives, which will be renewed in 2025. Production losses and shutdowns caused by potential water shortages pose a serious risk to our business model and ensuring continuous production.

[12] I = Impact, R = Risk, O = Opportunity

Policies and objectives related to water and marine resources

MDR-P, MDR-T, E3-1, E-3

The production center of BorsodChem Zrt. is located in Kazincbarcika, which is located in the north-eastern region of Hungary. This is also where BorsodChem Zrt. and most of its subsidiaries are located. BorsodChem Zrt. and its subsidiaries meet 100% of their industrial water needs for production from the Sajó River, a river with a significant water flow in Northern Hungary. The water taken from the Sajó River is always measured with officially calibrated water measuring equipment. The water taken in is then pre-treated in the Steam-Water-Gas Plant and distributed among the plants in the proportions required for their production. BorsodChem management has determined BorsodChem's water-related policies and objectives by taking into account decades of experience in operating the technology, the potential discovered in development opportunities and the negative effects expected in the near future of water flow fluctuations due to climate change.

The guidelines and objectives of water management are included in several policies. One of the highlights of the EHS policy and objectives, adopted in 2022 and still in force in 2024, is to increase the amount of recycled water through technological developments. Currently, we recycle more than 10% of the water withdrawn from the Sajó River by returning and reusing condensate water from steam. Our sustainability policy, also valid in 2024, also sets guidelines in this context: minimizing water use, searching for alternative water sources, and applying low-water-demand solutions for new technologies. The related sustainability objectives set a 10% reduction in water withdrawal from the Sajó River by 2030.

At the end of 2024, we reviewed our policies and objectives. As a result, the Sustainability Policy and Objectives renewed in 2025 included specific commitments until 2027, such as reducing water withdrawals from the Sajó River by 5% compared to the base year 2024. In addition to our short-term plans, we also published a Sustainability Strategy containing our long-term goals, which set a 10% reduction in water withdrawals from the Sajó River by 2030 compared to the base year 2021.

In addition to the sustainability commitments, the policies and objectives of our integrated management systems were also renewed in 2025, which we published in a consolidated Integrated Policy and Objectives. These also included sustainability-oriented commitments, such as increasing the amount of recycled water by 2.000.000 m3 per year by 2027. The EHS and sustainability objectives are closely linked to the material impacts identified during the DMA and serve to mitigate water-related environmental impacts in the long term.

The objectives related to the sustainability and integrated management systems published by BorsodChem were defined and approved with the involvement of BorsodChem experts, the Director in charge of the given field, BC senior management, the CEO and BC owners, so it can be said that many internal stakeholders were involved in the target setting process.

The scope of the policies and objectives set by BorsodChem applies to the activities of its own plants and subsidiaries at the Kazincbarcika site in Hungary. The highest management level responsible for the adoption, approval and implementation of the policies and objectives within BorsodChem is the President, i.e. the CEO level.

The water-related policies presented above aim to protect water bodies and aquatic ecosystems, promote sustainable water use and reduce water withdrawals and emissions. Within this framework, BorsodChem has undertaken to increase the amount of recycled water through technological developments, minimize water consumption, research alternative water sources and apply the best, low-water-demand solutions for new technologies. These guidelines contribute to maintaining the good ecological and chemical status of surface and groundwater, protecting the aquatic environment, and mitigating risks for the company and the affected communities.

In order to support this policy and achieve the goals, the company has launched several support programs and projects that serve technological optimization and development.

As a responsible company, Borsodchem, according to the guidelines also appearing in its policy, strives to minimize its own environmental footprint. These guidelines have been integrated into our everyday operations, such as reducing the amount of pollutants emitted, continuously developing wastewater pretreatment and central purification technologies, and adapting to increasingly stringent legislation. It is a clear demonstration of our commitment that the company treats its industrial and municipal

wastewater in its own wastewater treatment plant and has set itself the principle that no untreated wastewater should leave our site in any way. These measures reduce the severity of potential environmental impacts, relieve the site's operations and ensure compliance with future limit values.

Another key objective of the water protection guidelines defined in the policies and objectives is to minimize the impact of treated wastewater on the Sajó River and prevent potential water pollution. The company pays special attention to the protection of surface and groundwater. One of the key commitments of the EHS objectives is the renovation of spillage basins, the replacement of coatings and covers in technically justified areas, and the regular inspection of underground sewer networks. These measures significantly reduce the risk of chemical substances and wastewater entering groundwater, contributing to the mitigation of environmental impacts.

The Company takes into account water-related sustainability aspects in product and service design. The availability of Environmental Product Declarations, which include the magnitude of environmental impacts related to the production of products, such as water consumption, is increasingly prominent among customer needs. Due to the increase in sustainability awareness, in addition to the “traditional” expectations (price, quality) related to products, previously unhighlighted requirements have also emerged, such as the low carbon footprint of the product and the reduction of the amount of fresh water used for production. With the intensification of climate change and the increase in production capacities, conscious water use and sustainable water management have become critical factors for BorsodChem in ensuring the continuity of production, which at the same time contributes to satisfying customer needs. Meeting these expectations represents a serious challenge for BorsodChem, but their implementation is supported by the commitments included in our policies and objectives, such as increasing water recycling and reducing water withdrawal from the Sajó River.

BorsodChem’s integrated management systems and sustainability-related policies and objectives do not include policies and practices related to the seas and oceans, as the impacts resulting from BorsodChem’s operations do not have a significant impact on their environment and wildlife. Marine resources as a sustainability topic are not relevant for the Company, as Hungary has no maritime connections and its activities do not affect the marine environment. There are no plans to introduce a separate policy on marine resources, given the irrelevance of the topic.

The Company’s objectives are partly linked to EU and national policy objectives, which are expressed through professional associations (MAVESZ, KSZGYSZ, Environmental Protection Committee, etc.). The efforts to reduce pollutant emissions are in line with EU-level BAT regulations, which aim to minimize the environmental footprint. The commitments to reduce water withdrawal are not linked to a direct policy objective, but were a conscious sustainability decision by the company’s senior management, which is in line with customer expectations and measures to ensure continuous production.

BorsodChem’s water withdrawal reduction target applies only to BorsodChem Zrt.’s plants at the Kazincbarcika site and does not include subsidiaries operating at other sites. Among BorsodChem’s subsidiaries, BC Energiakereskedő Co. and BC Energiatermelő II Co. do not have their own water management targets.

Formalin Co., however, has a target for the annual specific cooling water consumption related to the produced formalin, which is determined by the two owners of Formalin Co., Dynea Co. and BorsodChem Zrt., at the beginning of each year. The target is also taken into account in the process of developing their own operations, taking into account the actual specific water consumption achieved in the previous year.

It is important to emphasize that BorsodChem's management, taking into account decades of experience in operating the technology, the potential discovered in development opportunities and the negative effects expected in the near future of water yield fluctuations due to climate change, voluntarily defined BorsodChem's water withdrawal reduction target and it can be said that it will continue to strive to bring sustainability into the forefront of decision-making in the future. Due to the complexity of BorsodChem's technology and changes in economic aspects, the sustainability targets have not yet been certified by SBTI, however, our Company is investigating the possibility and implementation of this in the future.

Achievement of set goals

As mentioned, BorsodChem obtains the entire amount of industrial water required for its production from the Sajó River. The amount of water withdrawn from the river and the amounts of water delivered to individual plants are also measured and all measured values are recorded in their SAP system. This has an important role in monitoring the set goals. It should be emphasized that the water flow measurement at the BorsodChem Zrt. water abstraction plant does not correspond to the total water abstraction from the activities of BorsodChem and its subsidiaries, since several companies operate on the premises of BorsodChem Zrt. that are not legally part of BorsodChem, but BorsodChem supplies them with the soft water, deionized water, condensate or steam necessary for production. In order to determine the exact amount of water, the amounts of water delivered to external companies must be subtracted from the total amount of water withdrawn. During the calculations, we used the following assumption: the deionized water transferred to BC-Energiatermelő II. Co. was not withdrawn from BorsodChem's water consumption, since the transferred deionized water vapor is returned to BorsodChem's technologies. BC Energiakereskedő Co. only carries out commercial activities. Here, the incoming water is only drinking water. In the case of drinking water, the assumption is made that the amount of drinking water is the same as the amount of municipal wastewater.

BorsodChem Zrt.'s water withdrawal reduction target was unfortunately not met due to the increased water consumption resulting from the water demand of new plants and capacity expansions.

In 2021, the water withdrawal related to the activities of the BorsodChem group was 9.438.016 m3, which increased to 10.870.069 m3 by 2024. In 2021, the water withdrawal related to the activities of BorsodChem alone was 9.426.753 m3, which increased to 10.809.542 m3 by 2024. To compensate for this, a large-scale water recycling project was already underway at the end of 2024, which will reduce the amount of water withdrawn from the Sajó by several hundred thousand cubic meters on an annual basis. In addition, a corporate water balance is being developed to continuously monitor water usage, as well as a water quota settlement system that will reduce company-wide water needs through scheduled water usage optimization.

BC-KC Formalin Co. has successfully met the 2024 water usage target set at the beginning of the year. The specific value set in 2024 was 8,766 m3/t, which was successfully exceeded: 8,041 m3/t.

The significant negative impacts related to water usage determined during the double materiality assessment are consistent with the results of the Company's previous risk analyses, as well as with the policies and objectives in force. Based on their decades of operational experience and sustainability efforts, they are aware of the risks of their own operations and the impacts affecting them. The increasing water abstraction and the expected water flow fluctuations due to climate change pose an increasing risk to the entire Kazincbarcika group of companies. The presented objectives directly address this risk, promoting sustainable water use and preserving the condition of water bodies. The development of wastewater treatment technologies and the reduction of discharged pollutants contribute to improving water quality, so the objectives are in line with the political guidelines and the risk management strategy. The reduction of specific cooling water consumption set by Formalin Co. also serves to reduce water consumption, in particular by minimizing evaporation losses. In summary, it can be said that these measures promote sustainable water management and the management of water risks. The objectives for reducing water abstraction and increasing water recycling provide a solid basis for the development of action plans and programs.

The Company operates several integrated management systems, which have now become integral to its daily operations. Sustainability-related policies and objectives are approved by senior management in three-year cycles, providing guidance to plants and employees for the following cycle. Individual units can launch programs related to official goals, which are monitored by the company's DMS system. In the system, each program has a responsible person, a schedule and a description, and the responsible persons prepare a quarterly progress report, so that the status of the programs can be continuously monitored.

Effects of water consumption

E3-4

The table below presents BorsodChem Zrt.'s water consumption relevant to the 2024 Sustainability Report:

Water consumption in 2024	BorsodChem Co.	BC-KC Formalin Co.	BC Energiatermelő II Co.
Total water consumption	3.275.337m3	9.411 m3	43.303 m3
Recycled water	1.360.717 m3	0 m3	0 m3
Water intensity [13]	1507,28 m3 / million EUR	337,31 m3 / million EUR	It cannot be interpreted in the case of BC Energiatermelő II. Co., since it is a subsidiary of BorsodChem and does not use GJ-based accounting.

BorsodChem used the WWF Water Risk Filter Map to identify the water scarcity and other water-related risks in its operating area. The WWF Water Risk Filter Map identifies risk areas such as: water supply, drought, flooding, water quality, ecosystem services status, enabling environment, corruption control, governance tools, WASH infrastructure, environmental factors, socio-economic factors and reputation. Based on the above factors, the Kazincbarcika area is considered by WWF to be low-medium risk on average. Specifically, BorsodChem's operating area has been identified as low risk with regard to water scarcity.

BorsodChem and its subsidiaries did not store water in 2024, however, as previously mentioned, a large-scale water recycling project was launched in 2024, within the framework of which BorsodChem will also build two pools, each with a capacity of 100.000 m3, to store recycled water.

The majority of BorsodChem Zrt.'s water consumption is due to two factors: after pre-treatment, the BorsodChem Water Plant produces soft water from the water taken from Sajó, which is mainly used in their cooling towers. During the cooling processes, some of the water evaporates and is therefore removed from BorsodChem's system. The other important factor is the incorporation of water into the products, which is part of the chemical processes and therefore cannot be replaced. The difference between the inflowing and the outflowing water volumes clearly indicates the amount of water consumption. The production of BC-KC Formalin Co. and BC Energiatermelő II Co. also requires the use of a cooling tower, the evaporation of which results in a high level of loss. BC Energiakereskedő Co. only conducts business activities, during which no water is consumed.

BorsodChem and its subsidiaries determine the volume of incoming and outgoing wastewater streams with water meters. The pollutant composition of the waters is determined using laboratory tests following sampling.

E4 Biodiversity and ecosystems

Procedures for identifying and assessing significant impacts, risks, dependencies and opportunities related to biodiversity and the ecosystem

E4.IRO-1

As part of the double materiality assessment, BorsodChem identified current and potential biodiversity-related impacts in its own operations and reviewed relevant activities in the direct value chain. The assessment was carried out using the criteria and criteria set out in the ESRS. The assessment did not reveal any impacts – neither in its own operations nor in further stages of the value chain – that would have a material impact on biodiversity or the ecosystem. Limited information is currently available on

[13] In the case of BorsodChem, the net sales revenue in 2024 is: 2.173.003.410 EUR. In the case of BC-KC Formalin, the net sales revenue in 2024: 27.948.440 EUR.

the biodiversity aspects of the value chain; the CSDDD-based supplier due diligence to be implemented next year is expected to provide more detailed data in this area.

The Company assessed the physical and transition risks related to biodiversity and ecosystems as part of the double materiality assessment using the criteria set out in the ESRS. Due to a lack of information, the assessment currently only covered its own operations.

Among the **physical risks** identified were the effects of climate change, resulting from industrial water withdrawal from the Sajó River, which may pose a risk due to fluctuations in water flow and drought periods. Additional physical risks identified are microplastics in treated wastewater, as well as the large amount of industrial wastewater from technological activities, which is treated by a wastewater treatment plant operated by us and specially developed for BorsodChem's technology. Due to our high-tech Central Wastewater Treatment Plant and the decades of experience of our specialists, the pollutant concentrations of the recycled wastewater comply with current legislation. Physical risks also include the increase in paved surfaces and the decrease in the proportion of green areas due to the increased need for the construction of parking areas.

Among the **transition risks**, the company identified the tightening of environmental regulations and possible future regulations on water use and wastewater treatment as relevant factors for it as a result of the study. However, the study did not reveal any risk or opportunity – neither in the physical nor transition category – that would exceed the materiality threshold. Nevertheless, the company has an annual assessment of the ecological status of Sajó carried out as a matter of awareness, and applies technological and infrastructural measures in accordance with legal requirements in order to prevent risks. BorsodChem believes that the management of systemic risks related to the company's production activities would only be possible with large energy and material investments, or in a way that transfers the risk to another area (e.g.: reducing the size of emergency response vehicles in an area that is not risky from the point of view of biodiversity is only possible if the area of production activity is smaller, which in turn increases the level of risk arising from a potential accident due to the lack of protective distances, etc.).

BorsodChem strives to provide relevant information to the parties concerned on issues and information related to Biodiversity:

- During the double materiality assessment, the company involved several stakeholder groups in the assessment of the significant impacts identified from the analysis, including the affected communities, however, no comments were received from the point of view of biodiversity. The communities affected from the point of view of BorsodChem were: Berente and Múcsony settlements.

- Due to the complexity of the technology, all of BorsodChem's production plants have a Single Environmental Use Permit. These present the impact of the plant on the environment and the ecosystem at several points. These permits and the related documentation are fully freely available on the Inspectorate's website.

- When establishing a new plant, BorsodChem holds a public hearing in the affected communities during the environmental licensing process, where the expected impact of the plant on the environment and biodiversity is presented to the community members in person.

- In addition to the above communication channels, BorsodChem also organizes an open day, where BorsodChem management engages in a free and honest dialogue on topics affecting the public.

- BorsodChem also communicates about its sustainability activities, which include the preservation of biodiversity, with the affected groups through its Sustainability Reports, articles published on the topic and its biannual Sustainability Newsletters.

BorsodChem operates integrated technologies at its Kazincbarcika sites. This means that its technologies are connected to each other in a circular manner, thus reducing the amount of raw materials required for production (e.g. rock salt, hydrochloric acid, chlorine, etc.) and the amount of waste generated. The company's integrated production activities (e.g. production of raw materials, procurement of raw materials essential for production, etc.) all have an impact on biodiversity. BorsodChem continuously monitors the impact of its production activities using several methods (e.g. emission measurements, immission measurements, ecological status assessments, impact assessment of plant activities, etc.), which it continuously communicates with the relevant parties in the ways presented above: at open days, public hearings and in its freely available documents (IPPC, Sustainability Report, etc.).

Although the Company's activities do not have a demonstrable negative impact on the communities of the surveyed settlements, it applies preventive and mitigation measures to protect the ecosystems affected by its own operations. The non-material environmental impacts identified during the double materiality assessment primarily affect ecosystem elements. These cannot be completely eliminated due to the nature of the production activity, but their impact is not material, and the Company strives to further reduce them with continuous resource investment: It has launched its Water Recycling Project (WWRP), a separate project has been established to protect soil wildlife for the continuous maintenance of disaster relief workers, it is continuously improving its Central Wastewater Treatment Plant, and in order to protect birds, several artificial swallow nests have been installed on BorsodChem buildings to improve the impact of BorsodChem's environment on wildlife.

The main area of BorsodChem's activity, where the production activity takes place, does not fall within areas sensitive to biodiversity and has no detectable impact on them, however, there are Natura2000 areas and National Ecological Network areas in the vicinity of our Kazincbarcika site. The most exposed area is the Natura2000 area located at the Sajó River, which falls within the scope of the ecological status assessment of the Sajó River carried out by BorsodChem every year, with which BorsodChem would like to continuously monitor its own impact on wildlife. Based on the experience so far, no deterioration has been observed due to BorsodChem's activities.

On the area owned by BorsodChem, which is currently inactive in terms of production activity and which is located within the National Ecological Network area, BorsodChem has carried out several recultivation activities in order to eliminate old industrial heritage. In these areas, in cooperation with the Aggtelek National Park, a wetland habitat was created, where more than 100 protected bird species were identified by national park specialists.

E5 Resource use and circular economy

During the DMA analysis, BorsodChem reviewed its value chain in order to map and determine the impacts, risks and opportunities related to resource use and the circular economy. During the analysis, the Company identified the following two material IROs as material.

Material impacts, risks and opportunities (IROs) and their relationship to the business model and strategy

ESRS 2 IRO-1, SBM-3

IRO ID	Topic	Material IRO[14] description	Classification	Connect to business model and strategy
BC-IRO-2024-8	ESRS E5 Circular economy Resource inflow, including resource use	BorsodChem Zrt., as one of the most important chemical companies in Europe, has a complex technological process based on the principle of circular economy. In our technology, we were able to achieve a large amount of material recovery through the circulation of hydrochloric acid solution and technological brine. Due to this effect, less raw materials need to be produced and purchased for BorsodChem, thus emissions and environmental impact are reduced by avoided transportation, and we were also able to achieve significant cost savings due to the savings in raw materials. (205,000 t/year HCl recycling, 379,000 t/year rock salt savings, 457,200 MWh/year energy savings, 66,000 tCO2 emissions avoided)	Actual positive impact Current opportunity Upstream	Like all companies, BorsodChem has a well-understood business interest in cost savings. By recovering raw materials, not only the purchase costs but also the transportation costs can be saved. BorsodChem's sustainability policy and strategy also treat the support of the circular economy as a key focus area. The development of the circular economy is essential to achieve the long-term goal of carbon neutrality, as approximately 43% of BorsodChem's GHG emissions are related to the raw materials it purchases.

[14] I = Impact, R = Risk, O = Opportunity

Policies and objectives related to resource use and the circular economy

E5.MDR-P, MDR-T, E5-1

One of the key areas of the Company's 2024 Health, Safety and Environmental (HSSE) policy is the development of appropriate and conscious waste management. In this, the Company defines the guidelines for its waste management operations, such as minimizing environmental impact and researching water recycling solutions, thereby reducing the use of natural resources and environmental impacts.
Specific commitments in the policy's 2022-2024 objectives include the development of a circular economy by reducing the amount of hazardous waste generated by 20% compared to the 2021 base year. The management of hazardous waste not only places a heavy financial burden on the company, but also reduces the possibilities for utilization due to the hazardous polluting components.

In order to achieve this goal, the Company takes into account the lifespan and useful life of the equipment in its procurement processes, reduces waste generation through maintenance activities and responsible management, prioritizes reuse, optimizes its plant technology to increase the amount of recycled water, and examines the recycling possibilities of its products through research and development (R&D) activities and increases the proportion of sustainably produced raw materials. Another priority goal is the liquidation and recultivation of our BorsodChem Sóstó basins, as well as the final closure of the Zagytéri Z1 and Z2 basins by 2024. This goal supports the conscious and thoughtful utilization of waste from BorsodChem's construction and demolition activities, thus reducing the proportion of waste disposed of. By utilizing the waste used for recultivations, we have generated a large amount of raw material consumption, and there was no need to dispose of this waste.
In addition to the Company's EHS policy, the 2024 Sustainability Policy also includes the circular economy, water and environmental protection as key focus areas. In these, Borsodchem has set the following guidelines for its operations:

Circular economy:
• In order to promote a circular economy, we strive to use recycled, recyclable, bio-, renewable and environmentally conscious raw materials. We increase the proportion of sustainable raw materials in our products.
• We research the recycling possibilities of our products. Through our R&D activities and professional organizations, we seek sustainable solutions in order to close the value chain.
• We introduce the carbon footprint assessment of our products, which we continuously develop and take into account in our management decisions.

Water and environmental protection
• We increase the amount of recycled water by developing the technology of our plants. We research the possibilities of minimizing our water use and the use of new/alternative water sources.
• When introducing new technologies/processes, we always choose the best available, low-water-use solutions.
• We strive to avoid our environmental impacts through responsible management.
• We apply the principle of prevention in our processes to minimize waste generation, prioritizing recycling.

The Company's Sustainability Goals valid for 2024 were developed along these guidelines, which include the following commitments related to circular economy:
• *Reducing Scope 3 greenhouse gas emissions*: Scope 3 emissions cover a number of categories. These include emissions from waste management, in which case recovery involves significantly lower emissions than disposal (incineration, landfilling).
• *Developing a sustainable, premium product portfolio by 2050*: We use raw materials from agricultural production (e.g. rapeseed oil) and waste (e.g. used cooking oil) to produce our organic and bio-circular products, thus supporting their return to production.
• *Reduce the amount of waste disposed of in landfills to zero by 2040*: The worst way to manage the waste generated is to recycle it in landfills, as this completely removes the waste from the production process. Through technological changes and cooperation with our external partners, we can reduce the amount of waste disposed of in landfills.

• *Minimize environmental impacts*: The way waste is managed greatly influences its impact on the environment. Disposal operations have a significantly greater impact on the environment than recovery methods.

The objectives presented above support the return and reuse of waste and raw materials into production processes, in coordination with the reduction of GHG emissions from recovery.

At the end of 2024, both the Integrated Management Systems and the sustainability-related policies and objectives were reviewed, and a Sustainability Strategy with long-term goals was developed. The policies and objectives related to the integrated management systems were consolidated and include BorsodChem's commitments for the period 2025-2027 as Integrated Policies and Objectives.

The Integrated Policy continues to include the minimization of environmental impact and the use of natural and production resources. The Integrated Goals related to the policy include specific commitments to increase recycling:
• Increase the amount of recycled water by 2 million m3 per year by 2027
• Introduction of a Water Quota Settlement System by 2026 to increase water recycling

BorsodChem’s renewed Sustainability Policy, objectives and strategy formulate commitments along the same focus areas:

Sustainability Policy guidelines revised at the end of 2024:

Circular economy
• In order to promote the circular economy, we continuously research the possibilities of recycling our products within the framework of our R&D activities and with the help of professional organizations.
• Development of a premium product portfolio using organic and bio-circular raw materials.

Water and environmental protection
• In order to minimize our water consumption, we increase the amount of recycled water and continuously examine our water use to explore reduction and intervention opportunities. • By continuously developing our technology, we reduce the amount of waste disposed of by landfilling.

In order to meet the points specified in the policy, the following sustainability objectives have been defined:
• *In order to establish an accurate water balance, we ensure the measurability of the main water flows within a 5% error margin, and in order to increase water recycling, we introduce a water quota settlement system*: the first step in increasing water returns is continuous monitoring and the definition of intervention points and development opportunities. The corporate water balance will help us with this, using which the water quota settlement system can be established. With the help of the water quota settlement system, we can continuously optimize our company's water use, thus reducing water withdrawals year after year.

The Sustainability Strategy, which contains our long-term objectives, includes the following commitments in line with the policy:

Circular economy
• Develop a premium bio- and bio-circular product portfolio by 2050
• *Develop and use recycling technology to reduce our end-of-life products by 2040*: Borsodchem’s 2024 corporate GHG inventory shows that one of the key emission categories is related to the end-of-life management of its products. In order to reduce these impacts in the future, we intend to develop our technology in order to facilitate the recycling of our products.

Water and environmental protection
• Reduce the amount of waste disposed of in landfills to zero by 2040

It can be seen that BorsodChem considers the conscious use of resources and the development of circular management of production processes to be a particularly important issue.

In terms of coverage, it is important to note that while the EHS policy and objectives in force in 2024 cover the period 2022-2024, the Sustainability Policy and long-term sustainability objectives referred to the time horizon between 2022-2050. It is precisely because of the difficulty of monitoring this long period that BorsodChem's management decided to standardize the validity period of its commitments and the documents published in 2025 uniformly cover the period 2025-2027. Both the sustainability and the presented EHS policies, objectives and strategy cover exclusively the activities of the Kazincbarcika site, without subsidiaries.
The company involved internal stakeholders in defining its waste and water management goals, including experts in relevant fields, board members and the CEO, where the experts set the goals based on operational experience, then managers commented on them and the CEO approved them. The goals for the sustainable product portfolio were decided by senior management and involved customers, who formulated their needs for new products. In undertaking remediation activities, professional organizations (concept), board members (control), CEO (approval), authorities (opinion) and local governments (land use) were involved in the goals.The highest level of management, the President, is responsible for implementing the Company's circular economy policy. He approves the public sustainability policies and objectives set by the Company.The Company uses multiple material recycling loops through its integrated technologies to optimize raw materials, which was identified as a positive impact in the DMA analysis, as this production practice is unique in the chemical industry. It is important to highlight that the guidelines for sustainable procurement in the Sustainability Policy apply to both the Company's own practices and its suppliers: integrating sustainability principles into procurement processes, assessing sustainability aspects among selection factors, identifying and managing sustainability risks in the supply chain, and encouraging supply chain partners to follow sustainability principles and improve their performance.

Objectives

MDR-T

The Company is involved in EU and national policy objectives through professional associations – MAVESZ, KSZGYSZ, Environmental Protection Committee – and provides opinions on the drafts, and determines its own future goals taking into account their experiences. When developing the company's sustainability policy and objectives, it treats the UN Sustainable Development Goals as a basic principle, of which the "Responsible Consumption and Production" goal includes the development of a circular economy and the conscious use of raw materials. When setting waste recovery and disposal goals, the Company takes into account the results of its own environmental risk assessment and the waste hierarchy, which determines the sustainability order of waste management methods. For water management goals, it also uses the UN goals and the company's environmental risk assessment, and when developing a sustainable product portfolio, it uses the sustainability needs of customers, the company's own sustainability vision and the UN goals as a basis; In recultivation activities, it prioritizes the conscious sustainability coordination of projects and the reduction of the burden on the surrounding population within the framework of social responsibility.

Among the Company's goals supporting the circular economy, there are specific, measurable targets for the following:

• **Hazardous waste reduction**: 20% reduction in the amount of hazardous waste generated compared to the base year 2021, measured in absolute quantities (tonnes).

• **Sóstó and Zagytér basins**: complete liquidation and recultivation of the Sóstó basins by 2024. The closure of Zagytér Z1 and Z2 basins remained ongoing in 2024.

• **Sustainable product portfolio**: development of a premium sustainable product portfolio by 2050.

• **No landfilling waste**: reduction of the amount of waste disposed of by landfill to zero by 2040, measured in absolute quantities (tonnes).

The Company's circular economy goals apply exclusively to the Kazincbarcika site's own activities. These goals do not extend to other actors in the value chain.

The indicators related to the Company's circular economy goals are as follows:

• **Hazardous waste reduction:** In 2021, 7.024 tons of hazardous waste were generated in BorsodChem's production, the amount of which was 9.021 tons in 2024.

• **Sóstó and Zagytér basins:** The reclamation activities have not yet been completed in 2024, they are still ongoing.

• **Sustainable product portfolio:** The goal was set at the beginning of 2022, but BorsodChem obtained ISCC plus certification this year, thus creating its sustainable product group called NEO.

• **Landfill waste:** In 2021, 9.238 tons of waste generated in BorsodChem's production were disposed of by landfill, while this value was 17.220 tons in 2024.

The waste management targets for the generation of hazardous waste and the reduction of the amount of waste deposited have not decreased due to technological developments and new plants, therefore further action plans are being developed to improve performance.

Regarding the accuracy of the data, it can be said that the company measures waste on its own certified and calibrated scales with an accuracy of 10 kg, the data of which is managed by the SAP system. The data recorded in SAP includes the name of the waste, its owner, classification, the name of the receiving partner and the method of treatment, enabling continuous monitoring of waste in various breakdowns, even going back several years.

Due to the complexity of Borsodchem's technology and changes in economic aspects, the targets set by the company and its subsidiaries to support the circular economy have not yet been validated by the Science Based Targets initiative (SBTi), however, our Company is investigating the possibility and implementation of this in the future.

The company’s objectives promote the development of a circular economy in several ways, primarily by increasing the use of sustainable raw materials, developing a premium sustainable product portfolio by 2050 and increasing the proportion of recycled, bio-renewable raw materials according to the policy, which are derived from agricultural by-products or used cooking oil, reducing dependence on fossil raw materials. Increasing water recycling enables the substitution of fresh water in production, while the liquidation of the Sóstó basins and the recultivation of the Zagytér Z1-Z2 basins by 2024 will replace thousands of tons of demolition waste with recycled construction materials. The actors in the value chain are supported in the development of sustainable systems by waste reduction, prioritizing reuse, R&D-based recycling research, eliminating landfill disposal by 2040 and professional collaborations.

Application of the waste hierarchy

The waste hierarchy is a multi-step priority order that defines the most environmentally friendly waste management methods. The aim is to prioritize prevention, reuse and recycling over landfilling. The order adopted by the EU is: prevention, reuse, recycling, energy recovery, incineration, landfilling. The company follows this principle when defining its goals: reducing the generation of hazardous waste is at the top of the hierarchy, while completely eliminating landfilling (reducing to zero by 2040) is at the bottom of the hierarchy.

Basis of goals

It can be said that in the case of the limit values laid down in the law, the specific values were determined based on the impact assessment and risk assessment carried out by international organizations. In other cases, BorsodChem has set voluntary goals that ensure continuous, long-term sustainable operation.

Type of distinction

Type of the goal	Base of the goal	Goal
Mandatory	Legal limits, international estimates, regulations	In accordance with the European Union and related domestic regulations, reducing the amount of waste disposed of in landfills to zero by 2040.
Voluntary	Corporate strategy	BorsodChem's other circular economy-related goals presented are voluntary.

Resource inflows

E5-4

The Company purchased hundreds of different chemical raw materials, auxiliary materials and other products in 2024, the heterogeneity of which makes them difficult to understand. For this reason, we present them grouped in a manner similar to the corporate GHG inventory.

Grouping of input resources

BorsodChem procured the following materials by category and quantities in 2024:

- Raw materials (e.g. toluene, aniline, benzene): 950.205 tonnes.
- Industrial gases (e.g. carbon monoxide, hydrogen, oxygen): 794.733 Nm3. (637.538 tonnes)
- Auxiliary materials (e.g. adipic acid, glycerol): 41.268,71 tonnes.
- Packaging materials (e.g. drums, IBCs, pallets): 2.292.342 pcs. (13.865,07 tonnes)
- Maintenance technical materials (e.g. pipelines, pumps, protective equipment): exact breakdown not possible due to extreme heterogeneity. (Their existence is essential for operation.)

Materiality and methodology

The grouping is based on direct measurements due to complexity, in line with the ESRS E5-4 requirement for the disclosure of the quantity and type of resources (materials, products) input.

Due to the diversity of thousands of different materials, auxiliary materials and products purchased by the company, an uniform sustainable procurement ratio cannot be established, as in many cases (e.g. industrial gases, technical materials) mass is not a relevant indicator.

Methodological explanation

Material group	Problem with sustainability ratio	Example of sustainable procurement
Raw materials	Hundreds of variations, proportion can be calculated	Bio-toluene: 21,067 t
Industrial gases	Volume (Nm^3) is relevant instead of mass	No sustainable alternative provided
Technical materials	Small crowd, big variety	Not quantifiable

Sustainable Procurement Details

Among the sustainable raw materials, the amount of bio-toluene required for the sustainable product portfolio in 2024 was 21,067 tonnes, while the total raw material procurement was 950.205 tonnes. The Company's sustainable product portfolio is based on bio- and bio-circular raw materials, which are purchased based on customer needs, but their share in 2024 remained low, accounting for less than 1% of raw material consumption.

The Company prioritizes sustainable procurement, in line with the principles of the circular economy.

The Company's packaging materials in 2024 did not contain any secondary recycled or reused materials, thus their absolute weight according to E5-4_04 is 0 tonnes out of the total packaging material procurement of 13.865,07 tonnes. Sustainability is represented in the product portfolio by bio- and bio-circular raw materials (e.g. bio-toluene produced from used cooking oil or agricultural by-products: 21,067 tons).

Recycled Materials Status

ESRS E5-4_04 requires the absolute weight of secondary (recycled) components, intermediate products and materials used in the manufacture of products and packaging. For the company, this is 0% for packaging materials, as only virgin materials were used.

Sustainable alternatives

- **Packaging materials**: 0% recycled content.
- **Raw materials**: Bio-toluene (recycled based) 21,067 t out of 950.205 t. Bio-circular materials are sourced based on customer needs, in line with the principles of the circular economy.

Recycled Rates

ESRS E5-4_05 requests the percentage of secondary recycled components used in the manufacture of products, intermediate products, and packaging.

Category	Recycled rate	Total quantity	Comment
Packing materials	0%	13.865,07 tonnes	Only primary materials
Raw materials	<1% (produced from agricultural products)	950.205 t	Bio-toluene: 21,067 t

The Company records the quantity of bio- and bio-circular raw materials used in the production of its sustainable products in its SAP-based enterprise management system, completely separating them from fossil raw materials. This separation complies with the requirements of the ISCC Plus certification system, which requires strict separation of the records of sustainable raw materials. Data on the quantity of all raw materials used is also available in the SAP system, so that verified, traceable information is available for several years.

Data collection method

The collection of raw material input data according to ESRS E5-4_06 is based on the company's internal SAP system, which ensures the accuracy and traceability of the data. The system allows for separate recording of sustainable (bio-toluene: 21,067 tons) and total raw materials (950.205 tons).

Reliability and verifiability

Data source	Description	Verifiability
SAP system	Separate organic and all raw material records	Several years of historical data, ISCC Plus certified
GHG inventory	Purchasing grouping	Internal register

Resource outflows

E5-5

BorsodChem's premium sustainable (NEO® products) product portfolio does not differ in chemical properties from products produced from fossil raw materials, as it produces products with the same molecular structure in stoichiometry. The difference is reflected in the origin of the raw materials used and the production process: while the raw materials of fossil products are obtained by chemical transformation of fossil hydrocarbons, the bio- and bio-circular raw materials of NEO® products are primarily derived from used cooking oil and agricultural by-products.

The NEO® product portfolio includes the following products: Ongronat NEO 1065 B, 1065 C, 1080 B, 1080 C, 1100 B, 1100 C, 2100 B, 2100 C, 2500 B, 2500 C, 2510 B, 2510 C, 3000 B, 3000 C, 3020 B, 3020 C, CO 4050 B, CO 4050 C, TR 2000 B, TR 2000 C, TR 4040 B, TR 4040 C. The “B” designation means that the product is made from raw materials derived from biomass (agricultural by-products), while the “C” designation indicates that the product is of biocircular origin, i.e. derived from the chemical transformation of waste.

The Company has also developed products that can be used as adhesives to support the recycling of heterogeneous foams, including ONGRONAT® FB 5450, FB 5460, FB 5470 and ONGRONAT® XP 1150 (Gödöllő). These products are suitable for the physical recycling of polyurethane soft foam products at the end of their life cycle, thus supporting the circular economy. Detailed technical descriptions of the products, including application areas and performance characteristics, are available on the company's website: https://borsodchem.com/en/product-finder

The Company produces chemical raw materials that serve as intermediate products for the production of other manufacturers' final products, i.e. they are not ready-to-use products, so the shelf life (according to ESRS E5-5_02) and repairability (according to ESRS E5-5_03) information is not relevant to its activities. The shelf life of the products sold is 6 months or 1 year, depending on the parameters of the purchased product.

As mentioned, the packaging materials used by BorsodChem currently do not contain recyclable materials, however, BorsodChem strives to use reusable packaging materials in cases where this is possible. The IBC containers, barrels, and rail tank cars we use are excellently suitable for multiple use. In the case of certain packaging materials, BorsodChem sells them - taking into account sustainability aspects - among its own employees, thus promoting their further use.

The company measures the weight of its products (MDI, TDI, PVC, TPU, alkali, hydrochloric acid) and waste with certified, calibrated scales, and records the data in the SAP system, ensuring accurate traceability during rail and road transportation.

Waste at BorsodChem and its subsidiaries

A total of 69.637 tons of production waste was generated at BorsodChem Zrt. during the reporting period.

It is important to note for better transparency that there may be some difference between the amount of waste generated and the amount of waste delivered for treatment within a period, as a longer period (even several months) may elapse between generation and treatment.

In 2024, the total amount of recovered waste at BorsodChem Zrt. was: 49.245 tons. Of this, 396 tons of waste were recovered energetically and 48.849 tons of waste were recovered in other ways. The distribution of recovered waste was as follows:

- Non-hazardous waste: 48.383 tons,

- Hazardous waste: 862 tons.

In 2024, the total amount of waste generated by BC-KC Formalin Co. was: 1.628 kg. Of this, 1.608 kg was non-hazardous waste, which was utilized.

BC Energiakereskedő Co. only carries out commercial activities, so the amount of office waste generated is negligible compared to the amount of waste generated during the operations of BorsodChem and its other subsidiaries. The amount of waste generated during the operations of BC Energiakereskedő Co. is much less than 1% of the waste of BorsodChem Zrt.. Based on the above, the amount of waste generated by BC Energiakereskedő Co. cannot be considered relevant in the future.

No waste is generated during the activities of BC Energiatermelő II Co., since the operational production and operation activities are carried out by Alteo Co. according to the contract. The declaration of waste generated is also carried out by Alteo Co., so BC Energiatermelő II Co. is not relevant in terms of the waste generated.

The total amount of waste disposed of at BorsodChem Zrt. in 2024 was: 19.310 tons. Distribution of disposed waste:

- Non-hazardous: 11.277 tons,

- Hazardous: 8.033 tons.

The disposal methods used are incineration on land and landfill with technical protection:

- Incineration on land: 2.091 tons,

- Landfill with technical protection: 17.219 tons.

The total amount of waste disposed of at BC-KC Formalin Co. in 2024 was: 20 kg, which was classified as hazardous waste and was disposed of by incineration.

BC Energiakereskedő Co. and BC Energiatermelő II Co. are not relevant in terms of waste generation and therefore waste disposal.

Distribution by waste management method (ton)

	Category		BorsodChem Zrt.	BC-KC Formalin Co.	BC Energiakereskedő Co.	BC Energiatermelő II Co.	Total
Total waste generated			69.637 (of which Gödöllő: 8 ton)	2	negligible	50	69.689
Based on hazardousness	Total hazardous waste generated		9.021	-	–	42	9.063
	Total non-hazardous waste generated		60.616	2	–	8	60.626
Total waste submitted for treatment			68.555	2	–	50	68.607
Total waste submitted for treatment - Distribution by treatment method							
Utilization	Total waste utilization		49.245	2	–	36	49.283
	Based on utilization method	Energetically utilized	396	–	–	–	396
		Utilized in other ways	48.849	2	–	36	48.887
	Based on hazardousness	Utilized non-hazardous waste	48.383	2	–	8	48.393
		Utilized hazardous waste	862	–	–	28	890
Disposal	Total disposed waste		19.310	-	–	14	19.324
	Based on disposal method	Ladfilled waste	17.219	–	–	-	17.219
		Incinerated waste	2.091	-	–	14	2.105
	Based on hazardousness	Disposed non-hazardous waste	11.277	–	–	–	11.277
		Disposed hazardous waste	8033	-	–	14	8.047

The group of non-recycled waste includes disposed waste.

The proportion of waste sent for disposal: 28,17%.

The proportion of waste sent for utilization: 71,83%.

During the Company's operations, more than 100 different types of waste are generated, all of which have different compositions, hazard levels and physical states, making it very difficult to provide a transparent presentation of the composition of the waste. After laboratory analysis, the waste is classified into the Hungarian Waste Identification Code (EWC) system, which ensures legal compliance and the identification of the basic properties of the waste (e.g. hazardous/non-hazardous).

The company's production waste quantity per site

The company reported the quantity of radioactive waste as 0 kg within its own operations during the period under review, in accordance with the Environmental Summary data.

The company bases the measurement and calculation method for the quantity of radioactive waste on the official data reporting system of the Environmental Summary.

Waste management practices and resource efficiency

The company uses the SAP WMS (Waste Management System) module to track waste generated in its plants. This system ensures the recording of waste generation, the request for collection containers, the submission of waste transport requests, and the administration of waste pre-treatment processes and transfer to treatment partners.

The weight of waste is determined on the company's own, certified and accredited scales. The company's Waste Management Plant is responsible for the collection and transport of waste generated within the site, as well as for coordination with partners with appropriate professional permits and experience.

During its operations, the Company primarily strives to prevent waste generation. To this end, it recycles materials generated in production processes into the production process whenever possible. In the case of waste that is necessarily generated, the company prefers recycling, reuse or energy recovery.

All tasks related to the collection, pre-treatment, recovery and disposal of waste are carried out exclusively by partners with a valid permit. For waste that cannot be recovered due to its composition, the company disposes of it by landfill or incineration. When selecting partners, the company strives to give preference to shorter transport distances in order to reduce environmental risks.

SOCIETY

S1 Own workforce

Based on the results of the double materiality assessment, the S1 – Own Workforce topic is not considered material. However, in order to enhance transparency and industry comparability, the Company voluntarily discloses certain information related to this topic.

Corporate practices, impacts, and risks

S1.SBM-3

The Company's workforce primarily consists of full-time employees, supplemented by a small proportion of part-time employees. In addition, individuals engaged under other legal arrangements may also be involved, including, among others, dual higher education students employed under student employment contracts, secondary-level dual vocational students employed under vocational training contracts, as well as interns engaged through student cooperatives. Employees account for 97.0% of the Company's own workforce. Within this group, the distribution by type of employment is as follows: 99.71% full-time and 0.29% part-time (within employees). Non-employee workers represent 3.0% of the own workforce. Included in the Non-employees category are: in indrustrial practice, dual education trainees, employed with scholarship, employees with a service/ mandate agreement. This amounts to 111 individuals. At the subsidiaries, employment is exclusively full-time, with a total headcount of 36 employees.

Based on the results of the double materiality assessment, the Company has not identified any material negative impacts in relation to its own workforce. Nevertheless, the Company's risk management and internal control system continues to monitor indicators and processes related to employee well-being, in view of their impact on operational stability and stakeholder satisfaction.

The professional and soft skill training programs, health promotion initiatives, private healthcare services, diverse benefit packages, and flexible working arrangements provided by the Company have a positive impact on the well-being and satisfaction of its own workforce. These measures apply to the entire population of employees and, depending on the Company's practices, are partially or fully available to non-employee workers as well, including those engaged under student or vocational training arrangements and interns employed through student cooperatives. The vast majority of these benefits also extend to employees of the Company's subsidiaries.

Based on the double materiality assessment, the Company has not identified any material risks or opportunities related to its own workforce. Nevertheless, the Company proactively monitors labor market trends and the availability of skilled labor, as these dependencies may have an impact on operational efficiency and long-term resource security.

During the reporting period, the Company did not yet have a formally approved transition plan aimed at reducing environmental impacts and moving toward climate-neutral operations. Accordingly, in the given financial year the Company did not identify any material actual or potential impacts on its own workforce arising from transition measures. Nevertheless, the Company monitors developments in regulatory and market expectations related to the transition and will assess potential impacts on employees in the relevant planning phases of any future transition processes.

The Company applies practices based on diversity and inclusion principles in order to ensure an inclusive workplace environment and promote equal opportunities for all employees. When designing its employment practices, the Company takes into account the occupational health and safety requirements of individual positions, with particular regard to the specific characteristics of its chemical industry operations. As a result, in cases where certain physical or mental limitations objectively prevent the safe performance of specific roles, employment cannot be ensured across all positions.

The Company has not identified any material risk related to its own workforce that would, on its own, have a significant negative impact on employees. Nevertheless, the Company continuously monitors external and internal ESG-related trends, as well as labor market developments, to timely identify and manage any emerging risks. Furthermore, the Company notes that the significant impacts identified under the ESRS S2 (Workers in the value chain) standard—particularly those related to secure employment—do not pertain exclusively to subcontractors, but may also indirectly affect the Company's own workforce.

Corporate policies and processes regarding the own workforce

MDR-P, S1-1, S1-2, S1-3

The Company's Code of Ethics, Ethics Line Policy, Anti-Fraud Policy, Recruitment Policy, and Collective Bargaining Agreement, which apply to all full-time and part-time employees, ensure that employees can work in an environment where safety, mutual respect, and equal treatment are upheld. These regulations aim to provide every employee with equal opportunities to participate in the Company's community and professional life, regardless of their individual background, abilities, or identity. The application of the aforementioned policies extends to all natural or legal persons providing any products or services to the Company, whether as primary contractors or subcontractors. In its collaboration with suppliers, the Company acts in accordance with the principles of the Supplier Code of Conduct, ensuring compliance with ethical standards, legal requirements, and human rights throughout the entire value chain.

The implementation of corporate policies is jointly overseen by the Company's senior management, including the Chairman, Vice Chairman, CEO, CFO, and COO. Decisions regarding impacts on employees are also made at this same level.

The Company's employee-related policies—including the Collective Bargaining Agreement—are based on internationally recognized standards, including the principles and conventions of the ILO[15], ISO 45001/30414/26000 standards, applicable EU legislation and directives, as well as the UN Global Compact commitments. The Company develops and, when necessary, updates its employee-related policies—including the Collective Bargaining Agreement—based on regular consultations with employee representatives. During these reviews, feedback from the annual employee satisfaction survey is also taken into account, ensuring that the policies respond both to the needs of internal stakeholders and to the current operational environment. Trade union collaborations at the relevant subsidiaries operate independently of the parent company in Kazincbarcika.

The Company makes its employee-related policies accessible to all relevant parties through internal corporate communication channels. New entrant receive comprehensive information about the applicable policies and procedures as part of a structured onboarding process.

The Company's Policies and Objectives cover all requirements of its existing management systems and, in alignment with these, define specific programs. The documents place particular emphasis on creating a safe working environment, ensuring continuous development, and demonstrating the Company's consistent commitment to social responsibility. Our Sustainability Policy, Objectives, and Strategy have been developed around seven focus areas to more effectively support our environmental, social, and economic responsibility commitments.

The Company regularly reviews and, when necessary, updates the relevant policies to effectively manage material impacts, risks, and opportunities related to its own workforce, in accordance with the disclosure requirements of ESRS 2 MDR-P.

[15] ILO = International Labour Organization

Code of Ethics

The scope of the Code of Ethics covers BorsodChem Zrt. and its wholly owned subsidiaries, all employees of the corporate group, as well as any natural persons or legal entities acting on behalf of and representing the Companies under a contractual relationship with the group. The regulation addresses key areas affecting employees, with particular emphasis on respecting human rights and ensuring freedom from discrimination. The Code of Ethics defines the Company's operations and fundamental obligations toward employees based on comprehensive principles. At its core is respect for human dignity, which includes the complete prohibition of discrimination, the enforcement of equal treatment, and the exclusion of child and forced labor. Another fundamental principle is the rejection of all forms of physical and psychological violence. The Code also places strong emphasis on ethical communication within the Company, ensuring freedom of expression and supporting open dialogue. Additionally, the document clearly establishes rules for the handling of confidential information and data protection.

Dialogue and Communication Channels

The Company maintains regular dialogue with employee representatives and operates a grievance mechanism to address potential violations at an early stage. It provides multiple communication channels to ensure that all stakeholders can easily and promptly access the necessary information. These include various forums that allow for direct dialogue and discussion of arising questions. The Company also regularly publishes monthly reports summarizing current updates, changes, and important announcements. Additionally, information and consultation opportunities are provided in person during training sessions. Bulletin boards, posted notices, and the internal electronic communication network offer transparent, up-to-date information accessible to everyone. Together, these channels ensure that all employees are informed in a timely manner about news and events relevant to them.

General Approach to Measures Addressing Human Rights Impacts

The Company is committed to adhering to international human rights standards — particularly the UN „Guiding Principles on Business and Human Rights" (UNGPs) and the OECD Guidelines—and, in line with this commitment, has developed an approach for handling human rights complaints and facilitating the remediation of actual or potential human rights violations.

Grievance Mechanism and Procedural Guidelines

The Company aims to provide opportunities for feedback through effective and accessible mechanisms. To this end, it operates a grievance reporting system—including channels that ensure anonymity—through which stakeholders can report alleged human rights violations. Reports are investigated by an independent, designated Ethics/Compliance unit, which, if necessary, involves representatives from HR and the relevant managers.

The Company ensures that the process is free from retaliation and keeps stakeholders fully informed about the status and outcome of the investigation. Identified violations are addressed with remedial measures, which, depending on the nature of the case, may include immediate improvement of working conditions, initiation of compensation or rehabilitation measures, disciplinary actions, process improvements, or training programs to prevent future occurrences.

Commitment to Non-Discriminatory Employment

Section 4.2 of the BorsodChem Group Code of Ethics ("Respect for the Individual – The Basis of Workplace Relationships") addresses the elimination of discrimination. The Company's policies explicitly reject and condemn all forms of discrimination, whether based on age, national or social origin, gender, sexual orientation, marital status, religion, disability, or any other characteristic that could serve as a

basis for discrimination. The internal directive titled *“Social Commitment at BorsodChem Zrt.”* sets out a specific procedural framework. According to this procedure, all employees must be treated in accordance with their skills and qualifications in any workplace-related decision—including hiring, promotion, compensation, training, leave, and termination. No employee may be subjected to adverse treatment on the basis of race, social or religious background, gender, political affiliation, sexual orientation, trade union membership, age, or any other group membership or affiliation.

A fundamental principle of the Company’s operations is the complete rejection of employment-related discrimination, in line with Principle 6 of the UNGC[16]. The Code of Ethics clearly states that no newly hired employee may be subjected to any form of adverse treatment. The Company consistently applies this principle in practice, evaluating employees solely on the basis of their qualifications, competencies, and performance, and does not collect personal data that could serve as a basis for any form of discrimination. All employees are treated according to their skills and qualifications in all workplace-related decisions—including hiring, promotion, compensation, training, leave, and termination. No employee may be subjected to adverse treatment based on race, social or religious background, gender, political affiliation, sexual orientation, trade union membership, age, or any other group membership or affiliation.

Cooperation with Employees and Employee Representatives

The Company has a Workplace Safety Representative Committee and conducts annual assessments of workplace and psychosocial risks, the summaries of which are made available to employees. Based on these risk assessments, the Company defines corrective measures, which are continuously monitored and evaluated. Management is informed of all ethical complaints and observations both at the time of reporting and during the investigation, through the related investigation reports. Additionally, the Company conducts ad hoc employee surveys every 2–3 years on topics such as fraud and corruption, with voluntary and anonymous participation. The results of these surveys are compiled and shared with senior management.

Correcting negative impacts and raising concerns

The Company operates a remediation mechanism that allows employees to file complaints and ensures a prompt and fair process for resolving issues. BorsodChem has maintained an ethics hotline for over 10 years, formalized in an official policy. The document is accessible to everyone on the Company’s website and within internal corporate instructions. The ethics hotline also provides an anonymous channel through which employees, legal entities under contractual relationships with the BorsodChem Group (e.g., customers, suppliers), or any other persons affected by the Group’s activities can raise concerns. The availability, operation, and purpose of these channels are also included in the ethics training materials provided annually to employees. The Company’s grievance process covers anonymous reporting, investigation, and follow-up on corrective actions. Using the anonymous reporting channels, stakeholders can report alleged human rights violations. Reports are investigated by an independent, designated Ethics/Compliance unit, which, if necessary, involves representatives from HR and the relevant managers. The Company ensures that the process is free from retaliation and keeps stakeholders fully informed about the status and outcome of investigations. For identified violations, the Company implements remedial measures, which, depending on the nature of the case, may include immediate improvement of working conditions, initiation of compensation or rehabilitation measures, disciplinary actions, process improvements, or training programs to prevent future occurrences. The ethics hotline is freely and publicly accessible via the corporate website, internal ethics trainings, and the Supplier Code of Ethics.

[16] UN Global Compact

Under current practice, an annual management summary is prepared for senior leadership covering the activities of Compliance and Internal Audit. This summary provides a brief overview of the ethics hotline's operation, the number of complaints received, and the actions taken in response.

The Company also conducts an annual psychosocial risk assessment, which all employees may complete voluntarily; based on the results, corrective or improvement measures are implemented as needed. The Company strictly prohibits any form of retaliation following a complaint, a principle clearly established in the Code of Ethics.

BorsodChem Employees

S1-6

Total Number of Employees by Gender (2024)

Breakdown by Gender (number of employees)	BorsodChem Zrt.	Subsidiaries of BorsodChem Zrt.			BorsodChem Zrt. and Subsidiaries[17] - total
		BC-KC Formalin	Energiakereskedő Co...	BC Energiatermelő II Co..	
Male	2.703	18	11	1	2.733
Female	652	3	2	1	658
Total	**3.355**	**21**	**13**	**2**	**3.391**

Average number of employees, headcount (2024)

Name	Average Annual Headcount (number of employees)
BorsodChem Zrt.	**3.309,00**
BC-KC Formalin	19,68
Energiakereskedő Co..	13,00
BC Energiatermelő II Co..	2,00
BorsodChem Zrt. and Subsidiaries – Total	**3.344,00**

Number of all employees in countries with 50 or more employees, representing at least 10% of the total workforce (2024)

Country	Number of Employees (headcount)	Notes
Hungary	3.330	Represents more than 10% of total employees
Other countries	n.a.	Does not reach the 10% threshold
BorsodChem Zrt. + Subsidiaries	3.366	For informational purposes only

The vast majority of the Company's employees work in Hungary. In other countries, the number of employees does not reach the 10% threshold defined by the ESRS; therefore, the data are not considered material.

Number of employees in countries with 50 or more employees, representing at least 10% of the total workforce (2024)

Country	Number of Employees (headcount)
Hungary	3.330
Hungary (including subsidiaries)	3.366

[17] The scope of the 2024 report covers the following subsidiaries: BC-KC Formalin Co., Energiakereskedő Co., and BC Energiatermelő II Ltd. Expansion of this scope will continue in the future.

The Company's largest workforce is located in Hungary. The number of employees in Hungary, both individually and together with subsidiaries, exceeds 10% of the total workforce, making this the only country for which reporting is considered relevant.

Employee Characteristics by Contract Type and Gender at BorsodChem Zrt. (2024)

Type of Contract	Male (headcount)	Female (headcount)	Total (headcount)	(%)
Permanent	2.551	569	3.120	93
Fixed-term	152	83	235	7
Availability obligation	0	0	0	0
Total	**2.703**	**652**	**3.355**	**100**

Employee Characteristics by Contract Type and Gender at BorsodChem Zrt. and Its Subsidiaries (2024)

Type of Contract	Male (headcount)	Female (headcount)	Total (headcount)	(%)
Permanent	2.581	575	3.156	93
Fixed-term	152	83	235	7
Availability obligation	*0*	*0*	*0*	*0*
Total	**2.733**	**658**	**3.391**	**100**

Number of Employees (FTE), 2024

Organizational Level	Number of employees (FTE)
BorsodChem Zrt.	3.344
BorsodChem Zrt. and subsidiaries	3.380

Average Number of Employees (FTE), 2024

Organizational Level	Average number of employees (FTE)
BorsodChem Zrt.	3.299,00
BorsodChem Zrt. and subsidiaries	3.334,60

Employee Turnover Rate, 2024

Organizational Level	Fluctuation (%)
BorsodChem Zrt.	5,83
BorsodChem Zrt. and subsidiaries	5,80

The calculation methodology for employee turnover rate is: number of leaving employees (voluntary + involuntary) / statistical HC

Voluntary fluctuation is when employees left the company based on their own decision.

Involuntary fluctuation is when the employee's employment relationship ends as follows:

- death of the employee
- retirement

- immediate termination by the employer
- termination by the employer
- expiration of a fixed term
- termination of the employment relationship by the employer during the probationary period

Most frequesnt reasons of voluntary fluctuation (based on exit interviews):

- better job options abroad
- better job options in Hungary
- dissatisfaction with work and working environment
- personal reasons

In 2024, 172 employees left the company and 342 were hired. However, not all new hires remained by the end of the year, and only 313 of them are included in the closing headcount.

Collective Agreements

S1-8

Proportion of Employees Covered by Collective Bargaining Agreement

At BorsodChem Zrt., 99,25% of employees are covered by a collective agreement. The agreement applies to domestic employees, while employees at foreign sites are not included. Subsidiaries are also part of the collective agreement. Accordingly, out of a total of 3.391 employees, 3.366 are covered by the collective agreement, representing 99,26% of the total workforce.

Coverage of Collective Agreements within the EEA (2024)

Country (EEA)	Significant employment (≥50 employees and ≥10%)	Collective Bargaining Agreements	Coverage (%)
Hungary	Yes	Yes	100
Other EEA Countries	No	No	n.a.

Within the European Economic Area (EEA), the Company holds a Collective Bargaining Agreement only in Hungary. In Hungary, 100% of employees are covered by the Agreement. In other EEA countries, the Company does not have significant employment or Collective Bargaining Agreement in place.

Coverage of Collective Agreements outside the EEA (2024)

Region	Percentage of employees covered by Collective Bargaining Agreement (%)
All non-EEA countries	0

Diversity Indicators

S1-9

Gender Distribution in Senior leadership (number and percentage), 2024

Senior leadership – BorsodChem Zrt.	Male	Female	Total
Number of Employees	32	5	37
Percentage (%)	86,49	13,51	100

Senior leadership includes employees at the Company's top executive levels (N-1 and N-2). For subsidiaries, no senior leadership level has been defined; instead, a middle-management (executive) structure operates, making the disclosure of these data not relevant.

Employee Distribution by Age, 2024

Age group	BorsodChem Zrt. Number of Employees	BorsodChem Zrt. Rate (%)	BorsodChem Zrt. and Subsidiaries Number of Employees	BorsodChem Zrt. and Subsidiaries Rate (%)
Under 30 years old	425	12,6	427	12,6
Between 30 and 50 years old	1.955	58,3	1.979	58,4
Over 50 years old	975	29,1	985	29,04
Total	**3.355**	100	**3.391**	100

The company presents the age distribution of employees in three age categories. The data are based on the year-end headcount and are reported separately for the parent company and at the group level.

Calculation methodology: The headcount data are based on the status at the end of the reporting period (year-end closing headcount), except for data points where the ESRS specifically requires the use of average headcount or full-time equivalent (FTE).

The statistics include:

* Employees under fixed-term and permanent contracts,

* Full-time and part-time employees,

* Employees on parental leave (e.g., childcare leave),

* Employees with foreign nationality in an employment relationship.

The statistics do not include:

* Interns,

* Individuals employed under student work programs,

* Persons engaged under mandate or contractor agreements,

* Temporary agency workers.

The **Collective Bargaining Agreement applies** exclusively to employees based at the domestic site; foreign employees are not covered by the collective agreement. Employee data are published based on **headcount**, using information obtained from the **company's HR records**, in line with ESRS S1-6 requirements. For figures presented in FTE, the full-time equivalent was calculated according to the company's internal HR methodology.

The headcount data published in this report are consistent with the figures reported in the financial statements, as personnel expenses and wage costs are based on HR system data.

Workplace Health and Safety

S1-14

The company's occupational health and safety management system for its own employees operates in compliance with legal requirements and recognized international standards. In 2024, 100% of BorsodChem Zrt. employees were covered by the ISO 45001 occupational health and safety management system. Considering the company together with its subsidiaries (BC-KC Formalin Co., Energiakereskedő Co., BC Energiatermelő II Co.), 98.9% of employees were covered by the ISO 45001 system in 2024. BorsodChem Zrt.. is covered by ISO 45001 certification, but the subsidiaries relevant to the 2024 Sustainability Report are not covered.

In 2024, there were no fatalities at BorsodChem Zrt. or at the subsidiaries relevant to the 2024 Sustainability Report. However, within BorsodChem Zrt.'s own workforce, 15 reportable workplace accidents occurred in 2024.

The registered workplace accident rate in 2024 was 0,4% of BorsodChem Zrt.'s total employees. At BC-KC Formalin Co., no registered workplace accidents occurred among its own workforce in 2024. The registered workplace accident rate at BC-Energiakereskedő Co.. was 8% for its own employees, while at BC Energiatermelő II Co., no registered workplace accidents occurred among its own workforce in 2024.

The calculation methodology for accident rates were:

Number of accidents / number of employees in a given period (year-end closing headcount)

No occupational diseases were reported in 2024 at BorsodChem Zrt., BC-KC Formalin Co., BC-Energiakereskedő Co., or BC Energiatermelő II Co.

For the year 2024, a total of 1,301 calendar days were lost due to workplace accidents and work-related illnesses.

We provide our colleagues with the knowledge they need to work safely through a variety of training courses.

- New recruitment training and exam (basic BC-specific safety training)
- Mandatory training on occupational safety, fire safety, environmental safety, technical safety, and REACH every four years for blue-collar workers and employees who enter the plant area - Training is conducted by professionals, lasts eight hours, and concludes with an exam
- Annual online safety exam for office workers (basic BC specific)
- Quarterly training for physical workers on current topics and structured topics - Training provided by HSE coordinators, ending with an exam
- HSE coordinators informed once a month
- Online materials appropriate for the period and accidents

S2 Workers in the value chain

Of the IROs identified for those working in the value chain, we assessed two as material. The first material impact presents an opportunity for those working in the value chain who live in the region and for those working as subcontractors for BorsodChem. The second material impact mainly affects BorsodChem's direct customers.

Material impacts, risks and opportunities (IROs) and their relationship with the business model and strategy
ESRS 2 IRO-1, SBM-3, S2.SBM-3

IRO ID	Topic	Description of material IRO[18]	Classification	Connection to the business model and strategy
BC-IRO-2024-9	ESRS S2 Workers in the value chain Working conditions Secure employment	BorsodChem Zrt., as one of the most significant plastic raw material manufacturers in Europe (chemical industry), has an extensive operating area and site. Many tasks (electrical installation, construction, chemical industry, etc.) need to be performed on the site, which activities do not necessarily belong to the portfolio of BorsodChem Zrt. These activities are performed by external partners (~700 person), which means a secure livelihood for these external employees.	Actual positive impact Own operation	From the perspective of BorsodChem's management and business model, ensuring long-term, stable operation, continuous production, and maintaining a strong position in the chemical industry are areas of paramount importance, which also bring significant benefits to BorsodChem's subcontractors.
BC-IRO-2024-10	ESRS S2 Workers in the value chain Working conditions Health and safety	In order to ensure the safe transport of products and the health and safety of customers, the safety data sheet attached to the product, in addition to the mandatory official contact information, contains an emergency telephone service voluntarily provided by BorsodChem in several languages used in the European Union and beyond, with the help of which we can successfully reduce the impact of chemicals potentially released into the environment throughout Europe.	Actual positive impact Downstream	Among its Sustainability Objectives for 2022-24, BorsodChem has stated that it intends to develop a sustainable approach throughout the entire value chain, one of the key pillars of which is employee safety, which includes not only our own employees, but also other workers operating in our value chain. Our sustainability awareness also includes minimizing our environmental footprint, which is part of our EHS policy and encompasses our responsibility for the environmental impact of our products.

Due to the Company's market role, it has limited influence on the more distant participants of the value chain and has only partial information about them. In some cases, the supplier data is considered a trade secret, and the further path of the products is unknown due to the reseller sales.

According to our DMA analysis, it can be said that the Company primarily has a meaningful impact on its direct suppliers and subcontractors working at its sites. The Code of Ethics defines the basic expectations for employees, while the Supplier Code of Conduct lays down the requirements for direct partners, which are publicly available on the company's website. In this S2 chapter, issues relating to these two sub-groups will be discussed.

[18] I = Impact, R = Risk, O = Opportunity

In the value chain, the Company has the closest relationship with the subcontractors working at its sites, who perform their work in the immediate vicinity of the production activity, in the area of the Kazincbarcika plant, and are thus increasingly involved in the essential sustainability effects.

On the customer side, the employees who are exposed to risks related to the handling of the products can be considered as an affected group. In addition, carriers who deliver products to customers belong to the group of key stakeholders for the company.

In the Company's value chain, no geographical areas or product groups can be identified in which there would be a significant risk of child labor or forced labor. It is binding on its suppliers to accept the Supplier Code of Conduct, which expressly prohibits child labor and forced labor. Adherence to these principles is considered a basic expectation during the selection of suppliers and cooperation. The vast majority of its customers are large, internationally recognized European companies that have their own code of ethics and sustainability requirements. These principles are consistent with the moral and human rights standards applied by the Company, and also ensure a clear separation from child labor and forced labor. In addition to the prohibition of child labor, legislation on the minimum employment age is followed in all areas of operation. The code does not specifically provide for human trafficking, but the Company's core values are incompatible with this activity, and it rejects it.

BorsodChem’s contractors always receive health safety training, after which they must pass an exam on the material covered before they can start work.
As for the suppliers, they are competent partners with extensive professional experience in the chemical industry. In addition, BorsodChem's suppliers are mostly European partner companies that are subject to European legislation. Therefore, it can be assumed that they have received appropriate basic training and education in health and safety issues (by their own company). Accordingly, it is ensured that employees with special characteristics receive appropriate training.
The customers are also competent partners with a lot of professional experience in the chemical industry, mostly European partner companies, who are also subject to European legislation and have received appropriate training and education, and they also have their own sustainability value system, and expect this from their partners as well. The Company's subcontractors operate in accordance with their own sustainability principles, and they are also subject to the expectations set forth in the Company's Supplier Code of Conduct.

Policies related to workers in the value chain
MDR-P

The company's policy regarding employees working in the value chain is summarized in the previously mentioned Supplier Code of Conduct, which is public to everyone on our website. The code includes the protection of human rights, environmental protection - health protection - safety, and business ethics and compliance as main chapters; in addition, it addresses non-discrimination, the principle of equal treatment, the prohibition of child and forced labor, legal employment, working and rest time, rules related to wages and benefits, disciplinary measures, freedom of assembly, whistleblower protection, complaint management and working conditions.

The policy aims to manage the relevant impacts, risks and opportunities, thus ensuring fair wages for employees working in the value chain, working in a safe working environment and access to complaint management mechanisms.

The Company's upstream value chain policy primarily covers direct suppliers and their employees. The policy defines a supplier as any natural or legal person who provides products or services to the company as a main or subcontractor. The policy contains no exceptations, so no one is excluded from its scope.

The highest management level responsible for the implementation of the policy is the Director Compliance & Internal Audit, which operates under the direction of the Chairman of the Board of Directors.

BorsodChem's core values include respect for human rights, legal employment, work and technical safety, and protection of the natural environment.

In 2021, BorsodChem joined the **UN Global Compact**, whose human rights, labor rights, environmental and anti-corruption principles are incorporated into its business processes. Their enforcement is ensured by strict compliance with Central European social norms, Hungarian legislation - especially chemical industry requirements - and the company's traditionally law-abiding culture. In addition to the legislation, the Company stipulates non-discrimination, prohibition of child and forced labor, humane treatment, protection of whistleblowers, working and rest time, wages, lawful disciplinary measures, freedom of assembly and respect for human dignity.

BorsodChem publishes its guidelines on respect for human rights in relation to employees working in the value chain in the Supplier Code of Conduct on the Company's website. BorsodChem expects its suppliers to respect the principles of the UN Global Compact that are relevant to their operations, to the extent possible.

The Company's Supplier Code of Conduct also sets out the options for communicating with employees working in the value chain. The BorsodChem Ethics Line is an independent, confidential channel available to all employees and external parties. Reports can also be made at the Compliance Office on site, in the mailboxes provided for this purpose, by e-mail or by telephone, anonymously, and will be handled in accordance with the Whistleblowing Policy. The BorsodChem Supplier Code of Conduct stipulates that suppliers shall not retaliate against or discriminate against employees who report irregularities or abuses. It is also the supplier's responsibility to consistently investigate reports and take the necessary corrective measures.

BorsodChem investigates incidents that may constitute a violation of our ethical rules. Proven violations and abuses will result in disciplinary action. In proven or substantiated cases of abuse or fraud, labor law measures will be taken, typically termination of employment, and, depending on the severity, a report will be filed with the authorities. In the event of any procedural deficiencies, appropriate modifications to work processes are expected. In cases of ethical misconduct (e.g., harassment, intimidation), consultation, mediation, or transfer will be used, and in extreme cases, termination of employment. Top Management is involved in all decisions.

BorsodChem participates in the **Responsible Care®** program, which is a global chemical industry sustainability initiative that goes beyond legal requirements and emphasizes the importance of achieving sustainability objectives.

In developing its Supplier Code of Conduct, the Company took into account its decades of professional experience, the expectations of other industry players, and the principles of sustainability rating agencies (e.g., EcoVadis). BorsodChem's accession to the UN Global Compact reinforces the code's principles of human rights, labor rights, environmental protection, and anti-corruption, and the rules set out in the policy are in line with international guidelines (UN, ILO, OECD).

As a responsible European corporation, BorsodChem attaches particular importance to managing human rights impacts. It communicates its strict expectations in this regard not only to its own employees, but also to partners in the value chain who have direct business relationships with the Company.

According to the Annual Compliance Report covering 2024, prepared by Compliance & Internal Audit and sent to top management of BorsodChem Zrt., 3 ethical complaints have been received to the Whistleblowing Line. Two of the complaints have been sent obviously by BorsodChem employees. the other complaint was submitted by an anonym informant, however Compliance & Internal Audit was able to clarify based on details of the complaint that the complaininig party with very high probability was an employee of an external contractor. This external complaint - which Internal Audit have clearly established that contains unfounded claims - raised issues that did not mention any human rights violations.

Thus, due to the application of the specified regulations and guiding principles, **no such violations occurred during the reporting period, so no corrective or remedial measures were necessary**.

Processes used to collaborate with value chain workers on impacts
S2-2

BorsodChem did not implement specific systems or measures to meet the requirements of Disclosure Requirement S2-2 – Processes for communicating impacts with workers in the value chain – during the reporting year.

Correction processes and whistleblowing channels
S2-3

Based on the company's due diligence, **no material negative impact** on value chain workers **was identified during the reporting period that would have required corrective or remedial measures**.

The processes related to reporting are set out in the **Ethics Line Policy**, which is publicly available on the BorsodChem website. The policy describes in detail the objectives, scope, responsibilities, whistleblowing channels, investigation process, information on data protection and confidentiality, as well as the decision-making and monitoring procedures.

BorsodChem's ethical whistleblowing channels are public, accessible to anyone and free of charge. Reports are investigated within 30 days (up to 3 months in special cases), written confirmation of receipt is provided within 5 working days, and data relating to unfounded cases is deleted within 60 days. The channels ensure access to information and advice through the Director of Compliance, the procedure is public, dialogue is possible in non-anonymous cases, and efficiency is also enshrined in the Ethics Line Policy.

The BorsodChem Ethics Line Policy also stipulates how the company monitors and reviews the issues raised and managed, and how it ensures the effectiveness of the channels. The policy details the process of making reports, how they are investigated, and also provides information on data management, personal data protection, the receipt and handling of reports, confidentiality and protection against retaliation, as well as decision-making and monitoring. The Director of Compliance & Internal Audit provides the Whistleblower with a brief summary of the results of the investigation.

During the reporting period, the Company did not have structured information on the extent to which value chain workers are aware of the available whistleblowing and legal remedy channels, or whether they trust in their effective operation. No such survey, assessment, or feedback was collected during the reporting period. BorsodChem does not currently examine or assess the confidence of those working in the value chain in relation to complaint structures. However, it should be noted that the Company provides opportunities for detailed feedback through a number of freely accessible communication channels. No complaints have been received in this regard to date, so the Company assumes that the current system is adequate for those working in the value chain.

Protection against retaliation
The BorsodChem Ethics Line Policy encourages affected parties to make whistleblowing in good faith. The Company guarantees that the whistleblower will not be subject to retaliation or discrimination. Reports and investigations are treated confidentially, and the details of non-anonymous reporters and affected parties are only disclosed to investigators until the investigation is closed or responsibility is assigned.

Measures affecting workers in the value chain and their effectiveness
S2-4

In the context of the DMA analysis for the reporting period, the Company did not identify any material negative impact or risk affecting those working in the value chain, therefore no measures were taken to address such impacts.

The Company evaluates its subcontractors annually in relation to employees working in the upstream value chain based on the following criteria: accuracy of performance, communication, compliance with documentation, customer complaints, environmental and safety regulations, and technical background. As for the employees working in the downstream value chains, safety data sheets (SDS) are checked annually by the National Center for Public Health and Pharmacy (NNGYK) to ensure compliance with

REACH and CLP regulations. During the Company's customer satisfaction survey in 2024, no complaints or comments were received regarding safety data sheets.

The Company examines all supplier and customer comments in detail and investigates their root causes in order to improve its operations. In the event of termination of a supplier relationship, it does not explicitly consider the consequences for those affected, but instead strives to avoid radical decisions. As a first step, it conducts multiple consultations with the partner in order to reach a consensus and maintain a stable supplier base.

In 2024, we were not aware of any serious human rights issues or incidents in connection with BorsodChem's upstream and downstream value chains.

Objectives
MDR-T

BorsodChem's Sustainability and EHS objectives and policies for 2022–2024 affect the workers in the value chain in several ways. Among the sustainability objectives, a relevant objective is the continuous improvement of sustainability in the supply chain, with a particular focus on reducing employee risks and increasing awareness. The Sustainability Policy, under the theme of "Sustainable Procurement," requires the integration of sustainability principles into procurement processes, the identification of supply chain risks, and the encouragement of suppliers to improve their performance. The EHS policy requires partners operating at our sites to cooperate in complying with EHS regulations and emphasizes the importance of open communication with stakeholders.

The EHS objectives include a 10% reduction in the number of accidents occurring at contractor companies compared to 2021, as well as regular evaluation and communication of EHS performance to stakeholders.

Among BorsodChem's objectives and policies for 2022–2024, this 10% reduction in the number of injuries occurring among contractors was the only quantified target regarding the S2 topic. No such objective could set for the other material group of our workes in the value chain (the direct suppliers) since we have a lesser impact on them in this aspect.

When the Company reviews its objectives in the future, we plan to quantify the S2 objectives to a greater extent, i.e. we plan to have more than one quantified goals related to the workers in the value chain.

Among the Company's sustainability objectives, the development of supply chain sustainability is relevant to topic S2, which includes reducing employee risks and increasing awareness.

The Sustainability Policy S2 guidelines apply to employees involved in the procurement process, the supply chain, and the delivery chain. One of the EHS objectives is aimed at contractors working at the Kazincbarcika site, while another is aimed at stakeholders operating worldwide, some of whom carry out their activities in Hungary, but many of whom operate in other countries around the world.

One of the EHS policy guidelines relevant to S2 applies to employees of companies (contractors) operating at the Kazincbarcika site, while the other is relevant to all of the Company's stakeholders.

In 2021, the number of injuries occurring at contractors working on the Company's premises was 59, while including the two cases at BorsodChem-KC Formalin Co. (which is partly our subsidiary), this number was 61.

The Company has set our EHS objectives for a three-year period. In 2024, the EHS objectives for 2022-2024 were in effect. The base year of the objectives had been designated as the preceding year, 2021.

The Company has set a target of reducing the number of injuries among contractors by 10% based on management expectations, technological capabilities, and decades of experience in the chemical industry. This target serves as an intermediate step towards the sustainability objective of ’zero lost-time workplace injuries’ set for 2030.

According to the measurement methodology, contractors are required to report accidents; if they fail to do so, the medical office will notify the EHS Department. The EHS Department records all cases in a network system (in an Excel file), thus ensuring monitoring and annual analysis.

The Company has set its obbjectives based on its 75 years of professional experience and its development directions and strategies for the forthcoming period, with the approval of the Top Management. Currently, corporate objectives related to environmental issues are not set on the basis of scientific evidence, but the possibility of a science-based approach is also being investigated.

Representatives and experts from relevant fields were involved in the development of the detailed policies and objectives. Following approval by senior management, the Company presented these to a wide range of value chain stakeholders (customers, direct suppliers, subcontractors). Currently, value chain employees, their legal representatives, or their authorized representatives are not involved in setting BorsodChem's policy objectives, but the Company is investigating its possibility.

In 2024, the number of injuries occurring at contractors working on the BorsodChem site was 70, which is slightly higher than the value for the base year 2021, meaning that the EHS objective was unfortunately not achieved. Taking this into account, the Company has set an integrated target for 2025-27 to reduce the number of EHS incidents related to operations at BorsodChem and occurring at companies working at BorsodChem by 10% compared to 2023.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
S2-5

As it was stated above, during our DMA analysis, two material IROs were identified related to the workers of BorsodChem's value chain. None of these IROs were negative or related to any risk, thus, no actions were needed to manage them. The targets related to the positive IROs were discussed in earlier this chapter (MDR-T): tasks (electrical installation, construction, chemical industry, etc.) performed on the site performed by external partners (~700 person) mean a secure livelihood for external employees, and we wish to reduce the injuries at our site by improving our safety data sheets.

S3 Affected communities

The scope of disclosure in accordance with ESRS 2 extends to the communities and population living in the immediate vicinity of the company (Berente, Kazincbarcika) who are affected by the company's own operations. During the stakeholder mapping carried out prior to the DMA analysis, BorsodChem identified the relevant stakeholders, including the surrounding population as an important external stakeholder. The Company maintains close relations with the surrounding population in order to ensure long-term, mutually beneficial coexistence. In BorsodChem's double materiality assessment, one of the identified IROs was assessed as significant.

Material impacts, risks and opportunities (IROs) and their relationship with the business model and strategy
ESRS 2 IRO-1, SBM-3, S3.SBM-3

IRO ID	Topic	Description of material IRO[19]	Classification	Connection to the business model and strategy
BC-IRO-2024-11	ESRS S3 Affected communities Communities' economic, social and cultural rights	In order to prevent and contain fires in a timely manner, we are continuously improving the technological level of our Facility Fire Department, as a result of which we far exceed legal expectations in terms of professional qualifications and the quality of fire safety equipment. Thanks to our continuous developments, we significantly reduce the probability of fires occurring and	Actual positive impact Own operation	From the perspective of BorsodChem's management and business model, ensuring long-term, stable operation is of utmost importance. A modern firefighting facility not only plays an outstanding role in minimizing damage caused by potential fires, but other sustainability aspects associated with this (employee safety, protection of the

[19] I = Impact, R = Risk, O = Opportunity

	Security-related impacts	their impact on the surrounding population.		surrounding population, environmental impact, etc.) are also very important to BorsodChem's management.

The affected communities are the residents of the settlements located directly adjacent to the Company (Berente and Kazincbarcika). These residents may be most exposed to the environmental impacts associated with the Company's operations. BorsodChem regularly monitors the impacts on the population and complies with the limits set by the authorities.

Due to the complexity of the value chain and the limited availability of information, the Company is not fully aware of the indirect impact of the business actors involved in the value chain on the population. The environmental impacts of its own operations – chemical production, energy generation, wastewater treatment, transportation – affect a number of stakeholder groups, which the Company has grouped in the stakeholder matrix. The greatest indirect impact is on the population of the settlements adjacent to the chemical plant and on BorsodChem employees, while other stakeholders are affected only indirectly.

During the DMA analysis, BorsodChem identified one material impact, in terms of fire prevention. This positive impact - with the development of the Facility Fire Department - exceeds the legal minimum, reducing the risk to the surrounding population.

The Company currently does not have a **formally developed communication channel** for publishing findings regarding the specific vulnerability or greater exposure of affected communities. **Communication with communities** takes place through municipal consultations, open days, online platforms (website, email, social media), a biannual sustainability newsletter, brochures, and individual inquiries, but these are not specifically aimed at providing regular information to particularly vulnerable groups.

The significant impact identified during the DMA analysis affects the entire population of the settlements in the company's environment, so no separate subgroups or different risks were identified, as fire prevention affects everyone equally. This is in line with BorsodChem's Sustainability Policy guideline, which states that advanced technical solutions are used to ensure the safe operation of technologies for all parties involved.

Policies related to the affected communities

MDR-P

The Company does not currently have a separate policy specifically for affected communities, but plans to develop one as part of its sustainability strategy.

BorsodChem's policies and objectives combine quality, environmental, safety, and social considerations, thereby supporting the company's long-term sustainable operation and positive impact on communities.

BorsodChem treats its employees and the communities in which it operates with utmost impartance. During its support philosophy, it targets local communities, including assistance to disadvantaged groups and support for educational and cultural events. The Company places great emphasis on cultivating and maintaining good relations with local communities.

BorsodChem is committed to the economic development of the region, primarily supporting the communities surrounding its site. As part of the environmental licensing process related to the company's investments, it informs the public about all significant developments and capacity expansions, and takes their opinions into account when preparing impact assessments. All of BorsodChem's licenses are public, making them available to interested parties and affected communities.

Open and clear communication with employees and external stakeholders is of paramount importance to the Company. In order to maintain open and direct communication, **BorsodChem organizes an**

annual open day for representatives of local governments and authorities, as well as the general public.

BorsodChem's policies and objectives apply to the production units and plants located at BorsodChem Zrt.'s sites in Hungary and do not apply to other participants in the supply chain. The relevant points of the policy and objectives concerning the affected communities therefore apply primarily to the residents of Berente and Kazincbarcika in the vicinity of the Kazincbarcika site as identified affected parties.

Within BorsodChem, the highest management level responsible for the implementation, acceptance, and approval of policies and objectives that affect the communities concerned is the President.

Human rights policies, commitments, and engagement with affected communities
S3-1

BorsodChem is committed to respecting human rights in accordance with the UN Guiding Principles on Business and Human Rights. Our policy commitments include protecting the rights of communities, respecting land use rights, and ensuring the right to a clean, healthy, and sustainable environment.

The Company's Sustainability Policy places particular emphasis on employee and corporate social responsibility, which includes open communication with stakeholders. In accordance with the law, the Company holds public hearings during its new projects, where it reports on the environmental impact of the projects to the residents of the surrounding communities, ensuring free dialogue and comprehensive information. It organizes annual open days to present its activities and the impact of future projects. It also uses other channels to provide information: annual Sustainability Reports, semi-annual Sustainability Newsletters, and other publications.

The Company provides effective complaint mechanisms for the communities concerned. BorsodChem investigates all complaints received and, if requested by the complainant (in the case of non-anonymous complaints), informs them of the status of the process. If the investigation finds that the complaint is relevant, the Company takes appropriate measures to reverse and/or minimize the effects.

BorsodChem's policies are in line with the UN Guiding Principles on Business and Human Rights, the fundamental conventions of the ILO, the UN Sustainable Development Goals, and the BAT principles prescribed by the European Union.

During the reporting period, BorsodChem did not identify any cases that would have constituted a violation of UN, ILO, or BAT guidelines. Compliance is ensured through internal and external audits and official inspections.

Processes used to collaborate with affected communities on impacts
S3-2

BorsodChem is committed to incorporating the perspective of affected communities into decision-making processes and the development of measures aimed at addressing actual and potential impacts.

BorsodChem's cooperation practice with affected communities	
Regular consultations	Prior to project planning and implementation, it organizes forums where communities can share their concerns and suggestions.
Community representation	In the preparatory phase of major projects and investments, it holds detailed consultations with the Local Governments of local communities.
Integration into risk management	It integrates community feedback, complaints, and comments into the risk assessment and decision-making processes, especially in the management of environmental and social impacts.
Open days	BorsodChem holds annual open days, at which the leaders of BorsodChem's relevant fields give presentations to the local population. It presents BorsodChem's main activities, environmental impacts, and future development plans. At the event, the public has the opportunity to ask questions, so they can be informed about BorsodChem's plans during a free dialogue.

BorsodChem operates a **24/7 available dispatch service** to receive and investigate reports, holds regular consultations during project preparation, consults with the local authorities and community representatives concerned, incorporates feedback into risk management and decision-making

processes, and organizes annual open days and public forums to ensure direct dialogue. The measures are aimed at strengthening trust, preventing conflicts, and ensuring the sustainable operation of the company's activities, taking into account the views of the communities concerned.

Within the Company, the highest level of management responsible for implementing policy and accepting and approving the Company's public policies and objectives is the President.

The Company does not currently have a system in place to measure the effectiveness of community engagement. However, during the CSRD-based DMA analysis, it involved the affected communities in the risk assessment processes, where they could form opinions on relevant sustainability issues. The local governments of Berente and Kazincbarcika, as official representatives of the population, were also involved in determining the material topics of the Sustainability Report.

The Company does not currently engage in separate contact with marginalized communities. It maintains multiple online and in-person communication channels through which anyone can share their opinions and comments, and therefore the company did not consider the separate examination of marginalized groups to be necessary. The company's policies and objectives aim to have a positive impact on the entire community, for example by ensuring safety and a clean environment.

There are no "indigenous" peoples in the official sense in the Company's environment, so this issue is not relevant to BorsodChem.

Responsible response to concerns raised by affected communities
S3-3

The company is committed to incorporating the perspectives of affected communities into decision-making processes and measures to address actual and potential impacts. To this end, as mentioned above, we operate a 24/7 available dispatch service, hold regular consultations during project preparation, and consult with affected municipalities during the significant investment phase. We incorporate community feedback, complaints, and comments into our risk assessment and decision-making processes.

BorsodChem's Sustainability Policy sets out its commitment to open and transparent communication with the communities concerned. The channels described above provide useful feedback to the company for process improvement and risk assessment, and also contribute to strengthening trust between the company and community members. Internal Regulation BC-EHS-002 (Liaison with EHS Stakeholders) specifies in detail the methods of liaison with external stakeholders.

The Company records all reports in a central database, which includes the status of the case, the actions taken, and the date of closure. It regularly reports to management on the number and type of cases and the actions required.

The Company does not currently assess the confidence of the communities concerned in the complaint structures, but as no complaints have been received to date via the numerous freely accessible communication channels, it can be assumed that the current system is satisfactory for the population.

BorsodChem's Code of Ethics and Ethics Line Policy are publicly available on the company's website and detail the procedures for whistleblowing, including official whistleblowing channels, the whistleblowing process, and the protection of whistleblowers. The regulations stipulate that personal data shall be processed in accordance with the relevant Hungarian legislation (e.g. Act CXII of 2011, Act CLXV of 2013, Labor Code) and also provide for anonymous reporting, in which case the identity of the reporter remains protected.

Measures to manage material IROs concerning the affected communities concerned and their effectiveness
S3-4

During the reporting period, the Company did not identify any significant negative impacts that would have required action, but BorsodChem implemented a number of preventive measures in the spirit of sustainability awareness to reduce the severity of potential impacts. These include the expansion and

modernization of the fire alarm system, supplemented by computerized monitoring system support; the installation of automatic protection systems equipped with a gas detection network around railway storage areas, which are automatically activated in the event of an emergency; the installation of an automatic foam fire extinguishing system in facilities used for the storage of flammable liquids, etc.

The Company's DMA analysis did not identify any actual significant negative impacts on the affected communities, therefore no corrective or remedial measures were necessary during the reporting period.

The plant's operations are regulated by the Environmental Management System (EMS), the Occupational Health and Safety System (OHS), and quality management principles, which ensure the control of emissions, hazardous waste management, and water quality. The plant is undergoing continuous development, and significant investments have recently been made in the establishment of Site IV. (MNB, Aniline and HPM plants), which have resulted in capacity expansion, enabling the reception and treatment of wastewater and loads from the new plants and minimizing the impact on communities.

In 2024, BorsodChem completed the recultivation of the salt lake and sludge pond areas, thus ensuring that the old industrial areas were properly sealed off from the environment and successfully integrated into the landscape. As a result, the environment of the local population has also become greener.

BorsodChem sets medium-term, three-year objectives, for which it launches related programs each year in order to achieve the environmental and sustainability goals of its Kazincbarcika site. These programs include specific measures and developments to address environmental, safety, and human rights risks. Progress is assessed on a quarterly basis to ensure that any deviations are identified and addressed in a timely manner. This continuous monitoring practice enables BorsodChem to effectively manage operational risks and thus the impact on communities, as well as to achieve its corporate objectives. In order to make the goals measurable, the Company defines KPIs wherever possible, enabling it to evaluate progress in a quantitative and objective manner.

The Company seeks to involve local entrepreneurs in order to exploit the financial and economic potential of the communities concerned, thereby reducing transport and logistics costs and supporting the development of small enterprises in the area. In addition, it provides training programs for local youth, which contribute to ensuring a sustainable supply of the next generation of workers by expanding their available knowledge, strengthening the economic development of the community and the company's long-term labor supply.

During the development of new processes, BorsodChem involves relevant experts to assess their expected impacts with the aim of minimizing the effects on the environment and affected communities. If comments are received from the public and these can be clearly linked to a specific practice, the company reviews the practice in question, modifies it if necessary, and implements corrective measures. In order to reduce environmental noise pollution affecting the surrounding population, the Company's Noise Protection Action Plan, which aims to reduce significant noise emissions from its plants, continued in 2024.

During the reporting period, no serious human rights issues or incidents arose in relation to the affected communities during the operation of the site. The Company continuously monitors the impact of its activities on communities in order to identify and address any risks that may arise in a timely manner.

Where necessary, the facility provides the resources necessary to address the material impacts on affected communities, including personnel, financial resources, and technical tools to implement measures. However, during the reporting period, there were no cases that required the allocation of additional resources.

Objectives
MDR-T

The objective of the Kazincbarcika site is to continuously reduce the negative environmental and social impacts of its operations, in line with the Company's integrated management systems and sustainability policies, which are based on the QMS, EMS, OHSAS, EIR and SCS management systems, as well as BorsodChem's sustainability activities.

In line with its sustainability policy, BorsodChem strives to avoid environmental impacts through responsible management, which is consistent with the EHS objectives.

The objectives include the implementation of the annual tasks specified in phases II-III of the **noise protection action plan**: BorsodChem will reduce the **sound pressure level of individual noise sources to the prescribed value**[20]. In the case of new investments, the Company pays special attention to the installation of low-noise equipment already during the design phase.

Environmental noise protection is particularly important in terms of its impact on communities. The target value is set by the Hungarian noise protection limit. In order to ensure continuous and objective observation, BorsodChem has installed noise protection monitoring stations in the communities of Kazincbarcika and Berente, which enable it to continuously monitor the noise impact on the population, even retrospectively. To achieve this reduction, BorsodChem developed a 10-year noise protection action plan, which was approved by the authorities in 2014 and has been followed in its production activities. The deadline for the Noise Protection Action Plan, which expires in 2024, has been extended at BorsodChem's request due to the complexity of the tasks and their high costs.

The fluctuating water flow of the Sajó River caused by climate change not only poses a serious risk to BorsodChem's production activities, but may also pose an additional risk to other users of the river (e.g., the population) in meeting BorsodChem's water demand during the dry summer period. For this reason, the Company's sustainability objectives include a **water withdrawal target, whereby the Company plans to reduce its water withdrawal from the Sajó River by 10% by 2030**[21]. To achieve this goal, BorsodChem has developed a large-scale project that will significantly increase the amount of recycled water, thereby reducing fresh water consumption. Implementation is still in progress in the reporting year.

The objectives set by BorsodChem, which also affect the communities concerned, apply exclusively to the own plants of BorsodChem Zrt. operating at this site, in Hungary. They do not apply to subsidiaries operating at the site, subsidiaries operating at other sites, or other players in the value chain. The subsidiaries at the Kazincbarcika site do not have any goals that affect communities (BC-KC Formalin Co., BC Energiatermelő II Co., BC Energiakereskedő Co.).

All of BorsodChem's environmental objectives have a direct or indirect impact on communities. When setting the objectives, the site takes into account the previous year's performance, emissions from operations, changes in legislation, and BAT (Best Available Technique) requirements. In addition, the Company takes into account the conditions of local communities and ecosystems, plant capacity expansions, and the broader context of sustainable development to ensure that the objectives are realistic and measurable.

The site's environmental objectives are based on sound scientific data and evidence, including measurements of emissions from the site's operations, water and waste management data, and the application of best available technologies (BAT).

When setting its sustainability and environmental protection goals, BorsodChem involved its internal stakeholders – experts, board members, and President – but also took into account comments and remarks submitted by the public.

The Company strives to define the metrics associated with objectives that affect communities in such a way that progress toward the objectives can be assessed objectively. The environmental noise emissions set by BorsodChem are measured using calibrated and certified noise measuring stations, which provide continuous monitoring for BorsodChem. These monitoring stations were not installed directly in the communities by the Company, as this would not have ensured the undisturbed operation of the stations. BorsodChem therefore uses extrapolation to determine the probable value at the point

[20] Noise protection limit values: Kazincbarcika: 45 dB, Berente 40 dB. Noise protection action plan base year: 2014. Validity of noise protection targets: 2022-2024..

[21] Water withdrawal base value: 9,426,753 m^3, Water withdrawal reduction base year: 2021, Validity period related to water management: 2022-2030

of impact (first residential building) from the values measured by the stations. This extrapolation and the measurement itself are not 100% accurate, but they provide guidance for evaluating BorsodChem's noise protection developments.

BorsodChem's water withdrawal target is a complex task, as the volume of water withdrawn by BorsodChem is not 100% related to BorsodChem's activities. BorsodChem also supplies industrial water and potable water to subsidiaries and other external companies located on its premises, so water usage not directly related to BorsodChem Zrt. must be deducted from the value of the water extracted.

The Company regularly reviews the metrics associated with objectives that affect communities in order to monitor the achievement of the stated objectives.

Looking at the two phase-closing studies (2018, 2022) of the noise reduction program running at BorsodChem, it can be said that in Phase I (2015-18) there was no significant change in the direction of Kazincbarcika, while the resulting noise exposure in the direction of Berente increased by approximately 1 dB. As for at Phase II (2019-2022), the site's noise emissions decreased by approximately 2-3 dB in the direction of Kazincbarcika, while the decrease in noise emissions in the direction of Berente was approximately 1 dB. Overall, it can be said that despite the additional noise load resulting from continuous developments, capacity expansions, and new investments, the planned and scheduled noise protection measures implemented by BorsodChem—which covered both existing and new production technologies – resulted in a reduction of approximately 2-3 dB in the Company's noise pollution in the direction of Kazincbarcika during the period under review, while no increase in noise pollution was detected in the direction of Berente.

Unfortunately, the reduction in water consumption related to BorsodChem's activities was not achieved as planned due to the water requirements of the new plants and capacity increases (BorsodChem Zrt.'s water consumption in 2024 was 10.617.710 m^3), but an investment is already underway that will significantly increase the amount of recycled water, thereby reducing the use of fresh water.

Involvement of affected communities in setting and monitoring objectives
S3-5

When setting its sustainability and environmental protection objectives, BorsodChem involved its internal stakeholders, including experts, board members, and the President. In addition, when defining its goals, the Company also took into account comments and remarks made by the public, thus ensuring that community perspectives were incorporated into the process.

The communities concerned are not currently directly involved in monitoring progress towards the Company's sustainability and environmental objectives. This is because the assessment of the objectives requires specialised professional knowledge and experience in the chemical industry, and also involves information that is considered trade secrets and cannot be disclosed.

However, when preparing its DMA analysis, BorsodChem involved representatives of all relevant stakeholder groups in the assessment of the results. Participants had the opportunity to express their comments and opinions on sustainability issues related to the company's significant impacts. The responses received were then analyzed and evaluated, and the final results of the double materiality assessment were determined taking these into account.

GOVERNANCE

In the double materiality assessment, BorsodChem has evaluated its operations in accordance with all business conduct standards. The Company has not identified any material impacts from a financial perspective in this area, but has identified two positive impacts as material in terms of impact materiality.

G1 Business Conduct

Governance structure and responsibilities

G1.GOV-1

Within the Company, responsibilities related to business conduct are clearly defined. The designated managers and bodies are responsible for overseeing ethical operations and compliance. The President, the Vice Chairman and the Chairman of the Board of Directors define and enforce business conduct guidelines. BorsodChem's administrative, management and supervisory bodies are regularly informed about business conduct matters. Audit reports of Compliance and Internal Audit are sent to the President, the Vice Chairman, the Chairman of the Board of Directors and the Supervisory Board. A summary report is prepared annually on audits and ethics reports, their handling and status. In case of BorsodChem's subsidiaries located in Kazincbarcika, compliance tasks related to business conduct are carried out by BorsodChem as the parent company, however, the organization of training does not extend to these subsidiaries. The management is committed to ensuring transparent and ethical operations in accordance with legal requirements and to preventing all forms of corruption and bribery. The company is managed by the Chairman of the Board of Directors. The decades of professional experience of the senior executives – the Chairman of the Board of Directors, the President and the Deputy Chairman – ensure the implementation of ethical business conduct, legal compliance and responsible decision-making. The members of the Supervisory Board carry out their supervisory activities with a commitment to integrity and law-abiding operations. Chairman of the Board of Directors exercises the employer's rights over Compliance & Internal Audit. The audit reports of Compliance & Internal Audit are sent to the CEO, the Deputy Chairman, the Chairman of the Board of Directors and the Supervisory Board of BC Zrt. The Supervisory Board and Compliance & Internal Audit are fully independent of each other.

Material impacts, risks and opportunities (IROs) and their relationship to the business model and strategy

ESRS 2 IRO-1, SBM-3

IRO ID	Topic	Description of material IRO[1]	Classification	Link to business model and strategy
BC-IRO-2024-12	ESRS G1 Business conduct Corporate culture	As one of Europe's leading chemical companies, BorsodChem Zrt. works with numerous suppliers (2000-2500 pcs). During our supplier selection process, we place great emphasis on equality among companies. There is no discrimination; socially, every supplier is treated equally and given the same opportunities.	Actual positive impact Upstream	BorsodChem's Code of Ethics and Supplier Code of Conduct are based on the Company's internal regulations. They are consistent with BorsodChem's strategic approach to business conduct and measures aimed at fighting corruption and bribery.
BC-IRO-2024-13	ESRS G1 Business conduct Management of relationships with suppliers including payment practices	As one of Europe's leading chemical companies, BorsodChem Zrt. works with numerous suppliers (2000-2500 pcs). To ensure proper business conduct with our suppliers, we have a Supplier Code of Ethics and various internal guidelines in place. Compliance with these is mandatory for all supplier partners. The Supplier Code of Ethics and internal guidelines not only serve as regulatory tools within the company but also have a positive social impact in areas such as human rights (e.g., anti-corruption, protection of employee rights) and environmental protection.	Actual positive impact Upstream	BorsodChem's Code of Ethics and Supplier Code of Conduct are based on the Company's internal regulations. They are consistent with BorsodChem's strategic approach to business conduct and measures aimed at fighting.

Policies on corporate culture and business conduct
MDR-P

The Company's transparent and ethical operations are supported by a comprehensive internal regulatory framework. The BorsodChem Code of Ethics, the Supplier Code of Conduct, the Ethics Line Policy and the Anti-Fraud Policy collectively contribute to the enforcement of legal compliance, integrity and responsible business conduct. The policies ensuring compliance cover the entire operation.

Code of Ethics: The BorsodChem Code of Ethics sets coherent standards of conduct for employees and partners. Its main goal is to support responsible operations, while preserving the company's values and strengthening trust. The Code ensures the enforcement of the principles of fair, transparent and law-abiding business conduct in accordance with international ethical and legal requirements. The Code of Ethics applies to BorsodChem Zrt. and all business companies owned by it to 100%, all employees of the group, as well as those physical persons and business entities acting on behalf of or representing the Companies based on their relationship with the group.

Supplier Code of Conduct: The expectations for suppliers that apply during the fulfilling of business contracts have been defined in a simplified form compared to the corporate-level Code of Ethics. The purpose of the Supplier Code of Conduct is to extend the Company's high level of commitment to respect of human rights, lawful employment, occupational and technical safety, and the protection of environment, as well as the enforcement of the principles of transparent, ethical and legal operations to the supply chain. The Supplier Code is mandatory for all suppliers of BorsodChem Zrt.

*These policies are directly related to the **ESRS G1 topic** identified as a material impact for the Company, in particular the management of relationships with suppliers, including payment practices. The Company attaches particular importance to ensuring that appropriate business conduct is implemented not only in its own operations, but also in its supplier relationships. With this approach, the Company aims to contribute to strengthening positive social impacts along the value chain, in particular the respect and protection of human rights.*
The Director Compliance & Internal Audit (Office) within BorsodChem Zrt. is responsible for the implementation of the presented policies, which operates directly under the direction of the Chairman of the Board of Directors. The Director's significant professional experience in the field of ethics and compliance contributes greatly to preserving the company's values and principles, as well as to enforcing ethical and law-abiding operations in practice.

Developing corporate culture
G1-1

For BorsodChem, the most important areas of corporate culture include the protection of corporate values, the prevention of corruption, and the provision of information security and bribery prevention.

The Company's core values include being practical, the capability of and willingness to change, commitment to excellence, performance orientation, customer orientation and teamwork. These principles are also emphasized in everyday operations: employees encounter them as soon as they enter the site, so they are constantly reminded of the values that determine the Company's operations.

Employee training
As a responsible company, BorsodChem pays special attention to protecting appropriate standards and preserving the value transferred and created. To this end, both new and existing employees receive ethics training on corruption, bribery and human rights issues, and also participate in information security training, which was not yet mandatory in 2024.

Upon joining the Company, all new employees undertake to complete the mandatory ethics training in writing. Existing employees can optionally update their knowledge with new ethics training that is similar in content to that of new employees. In 2024, 69% of the parent company's average headcount participated in ethics training. In the reporting period employees of the subsidiaries did not receive ethics training organized by BorsodChem. In addition, employees can voluntarily sign a so-called integrity declaration confirming their knowledge of the ethical rules and their commitment to distancing from

fraud, which was signed by 92% of the parent company's employees by the end of 2024. The option to sign the integrity declaration does not extend to BorsodChem's subsidiaries.

The training is offered annually to existing employees. However, the Company plans to hold refresher training for its employees every two years in the future. The content of both ethics and information security training is reviewed annually. The review does not always involve changes to the training material, however ensures their continuous actuality and relevance. While the information security material is updated annually, the ethics training material is changed typically every two years or as needed.

Regarding mandatory ethics training - and regarding the ethical area itself - there are currently no KPI-based incentives defined for its own employees. The Company does not operate a management system in this area, the area is managed by one person.

Sino-Hungarian relations and culture
For BorsodChem - as the Hungarian subsidiary of the Chinese Wanhua Group - cultivating Sino-Hungarian relations is of great importance. A significant part of this includes getting to know various Chinese holidays and customs, about which - and related company events - employees can find out about on a regular basis on the internal company portal. In order to strengthen the cultural atmosphere and communication between company units, BorsodChem also established a so-called Cultural Coordinator team in 2024. The commitment of the group as a whole and the top management plays a decisive role in developing and maintaining the organizational culture within the company.

Notification mechanism

Ethics Line: BorsodChem Zrt. has been operating an Ethics Line for more than 10 years. Compliance & Internal Audit is responsible for managing notifications. The policy is relevant for every employee, manager of the BorsodChem Group - BorsodChem Zrt. and its subsidiaries solely owned by BorsodChem and having their seats in Hungary – and any informer regardless of whether the informer is an employee of BorsodChem Group. Any affected person, employee or external party can report to the Ethics Line via one of several contact points: illegal activities or activities that violate the code of conduct or other related rules can be reported in person at the Compliance office of the Kazincbarcika site of BorsodChem Zrt., but also by telephone or e-mail as specified in the Ethics Line Policy available on the website.

The reports are investigated by Compliance & Internal Audit in accordance with the procedures set out in the Ethics Line Policy. The report is sent to the Company’s top management and to all parties relevant to the case who, in the event of a substantiated report, can contribute to resolving the problem. The reporting party - if the report was not made anonymously - will be informed of the outcome of the investigation.
In addition to the above, every employee is given the opportunity to report their concerns to their direct manager.

Corruption and Bribery
BorsodChem rejects all forms of corruption and bribery. The Company’s anti-corruption and bribery policy is contained in the **Anti-Fraud Policy**. The policy applies to managing officers, managers, shareholders, consultants, employees of BorsodChem Group as well as any other parties with a business relationship with BorsodChem Group.

The Company’s anti-corruption and bribery policies do not contain an explicit reference to the UN Convention against Corruption. However, the policies were developed based on international and market best practices known at the time of their entry into force, and their content covers the basic principles of fair, ethical and law-abiding business conduct.

Anonymity and protection of the notifier
According to the Ethics Line Policy and the Anti-Fraud Policy, in addition to reporting by name, it is also possible to making notifications anonymously.

In the case of anonymous notification, the identity of the reporter remains unknown, ensuring the protection of the notifier. Anonymous reporting is facilitated by the fact that the telephone number recorded in the Ethics Line Policy does not have a telephone number display, so the identity of the caller may remain unknown.
In the case of reporting by name, BorsodChem undertakes to guarantee the protection of personal data and the confidentiality of the reporter's identity in the Ethics Line Policy, and also that the person who in good faith reports a Notification shall be subject to retaliation or any adverse discrimination.

If the notifier decides to reveal his or her identity, the Director Compliance & Internal Audit is responsible for maintaining its identity confidential. In addition, persons involved in internal investigations are bound by a duty of confidentiality.

BorsodChem Zrt. places a high priority on the protection of notifier, and has established this in its own policy. **The Company's policy on the protection of the notifier is contained in the Anti-Fraud Policy**.

Internal Audit
The Company has an internal audit function that is independent of the organizational units and is managed by an independent director. The internal auditors perform their work unbiasedly, impartially, and always keeping the possibility of corruption in mind. Audit reports are received by the top management and the Supervisory Board. Internal audit responds to information on corruption from any other source, if the top management of the Company supports the conduct of a given investigation based on the information received.

Training practice – mandatory ethics training
All new employees of BorsodChem Zrt., as well as existing employees of the parent company, participate in mandatory ethics training, which covers key human rights issues and corruption. In the reporting period employees of the subsidiaries did not receive ethics training organized by BorsodChem. The training material can be completed online using an internal platform. The content of the training is determined by the Director Compliance, taking into account the experience of ethical reports and other sources of information.

Functions Exposed to Corruption and Bribery Risks Along the Value Chain
From a corruption and bribery perspective, the functions most exposed to risk are those where there is direct interaction between BorsodChem and external stakeholders. Such external relationships may increase BorsodChem's financial exposure.

Within the Company's operations, the risk of corruption and bribery is primarily associated with procurement and sales processes. In these areas, the materialisation of such risks may result not only in adverse financial consequences but also in significant reputational impacts.

At the same time, within the Company certain additional, smaller functions may also be subject to increased exposure to corruption and bribery risks, particularly in situations involving interaction with external partners or the exercise of decision-making authority.

In order to manage these risks, the Company places strong emphasis on the regular training of employees and on raising awareness. The objective of anti-corruption and anti-bribery training is to ensure that employees are able to identify risk situations, are familiar with the applicable procedures, and are aware of the expectations related to ethical and compliant business conduct.

Supplier relationship management
G1-2

BorsodChem places strong emphasis on maintaining fair and transparent business conduct towards its suppliers. An integral part of this commitment is the Company's effort to settle supplier invoices by their due dates. As a result, no supplier payment delays attributable to financing reasons occurred in 2024.

With the exception of BC-Energiakereskedő Co., financial-related tasks for BorsodChem's subsidiaries located at the Kazincbarcika site are performed by BorsodChem as the parent company. The monitoring of payment deadlines is carried out through the Company's integrated enterprise resource planning

(ERP) system (SAP), in which all relevant supplier invoice data - most notably payment due dates - are recorded. The system enables the continuous tracking of payment maturities and, through the use of downloadable reports, supports decision-making related to the settlement of supplier invoices that have reached their due date and have been acknowledged and verified by the Company.

BorsodChem Zrt. is committed to transparent operations and to the continuous communication of its sustainability performance. As part of this commitment, the Company provides its partners with annual updates on sustainability topics in the form of newsletters or summary presentations. In addition, its current Sustainability Report, Sustainability Objectives and Strategy, as well as its GHG inventory, are published on the Company's website.

Management of Impacts and Risks
Impacts and risks related to the supply chain are also key considerations in the selection of new suppliers. All new suppliers are required to complete a pre-qualification questionnaire, which includes questions related to sustainability.

Beyond pre-qualification, suppliers are subject to an annual evaluation at the beginning of each year, which also assesses environmental, occupational safety, and sustainability performance. The results of the evaluation are communicated to the suppliers, thereby encouraging continuous improvement. In addition, the Company regularly reviews whether its suppliers hold independent sustainability ratings (e.g. EcoVadis).

Appropriate partner communication on sustainability matters is further supported by the procurement team's frequent participation in sustainability-related presentations. The aim of these trainings is to update the sustainability knowledge of the purchaser colleagues and to provide a holistic overview of sustainability for them. In 2024, the main topic of the training was ESG. The training material included the UN Sustainable Development Goals, the definition of ESG and the differentiation between ESG and financial approach as well. The training has also covered the challenges of chemical industry regarding sustainability. The Company attaches great importance to ensure that purchaser colleagues are familiar with current regulations related to this topic.

Requirements applicable to the supply chain are communicated through the Supplier Code of Conduct. It defines that suppliers are required to comply with applicable labour laws governing the employment of workers, as well as with environmental regulations related to their activities and products, moreover are expected to make conscious efforts to mitigate any negative environmental impacts arising from their operations. BorsodChem Zrt. reserves the right to assess suppliers' commitment to the principles set out in the Code.

Product quality is of paramount importance to BorsodChem; therefore, the Company strives to select the most appropriate contractual partners. The goal of the selection process is to ensure that new suppliers are capable of meeting BorsodChem's requirements and standards across multiple criteria. In addition to financial data provision, the Company evaluates its suppliers based on environmental and social considerations, thereby contributing to cooperation with partners aligned with BorsodChem's sustainability objectives. The pre-qualification questionnaire sent to new suppliers includes a review of certifications held by the supplier (e.g. ISO 9001, ISO 14001, ISO 45001), the related management systems applied (e.g. Quality Management System, Environmental Management System), as well as an assessment of the existence of various internal policies and reports. The evaluation also covers the availability of a sustainability report or REACH registration, the use of renewable energy, bio-based raw materials, recycled materials, returnable packaging, the application of mechanical and/or chemical recycling in operations, as well as the existence of a sustainability rating issued by an independent organisation.

The Supplier Code of Ethics, which is a mandatory part of contracts concluded with partners, also contains a number of environmental and social criteria.

The company conducts risk assessments at intervals not specified in its internal regulations with regard to human rights violations and fraud in the case of its key suppliers. Such an assessment was carried out in 2024, based primarily on publicly available data and questionnaires completed by suppliers. The suppliers of the subsidiaries were not subject to investigation. In 2024, a competition risk analysis was

conducted with regard to BorsodChem's key competitors and customers based on publicly available data as well. No such analysis was conducted with regard to BorsodChem's subsidiaries. The analysis included a questionnaire completed by managers involved in sales.

Corruption and bribery

G1-3

Anti-corruption procedures define prohibited conduct, applicable limitations, and rules on conflicts of interest.

Lines of Defence Related to BorsodChem's Anti-Corruption and Anti-Bribery Procedures	
Ethics Line	BorsodChem Zrt. has been operating an Ethics Line for more than 10 years, which is managed by Compliance & Internal Audit. Any affected person, employee or external party can report to the Ethics Line. The reports are investigated by Compliance & Internal Audit in accordance with the procedures set out in the Ethics Line Policy. The report is sent to the Company's top management and to all parties relevant to the case who, in the event of a substantiated report, can contribute to resolving the problem. The reporting party - if the report was not made anonymously - will be informed of the outcome of the investigation. In addition to the above, every employee is given the opportunity to report their concerns to their direct manager.
Internal control function independent of organizational units	The Company has an internal audit function that is independent of the organizational units and is managed by an independent director. The internal auditors perform their work unbiasedly, impartially, and always keeping the possibility of corruption in mind. Audit reports are received by the top management and the Supervisory Board.
Internal control mechanisms, segregation of authorities, internal regulations and procedural rules	Internal controls, segregation of authorities, as well as internal regulations and procedural rules, also support the mitigation of corruption and bribery. The allocation of responsibilities and segregation of duties across BorsodChem's organizational units (e.g., units independently responsible for financial and legal processes) reduce the likelihood of the effects of corruption and bribery being realized, although the complete elimination of such risks is not possible. Internal regulations also serve a similar function in supporting this objective.

Anti-corruption and anti-fraud regulations are set out in the Anti-Fraud Policy. All new employees of BorsodChem Zrt., as well as existing employees of the parent company, are required to participate in mandatory ethics training, which covers issues related to corruption. In the reporting period employees of the subsidiaries did not receive ethics training organized by BorsodChem.

In addition, the signing of the integrity declaration, as mentioned earlier, has been a long-standing practice available to employees of BorsodChem Zrt. 3094 members of the parent company's current workforce have voluntarily signed this statement, thereby expressing their commitment to refraining from any form of corruption.

Anti-corruption training program

Approximately one quarter of the mandatory ethics training content is dedicated to topics related to corruption and misconduct.

Key Pillars of BorsodChem's Mandatory Ethics Training	
Protection of Human Rights in BorsodChem's Operations	BorsodChem's position on human rights in the workplace is presented.
The Benefits of Ethical Conduct	Explaining the importance of ethical values for a company.
Key Topics in Corporate Ethics, Questions and Answers	The key requirements of the Corporate Code of Ethics are presented, with a primary focus on human and workplace relations.
Ethics Line	Goal and Accessibility of the Ethics Line,
Prevention of Misconduct	Overview of the concept, types, and impact of misconduct on the Company.
Workplace Harassment	Overview of the concept, potential forms, and corporate impact of workplace harassment.

During the reporting period, there was no final judgment regarding the violation of anti-corruption and anti-bribery laws, and no fines were imposed.

Payment practices

G1-6

During the reporting period, the average payment term for invoices settled by the Company, calculated from the date of invoicing and considering the contractual payment deadlines, was 29 days.
Due to the nature of its operations, BorsodChem Zrt. maintains a relatively stable supplier base. Under the Company's General Terms of Purchase - unless otherwise agreed - a standard payment term of 90 days is applied. For technical materials, equipment, and services, however, this term is adjusted to 45 or 60 days. In many cases, individually agreed payment terms are established, and in certain instances prepayments are made, providing flexibility to the Company's business partners. These deviations are aligned with business requirements and are always agreed upon in consultation with the supplier.

Through this approach, BorsodChem aims to support supplier liquidity and contribute to fair payment conditions for small, medium, and large enterprises alike. An example of this is the procurement of raw materials and services, for which the Company has concluded long-term supply agreements with large enterprises. Payment terms are not influenced by the supplier's country of origin or type.

During the reporting period, 23% of the Company's payments were made in accordance with standard contractual payment terms. However, supporting supplier liquidity and ensuring fair payment conditions for small, medium, and large enterprises remain a priority; as a result, many invoices are settled under individually agreed terms. The various payment conditions (calculated from goods receipt, invoice date, invoice receipt, or other individually agreed terms) provide sufficient flexibility for the Company's partners. In addition to individually agreed arrangements, non-fulfilment of delivery conditions or late invoice submission may also result in payments deviating from standard practice.

The Company attaches great importance to transparency in its relationships with suppliers, including the technical terms of cooperation. To ensure this, purchase orders and contracts with partners specify the relevant payment conditions, including the payment deadline and other pertinent information, such as the option for early payment with a discount. Thanks in part to these measures, no penalty proceedings related to late payments were initiated against the Company during the reporting period.

COMPANY-SPECIFIC TOPICS

Product quality

For BorsodChem, the importance of product quality is crucial, and ensuring it accordingly requires excellent work and cooperation in many areas: from the health and safety of employees and consumers, through strict international and domestic regulatory compliance, through the promotion of research and development necessary for the production of high-quality products, to long-term competitiveness and successful operation.
BorsodChem's chemical activities are driven by the pursuit of excellence, with the aim of producing quality raw materials for its customers using the best available technologies. Their products (MDI, TDI, PVC and chlor-alkali products) have earned an indisputable reputation worldwide. You can meet utility goods, components and building materials made by these products in many areas of life, as the raw materials produced by the Company are present in the construction, the automotive, the furniture, and the clothing industries, among others. Our company's 6 core values: efficient work, striving for excellence, performance orientation, teamwork, customer orientation, and the ability and willingness to change all help maintain the high quality of our products.

Based on the results of the dual materiality analysis (DMA), product quality has been identified as a material topic for BorsodChem, given its impact on customer satisfaction, long-term business relationships and the company's market competitiveness. This topic is not fully covered by the ESRS thematic standards, therefore the Company presents its operations, management practices and performance related to product quality as a company-specific disclosure, in accordance with the principles defined by ESRS 1. The purpose of this chapter is to present how BorsodChem ensures consistent and reliable quality of its products along the entire value chain, how it involves its stakeholders – especially its customers and suppliers – and what management and control mechanisms support the fulfillment of quality requirements.

Significant impacts, risks and opportunities (IROs) and their connection to the business model and strategy

ESRS 2 IRO-1, SBM-3

IRO ID	Topic	Description of important IRO[22]	Classification	Connection with the business model and strategy
BC-IRO-2024-14	Product quality	For BorsodChem Zrt., maintaining product quality and customer satisfaction is a particularly important task. We always investigate our customers' reports and regularly assess their satisfaction. We document every stage of the investigation of a customer complaint in our internal records and record the agreement made with the customer. During our internal investigation, in cases according to our regulations, we also perform an 8D analysis, which is an accepted problem-solving, analysis and development method in the field of quality assurance. We check the effectiveness of the introduced error correction measures, and in the case of significant or recurring complaints, we re-examine our previously taken measures in order to correct them as soon as possible.	Actual positive impact Downstream	BorsodChem is committed in its Quality Policy (ISO9001) and Quality objectives to gaining the lasting trust of its current and future customers by selling consistent, reliable and high-quality products, and to ensuring continuous and uninterrupted operation by continuously identifying its own operational risks and introducing preventive and corrective measures.

[22] I = Impact = Hatás, R = Risk = Kockázat, O = Opportunity = Lehetőség

		With a special focus on product quality, our company can prevent plant shutdowns due to inadequate quality chemical raw materials, thus reducing non-operational shutdowns in our value chain. Unplanned downtimes are associated with higher pollutant emissions, as well as rejected products and increased waste generation, so by ensuring the quality of our products, our partners in the value chain can not only gain economic but also environmental benefits. One of the most important expectations customers have of a product is to ensure a high level of stable quality. This contributes to our corporate reputation and customer satisfaction, thus ensuring a stable, long-term business relationship, which is of paramount importance for economic stability.		

Quality Policy and Management Approach
The objective of BorsodChem is to earn and maintain the long-term trust of existing and prospective customers by delivering consistent, reliable, and high-quality products. Its commitments in support of its quality policy include active management involvement in ensuring quality; the direct engagement of employees and the clear definition of responsibilities; the application of the principle of mutual benefit in establishing partnerships; informing suppliers of BorsodChem's objectives and requirements; the continuous improvement of product and service quality in order to meet customer expectations as fully as possible; the pursuit of excellence through the application of a quality management system in accordance with ISO 9001; and the adoption of a systematic, professional, risk-based approach to thinking and decision-making.

BorsodChem's Quality Policy and Objectives for 2024 are provided in the annex.

Quality assurance dispatch and laboratory testing and inspections
BorsodChem inspects and tests all of its products at every stage of production—from the receipt of incoming materials, through in-process inspections, to the shipment of finished products—on the basis of documented quality control plans and workplace operating/handling instructions. A significant portion of material testing, quality control activities, as well as environmental and occupational safety measurements is carried out in laboratories belonging to the Quality Management Department, while a smaller portion is performed in plant laboratories or by external accredited laboratories.

The manufacturing processes, their impact on employee health and safety as well as on the environment, and the proper technical condition of production equipment are monitored through laboratory testing. The Analytical Laboratory of the Quality Management Department has continuously maintained its accredited status in accordance with the EN ISO/IEC 17025 standard since 1993. In line with applicable laws, regulations, and internal company requirements, accredited test methods, instruments, and techniques are continuously developed, and employees receive ongoing training.

At present, nearly 200 testing methods are accredited. Laboratory activities are also supported by a Laboratory Information Management System (LIMS) that meets current requirements.

Integrated Management Systems and Their Regular Review
BorsodChem's integrated management system represents the interconnection of five management systems: quality management, environmental management, occupational health and safety management, energy management, and supply chain security management. BorsodChem has established an integrated management system that is operated with due consideration of stakeholder and customer requirements as well as applicable legal regulations. Through this system, the Company supports the monitoring of compliance with requirements related to its products, environmental, health

and safety performance, energy management, and supply chain security performance. In order to ensure continuous improvement, objectives related to Quality, EHS, Energy, and Supply Chain Security, as well as the measures supporting their achievement, are defined on a regular basis, taking into account the tasks identified through risk analysis.

Audits, Reviews, and Corrective Actions

Based on documented procedures, BorsodChem carries out regular reviews of all elements of its integrated management system, identifies deviations, initiates the necessary corrective actions, and verifies their implementation. During the reporting period, an external surveillance audit of the integrated system was conducted by a third party between 3 and 7 June 2024 at the Kazincbarcika, Gödöllő, and Budapest sites. The audit was performed by SGS Hungária Co. As a result of the successful review, the Company's QMS, EMS, OHSMS, and EnMS certificates remained valid. The proper and integrated operation of the Supply Chain Security Management System in accordance with ISO 28000 was confirmed by a surveillance audit conducted between 13 and 15 November 2024. This audit was carried out by URS Hungária Co. The operation of the systems is also verified through internal audits conducted in accordance with an annual audit program. In 2024, a total of 1.119 processes were reviewed with regard to compliance with the requirements of ISO 9001, ISO 14001, ISO 45001, ISO 50001, and ISO 28000, as well as BorsodChem's internal procedural regulations. During the reporting period, based on an approved plan and in response to other emerging issues, suppliers and service partners were also audited on site. Statistical analyses are conducted with respect to non-conformities; incidents related to EMS, OHSMS, EnMS, and SCS; complaints related to purchased materials and services; and customer complaints. All non-conforming products are identified and segregated to prevent inadvertent use or shipment. Records are maintained for non-conforming products, including the product identifier, quantity, and a description of the non-conformity.

Monitoring Customer Feedback and Satisfaction

All customer notifications are investigated in every case, and customer satisfaction is assessed on a regular basis. Each stage of the investigation of customer complaints is documented in an internal tracking system, and the agreement reached with the customer is recorded. During internal investigations, an 8D analysis is also performed in cases specified by internal regulations; this is a widely accepted problem-definition, analysis, and improvement methodology in the field of quality assurance. The effectiveness of implemented corrective actions is verified, and in the event of significant or recurring complaints, previously implemented measures are re-examined to ensure prompt corrective action.

Involvement of BorsodChem's external stakeholders in ensuring and continuously improving product quality

Concerned stakeholders	Method of communication and/or involvement	Frequency
Customers	Customer satisfaction survey	Yearly
	Sales manager visits to customers	Regularly
	Customer meetings	Occasionally
	Customer ratings	Occasionally
	Customer on-site audits	Occasionally
Suppliers, service providers	Database developed for handling complaints	Continously available
	Annual pre-maintenance meeting	Yearly
	On-site audits	Regularly
	Technical consultation	Occasionally
	Residential forum	Occasionally
Local communities	Online communication (website, central email and social media)	Occasionally

Customer Satisfaction Related to Product Quality (2019-2024)

Year of satisfaction survey	Level of satisfaction (on a scale of 1 to 10)
2019	9,0
2021	9,1
2023	9,2
2024	9,1

Based on customer satisfaction surveys previously conducted every two years and, since 2023, annually, the satisfaction level with the reliability of product quality has consistently remained around 9 on a 1–10 scale (where 1 = dissatisfied and 10 = satisfied), showing a strong and stable trend. During the reporting period, responses to the question, "How satisfied are you with the consistency of BorsodChem's product quality compared to other suppliers?" averaged 9,1 points.
The survey covered multiple topics, including pricing, supply chain security, quality of communication and information flow, handling of product development requests, sustainability, and product quality, assessing overall customer satisfaction with BorsodChem's performance. The survey is conducted online using a proprietary questionnaire available in five languages, featuring a so-called mandatory comment system, whereby respondents providing a score of 6 or below were required to give a written explanation. The surveyed group includes all customers to whom at least 80% of the company's annual sales volume is delivered. The data and indicators presented regarding product quality are intended for monitoring operations and processing customer feedback; they are not linked to target values and do not constitute mandatory performance indicators or objectives under ESRS.

On-Site Customer and Supplier Audits
Year after year, BorsodChem receives an increasing number of requests from customers to complete questionnaires or provide declarations. These requests not only relate to the operation of management systems but also seek information and statements regarding new international requirements, the customers' own regulations and commitments, and compliance with EU directives.
In 2024, a total of two customers conducted on-site audits at BorsodChem. Observations made during these audits were interpreted, analyzed, and used to develop action plans aimed at achieving quality objectives.

Supplier Qualification System
BorsodChem evaluates its suppliers and subcontractors in multiple stages to assess their ability to meet the Company's expectations regarding the ordered products or procured services, their quality, and compliance with environmental, safety, and sustainability requirements. Their pre-qualification system is applied to all new suppliers and service providers. The purpose of pre-qualification is to verify the extent to which partners can meet BorsodChem's requirements and comply with its regulations. This process is conducted both through a questionnaire and on-site inspections at the partner's facilities. In 2024, on-site audits were conducted at 12 supplier partners. Contracts are concluded only with partners who meet the pre-qualification requirements. Annual evaluations of suppliers and subcontractors are conducted collaboratively in teams. During the reporting period, multiple teams at BorsodChem carried out annual assessments broken down by specialized areas. The evaluation criteria are defined based on the activities of the suppliers and service providers being assessed. In the overall assessment, pre-qualification results and the partners' sustainability efforts are also taken into account. Partners are informed in writing of the outcome of the qualification. For companies performing maintenance, renovation, or project-related construction, evaluations are conducted weekly during plant shutdowns and major projects, based on their performance during the assessment period. If a supplier or contractor demonstrates a decline in quality, inconsistency, or other issues related to safety or environmental compliance, the most serious cases result in exclusion from the list of approved partners, while less severe cases are addressed by increasing the scope and frequency of inspections, on-site audits, and technical consultations.

Innovation

Continuous innovation and an innovation-driven approach are essential for BorsodChem's competitiveness and future resilience. Accordingly, investments, product, and technological developments receive special emphasis. Innovation requires ongoing improvement in business processes and is embedded in corporate culture, employee training, process development, and R&D activities. In the development of innovative technologies and products, responsiveness to market trends and customer needs, as well as close collaboration with stakeholders, is indispensable. Based on the company's DMA analysis, innovation has been identified as a material topic, reflecting its crucial role in BorsodChem's future competitiveness, technological advancement, and response to sustainability challenges. Due to its complex and cross-cutting nature, innovation cannot be linked to a single ESRS topical standard. Therefore, the Company presents its innovation-related activities as a company-specific topic in accordance with the provisions of ESRS 1. This chapter aims to demonstrate how BorsodChem integrates innovation into its operations and how technological development, the creation of a sustainable product portfolio, and stakeholder collaboration contribute to long-term value creation.

Significant impacts, risks and opportunities (IROs) and their connection to the business model and strategy

ESRS 2 IRO-1, SBM-3

IRO ID	Topic	Description of important IRO[23]	Classification	Connection with the business model and strategy
BC-IRO-2024-15	Innovation	BorsodChem Zrt. annually analyses its own GHG emissions, which it publishes in the form of a GHG report. The majority of its GHG emissions (Scope 3 in 2024: 2.907.218 tCO2e, which accounts for 70,47% of our total emissions) are related to Scope 3 emissions, one of the main categories of which is emissions from the end-of-life management of our products (BorsodChem Scope 3.12 emissions in 2024: 453.635 tCO2, which accounts for 15,6% of total emissions). We contribute to the recycling of materials and waste reduction by developing adhesives that facilitate the physical recycling of our products at the end of their life.	Actual positive impact Own operation	The document titled "Our Quality Objectives", which contains BorsodChem's quality management system objectives valid for 2024, specifies that the Company ensures high product quality through the introduction of new technologies and continuous development of laboratory methods. The achievement of BorsodChem's other management system goals—such as increasing waste utilization, expanding the use of renewable energy, and other long-term sustainability objectives, including achieving net carbon neutrality, developing a sustainable premium product portfolio, advancing the circular economy, and reducing greenhouse gas emissions—can only be realized through innovative developments. These objectives are closely aligned with BorsodChem's business strategy, ensuring that quality, operational excellence, and sustainability initiatives reinforce one another in support of long-term value creation.

[23] I = Impact = Hatás, R = Risk = Kockázat, O = Opportunity = Lehetőség

Key pillars for the successful integration of innovation at BorsodChem

- Investments and the development of new technologies, products, and processes
- Application of advanced manufacturing technologies and integration of innovative solutions into production processes
- Development of green technologies to reduce environmental impact and promote sustainability (e.g., Lean, micro-innovation)
- Research and Development (R&D) activities
- Implementation of circular economy models and sustainable practices across the entire product lifecycle
- Fostering a corporate culture that supports innovation, new ideas, and creativity
- Understanding customer needs and emerging trends through market research and analysis
- Actively monitoring market demands and responding quickly and flexibly in the development and launch of new products and solutions
- Talent development, employee training, and education in new technologies and methods
- Establishing strategic collaborations and domestic and global partnerships with universities, research institutes, and professional associations

The Micro-Innovation Program

The Micro-Innovation Program provides an effective tool to enhance BorsodChem's innovation capabilities. Continuous development and employee involvement help the Company respond flexibly to changing market conditions and customer expectations. Following the trends of previous years, employees also delivered outstanding performance in 2024 in generating micro-innovation ideas. A total of 8.633 development proposals were submitted through the micro-innovation platform, of which 6.886 were implemented. Considering the number of employees, the majority of the 1–2 proposals per person were realized, resulting in an 80% implementation rate.

At BorsodChem, various specialized departments are responsible for product and technological development tasks. However, establishing a policy focused solely on innovation is not necessary, as an innovative mindset permeates the entire Integrated Management System.
Compliance with increasingly stringent Hungarian regulations and the Best Available Techniques (BAT) requirements also necessitates continuous innovation within the development areas. BAT refers to processes that are technically and economically feasible under reasonable conditions and represent the most effective measures for high-level environmental protection. This approach is of primary importance for BorsodChem's operations, as obtaining a unified environmental permit for operations requires that planned activities meet BAT requirements. By mandating the application of BAT, companies in the market are ensured to use the most modern, low-emission technologies. These regulations continuously place demands on companies to innovate and reduce emissions. The European Commission regularly reviews BAT documents and allows producers four years after publication to implement the required technological developments. BorsodChem's operations are highly complex, requiring consideration of BAT requirements across multiple areas. This necessitates a very complex and forward-looking approach for both the development of existing systems and the design of new facilities.

BorsodChem provides information on its innovative developments and future objectives through multiple channels:

- Company Website and Sustainability Reports: The Company reports to external stakeholders via its website and published Sustainability Reports. Comprehensive updates are also provided through their regularly issued Sustainability Newsletter.
- Environmental Permit Process: As part of the environmental permitting process for all projects requiring authorization, the public is informed through mandatory public hearings.
- Open Days: To ensure transparent communication, BorsodChem holds an annual open day with the participation of Company management for representatives of local governments, authorities, and the general public. Participants gain insight into ongoing investments, receive updates on future plans, and learn about the Company's environmental and social responsibility initiatives.
- Public Access to Permitting Documentation: The environmental permits (Unified Environmental Use Permits, EKHE) and related review documents for the investments are publicly available on the

website of the Environmental, Nature Protection, and Waste Management Department of the Borsod-Abaúj-Zemplén County Government Office.

Innovative Investments
Over the past decade, BorsodChem has implemented a large-scale investment program that strongly supports innovation, technological development, and modernization. The Company continued this exemplary practice in 2024.

Major investment activities of BorsodChem in 2024

- **Aniline Plant Start-Up:** Aniline, a key raw material for MDI production, began actual production in 2024 after pilot operations concluded in 2023. The new plant uses state-of-the-art technology, minimizes environmental impact, and avoids GHG emissions from transport, marking a significant step forward in sustainable and environmentally conscious operations.
- **EnviNOX System:** At the WNA-2 dilute nitric acid plant, the introduction of the EnviNOX catalyst reduced greenhouse gas nitrogen oxide emissions by approximately 90%.
- **HyCO-IV Plant:** In 2024, construction of BorsodChem's own hydrogen (Hy) and carbon monoxide (CO) plant was completed. These gases are essential for producing phosgene, the base material for isocyanates. The new facility applies advanced technologies with high efficiency and stability, optimizing resource use.
- **VCM-3 Plant:** Design and construction activities for the new VCM plant continued in 2024. Replacing the oldest VCM plants will significantly improve efficiency in producing VCM for PVC manufacturing, with benefits in energy use, environmental impact, and sustainability.
- **Wastewater Treatment Technology Development:** The company's Central Wastewater Treatment Plant underwent technological upgrades to handle changed pollutant compositions due to new plants and capacity expansions.
- **Wastewater Recirculation Project (WWR):** To reduce water demand, the WWR project began in 2024, recirculating relatively simple wastewater streams, rainwater, and other process waters back into production. After implementation, water withdrawal from the Sajó River is expected to decrease by approximately 2 million m³, a reduction of 16–20%.
- **Water Balance and Quota System:** In 2024, a corporate water balance system was launched, monitoring water use with 5% accuracy. A related water quota system was also initiated to optimize and reduce company-wide water consumption.
- **Solar Panel Installation:** Approximately 2.100 m² of roof area was equipped with solar panels in 2024, increasing the share of renewable energy in the company's energy mix.
- **Sóstó and Tailings Area Recultivation:** More than 200.000 tons of construction, demolition, and production waste were successfully reused, improving Scope 3 emissions and replacing tens of thousands of tons of purchased materials such as gravel and concrete.
- **Noise Emission Reduction:** Ongoing noise reduction measures were implemented, reducing the impact on nearby communities in Berente and Kazincbarcika.
- **Rail Fleet Upgrade:** The rail fleet was expanded with new locomotives meeting the strict "Stage V" emissions standards, reducing GHG emissions associated with fuel consumption.

BorsodChem Investment Costs (2020–2024)

	2020	2021	2022	2023	2024
Total Investment Value (thousand EUR)	213.154	261.138	206.465	176.353	149.908
Environmental Investment Costs (thousand EUR)	12.101	14.466	10.504	9.313	7.397

Through their investments and R&D activities, BorsodChem enables the realization of the right to a clean environment, thereby making significant contributions to individual health and well-being, as well as to sustainability and the interests of future generations.

Number of R&D projects at BorsodChem (2020-2024)

	2020	2021	2022	2023	2024
Number of Annual R&D Topics	18	14	14	12	23
Number of R&D Projects Partially Funded from External Sources	1	2	2	1	1

Product developments
Innovative product developments primarily support the higher-level fulfillment of their customers' needs. A key condition for this is the continuous monitoring of industry trends and an openness to implementing technological innovations.

Development of a Sustainable Product Portfolio
The market increasingly prioritizes the use of non-fossil-based raw materials, which requires the Company to establish a new, sustainable product portfolio. BorsodChem's premium sustainable products provide higher added value, a competitive advantage, strong market reputation, social recognition, and reduced environmental impact. Achieving this, however, demands significant innovation and fosters closer collaboration among stakeholders, including suppliers, customers, R&D organizations, universities, and professional associations.
Currently, the majority of raw materials are still sourced from fossil origins, as most strategic suppliers are petrochemical or chemical companies (refineries, crackers), where replacing fossil-based feedstock is challenging and can only be realized through substantial investment. Due to the complexity and high cost of this transition, sustainable raw materials are currently available only in limited quantities and at higher prices. Additionally, most bio-based raw materials currently available on the market are first-generation, sourced directly from agricultural production.

Sustainable and Diversified Raw Materials
The Company places great importance on diversifying its sources. In addition to bio-based raw materials, it explores second-generation sources (e.g., agricultural residues), bio-circular materials (e.g., used cooking oil), and raw materials derived from recycled waste, assessing their availability both among existing and potential suppliers.

ISCC Plus Certification and Sustainable Sourcing
In 2024, the Company successfully retained its ISCC Plus certification, demonstrating its commitment to sustainability and responsible sourcing, as well as its ongoing efforts to drive sustainable innovation and reduce environmental impact.
ISCC Plus is a globally recognized certification system that verifies the traceability and sustainability of bio-based and recycled/circular materials across the entire supply chain. Obtaining ISCC Plus certification provides a significant advantage in the development of a sustainable product portfolio and represents an important step forward for the Company.
With ISCC Plus-certified bio-MDI and bio-TDI products, the Company is able to successfully meet customer demands.

In 2024, BorsodChem introduced the **Ongronat NEO** product line, consisting of MDI, TDI, and TPU products produced from bio- or bio-circular raw materials under the ISCC Plus system, using the mass balance approach.

BorsodChem's goal is to establish a premium sustainable product portfolio by 2050 and to support the transition to sustainable production through innovative technologies and the commissioning of new production facilities.

The data and information presented in connection with innovation illustrate the scale and directions of the Company's activities. They are not tied to specific targets or deadlines and do not constitute ESRS-defined performance indicators or objectives.

Action Plans to Mitigate the Risks of Material Impacts

During the identification of material impacts and risks (IROs), special attention was paid to uncovering their effects on the organization's operations. Based on the assessment results, we identified the key areas related to material IROs where intervention is required. Targeted measures have been

developed to manage the negative impacts deemed significant. These measures aim both to mitigate risks and to enhance positive impacts. In developing these measures, the expectations of the relevant stakeholders were also taken into account.

The specific measures implemented to address these impacts are detailed below.

IRO ID	Action Name and Brief Description	Risk reduction principles	Expected Outcome	Responsible Organization	Expected Deadline
BC-IRO-2024-1	Through technological optimization and development of the plants, as well as research and development activities, the possibilities for water recirculation and reduction of water consumption must be examined within the framework of the WasteWater Recycling Project (WWRP), in order to achieve the utilization of 2 million m³ of recirculated water. Formation of the WWRP project team, data collection, and selection of potential feed sources.	The examination of water recirculation technology allows for the pre-treatment and reintegration of potentially easily treatable wastewater into production, thereby avoiding the withdrawal of 2 million m³ of raw water per year.	Construction of a 200.000 m³ capacity water storage basin and achievement of avoiding the withdrawal of 2 million m³ of raw water annually for production.	EHS	2027
BC-IRO-2024-2	Establishment of a Solar Power Park - BC plans to establish a solar power park. The objective is to construct a 30 MW solar power facility, including auxiliary units.	The installation of a 30 MW solar power plant on a brownfield site of approximately 49 hectares is expected to reduce emissions by 5%.	Construction of a 30 MW Solar Power Plant	EHS	2027
BC-IRO-2024-3	Organizing at least one Sustainability Supplier Forum annually for the suppliers with the greatest impact on BorsodChem –	As a result of the topics, suggestions, and programs raised at the Supplier Forums, our suppliers also strive to reduce	Encouraging partners at Supplier Forums to reduce their emissions and achieve carbon neutrality, thereby contributing to the reduction of	Sustainability Group	Ongoing

	Informing our suppliers about our sustainability activities, objectives, and expectations, with a particular focus on providing information related to Scope 3 emissions, and highlighting the importance of suppliers taking measures to reduce these emissions.	their GHG emissions.	BorsodChem's Scope 3 emissions.		
BC-IRO-2024-4	Establishment of a Solar Power Park - BC plans to establish a solar power park. The objective is to construct a 30 MW solar power facility, including auxiliary units.	The installation of a 30 MW solar power plant on a brownfield site of approximately 49 hectares is expected to reduce emissions by 5%.	Construction of a 30 MW Solar Power Plant	EHS	2027
BC-IRO-2024-5	For all new investments and developments, we require and assess compliance with air quality protection regulations. Environmental impact assessments and risk evaluations may also justify development interventions on an annual basis to ensure traceability. EU and national legislation is regularly monitored to maximize preparation time.	Continuous monitoring of air quality regulations and the development of technologies help reduce environmental and legal risks.	Regular monitoring ensures the effective minimization of substances released into the atmosphere.	EHS	Ongoing
BC-IRO-2024-6	Remediation Monitoring – Continuous consultation with the authorities regarding soil	BorsodChem conducts remediation monitoring on the affected site, thereby	Maintaining the regulatory limits established by the authorities on the affected site at all times.	EHS	Ongoing

	monitoring results. If contamination persistently exceeds the site-specific limits set by the authorities, the causes must be investigated, and recommendations for intervention or other technical measures must be proposed.	preventing exceedance of the limits approved by the authorities.			
BC-IRO-2024-7	Through technological optimization and development of the plants, as well as research and development activities, the possibilities for water recirculation and reduction of water consumption must be examined within the framework of the WasteWater Recycling Project (WWRP), in order to achieve the utilization of 2 million m³ of recirculated water. Formation of the WWRP project team, data collection, and selection of potential feed sources.	The examination of water recirculation technology allows for the pre-treatment and reintegration of potentially easily treatable wastewater into production, thereby avoiding the withdrawal of 2 million m³ of raw water per year.	Construction of a 200.000 m³ capacity water storage basin and achievement of avoiding the withdrawal of 2 million m³ of raw water annually for production.	EHS	2027
BC-IRO-2024-8	Optimization of the hydrochloric acid-to-aniline molar ratio reduction.	Reduction of caustic soda and hydrochloric acid consumption through the modification of the formalin dosing system.	The targeted outcome is 260 L of condensate used per ton of formalin solution. Annual water savings (calculated for 400 kt) amount to 39.832 m³. Cost savings of €3.000.000 per year are expected, due to reduced	MDI plant	2025

			alkali consumption and increased hydrochloric acid solution sales.		
BC-IRO-2024-9	As a positive impact, we commit to exploring further development opportunities related to this topic, which also support our business strategy, are aimed at improvement, and contribute to maintaining favorable trends. More detailed information on this topic can be found in Chapter S2.				
BC-IRO-2024-10	As a positive impact, we commit to exploring further development opportunities related to this topic, which also support our business strategy, are aimed at improvement, and contribute to maintaining favorable trends. More detailed information on this topic can be found in Chapter S2.				
BC-IRO-2024-11	As a positive impact, we commit to exploring further development opportunities related to this topic, which also support our business strategy, are aimed at improvement, and contribute to maintaining favorable trends. More detailed information on this topic can be found in Chapter S3.				
BC-IRO-2024-12	The annual evaluation of suppliers serves to review their performance and identify potential weaknesses. The assessment is conducted every year, and uniform criteria apply to all suppliers.	We ensure equality among companies by applying the criteria established during the evaluation.	Ensuring equality among suppliers through the application of consistent evaluation criteria.	Procurement	Ongoing
BC-IRO-2024-13	As a positive impact, we commit to exploring further development opportunities related to this topic, which also support our business strategy, are aimed at improvement, and contribute to maintaining favorable trends. More detailed information on this topic can be found in Chapter G1.				
BC-IRO-2024-14	Identifying New Application Areas for Plastic Raw Materials – Examining the blending possibilities of existing and new products to develop biodegradable products for various plastic applications.	Examining the blending possibilities of existing and new products, and the development of biodegradable products, can reduce emissions from end-of-life treatment of our products and increase their product lifespan.	Implementation of new opportunities to reduce Category 3.12 of the GHG inventory.	Technical Service and Development	Ongoing
BC-IRO-2024-15	HyCo-IV Project – The H_2 and CO plant pilot facility owned by BorsodChem commenced operations in 2025 (HyCo-IV plant).	Since our company produces CO and H_2 in-house, the specific emissions are lower, resulting in stable production, which in turn contributes to ensuring consistent product quality.	Expected outcomes include stable production, reduced specific natural gas and electricity consumption, and the expansion of integrated production activities.	HyCO-IV plant	2027

ESRS CONTENT INDEX[24]

Mandatory data points based on materiality

Following the dual materiality (DMA) assessment, the Company, based on the sustainability topics (IROs) deemed material in the Impact and Financial dimensions, compiled an English-language, internal Datapoint Mapping list, adapted to the industry and its headcount, using an application (tool) following the ESRS datapoint structure published by EFRAG, in which the mandatory data points were specifically defined from among the individual ESRS data points. The Company prepared its 2024 sustainability report by responding to these data points.

Policies related to material sustainability issues (MDR-P), measures and resources for their implementation (MDR-A), and targets and metrics for monitoring the effectiveness of policies and measures (MDR-T) are published in the relevant professional chapters related to each topic.

Voluntary Data Points

Based on the Company's DMA analysis, the topic S1 – Own workforce was not deemed material. However, in order to enhance transparency and support industry comparability, the Company has decided to disclose certain data related to topic S1 on a voluntary basis. In doing so, the Company is taking advantage of the opportunity provided by the ESRS to disclose additional information in addition to the mandatory data points that, although not material, may be relevant to the data subjects or to the achievement of the Company's own transparency objectives.

Standard	DR [25]	Disclosure requirement name	Materiality [26]
ESRS 2	**General disclosures**		**I**
ESRS 2	**Basis for preparing the report (BP)**		I
ESRS 2	BP-1	General basis for preparing a sustainability statement	I
ESRS 2	BP-2	Disclosures regarding unique circumstances	I
ESRS 2	**Governance**		**I**
ESRS 2	GOV-1	The role of the management, executive and supervisory bodies	I
ESRS 2	GOV-2	Information provided to the management, executive and supervisory bodies of the enterprise and the sustainability issues they address	I
ESRS 2	GOV-3	Integrating sustainability performance into incentive mechanisms	I
ESRS 2	GOV-4	Statement on due diligence	I
ESRS 2	GOV-5	Internal control over risk management and sustainability reporting	I
ESRS 2	**Strategy**		**I**
ESRS 2	SBM-1	Strategy, business model and value chain	I
ESRS 2	SBM-2	Stakeholder interests and positions	I
ESRS 2	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	I
ESRS 2	**Managing impacts, risks and opportunities**		**I**
ESRS 2	IRO-1	Description of the processes for identifying and assessing material impacts, risks and opportunities	I
ESRS 2	IRO-2	Disclosure requirements under the ESRS covered by the company's sustainability statements	I
ESRS E1	**Climate Change / Climate Change Mitigation, Climate Change Adaptation, Energy**		**I**
ESRS E1	E1-1	Climate change mitigation transition plan	I

[24] Based on the Hungarian text of Delegated Regulation 2023/2772/EU
[25] Disclosure requirement
[26] The letter I indicates material topics, the letter N indicates non-material topics

ESRS E1	E1-2	Climate change mitigation and adaptation policies	I
ESRS E1	E1-3	Measures and resources related to climate change policies	I
ESRS E1	E1-4	Climate change mitigation and adaptation targets	I
ESRS E1	E1-5	Energy consumption and structure	I
ESRS E1	E1-6	Gross and total GHG emissions in scope 1, 2, 3	I
ESRS E1	E1-7	GHG mitigation projects financed through GHG removals and carbon credits	I
ESRS E1	E1-8	Internal carbon pricing	I
ESRS E1	E1-9	Expected financial impacts from material physical and transition risks and potential climate-related opportunities	I
ESRS E2	**Pollution**		I
ESRS E2	E2-1	Pollution policies	I
ESRS E2	E2-2	Pollution measures and resources	I
ESRS E2	E2-3	Pollution targets	I
ESRS E2	E2-4	Air, water and soil pollution	I
ESRS E2	E2-5	Substances of concern and substances of very high concern	N
ESRS E2	E2-6	Expected financial impacts from pollution-related impacts, risks and opportunities	N
ESRS E3	**Water and marine resources**		I
ESRS E3	E3-1	Water and marine policies	I
ESRS E3	E3-2	Water and marine measures and resources	N
ESRS E3	E3-3	Water and marine targets	I
ESRS E5	E3-4	Water consumption	N
ESRS E5	E3-5	Expected financial impacts resulting from material impacts, risks and opportunities related to water and marine	I
ESRS E4	**Biodiversity and ecosystems**		N
ESRS E4	IRO-1. Description of procedures for identifying and assessing significant impacts, risks and opportunities related to biodiversity and the ecosystem		I
ESRS E5	**Resource use and circular economy / Resource inflow, including resource use**		**I**
ESRS E5	E5-1	Policies on resource use and the circular economy	I
ESRS E5	E5-2	Measures and resources on resource use and the circular economy	N
ESRS E5	E5-3	Targets on resource use and the circular economy	I
ESRS E5	E5-4	Resource inflows	I
ESRS E5	E5-5	Resource outflows	N
ESRS E5	E5-6	Expected financial impacts of material risks and opportunities related to resource use and the circular economy	N
ESRS E	N/A	EU Taxonomy / Disclosures under Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)	I
ESRS S1	**Own workforce**		N
ESRS S1	S1-1	Policies related to own workforce	N
ESRS S1	S1-2	Processes used to engage with own employees and employee representatives on impacts	N
ESRS S1	S1-3	Processes for correcting negative impacts and channels for own employees to raise concerns	N
ESRS S1	S1-4	Measures for material impacts on own workforce and approaches to mitigate material risks and exploit material opportunities related to own workforce, and the effectiveness of these measures	N

ESRS S1	S1-5	Objectives related to addressing material negative impacts, promoting positive impacts and managing material risks and opportunities	N
ESRS S1	S1-6	Characteristics of the enterprise's employees	N
ESRS S1	S1-7	Characteristics of non-employee workers within the enterprise's workforce	N
ESRS S1	S1-8	Collective bargaining coverage and social dialogue	N
ESRS S1	S1-9	Diversity metrics	N
ESRS S1	S1-10	Adequate wages	N
ESRS S1	S1-11	Social protection	N
ESRS S1	S1-12	Persons with disabilities	N
ESRS S1	S1-13	Training and skills development metrics	N
ESRS S1	S1-14	Health and safety metrics	N
ESRS S1	S1-15	Work-life balance metrics	N
ESRS S1	S1-16	Income metrics (wage gap and total income)	N
ESRS S1	S1-17	Incidents, complaints and serious human rights impacts	N
ESRS S2	**Workers in the value chain**		I
ESRS S2	S2-1	Policies for workers in the value chain	I
ESRS S2	S2-2	Processes for engaging with workers in the value chain on impacts	I
ESRS S2	S2-3	Processes for redressing negative impacts and channels for workers in the value chain to raise concerns	I
ESRS S2	S2-4	Measures for material impacts on workers in the value chain, approaches to address material risks and opportunities related to workers in the value chain, and the effectiveness of these measures	I
ESRS S2	S2-5	Objectives related to addressing material negative impacts, promoting positive impacts, and managing material risks and opportunities	I
ESRS S3	**Affected communities**		I
ESRS S3	S3-1	Policies related to affected communities	I
ESRS S3	S3-2	Processes used to engage with affected communities on impacts	I
ESRS S3	S3-3	Processes for remediation of adverse impacts and channels for affected communities to raise concerns	I
ESRS S3	S3-4	Measures for significant impacts on affected communities, approaches to address significant risks and opportunities associated with affected communities, and the effectiveness of these measures	I
ESRS S4	**Consumers and end users**		N
ESRS S4	S4-1	Consumer and end-user policies	N
ESRS S4	S4-2	Processes used to engage with consumers and end-users on impacts	N
ESRS S4	S4-3	Processes for redressing negative impacts and channels for consumers and end-users to raise concerns	N
ESRS S4	S4-4	Measures for material impacts on consumers and end-users, approaches to address material risks and opportunities for consumers and end-users, and the effectiveness of these measures	N
ESRS S4	S4-5	Objectives related to addressing material negative impacts, promoting positive impacts and managing material risks and opportunities	N
ESRS G1	**Business Conduct / Corporate Culture, Supplier Relationship Management, including Payment Practices**		I
ESRS G1	G1-1	Corporate Culture and Business Conduct Policies and Corporate Culture	I
ESRS G1	G1-2	Management of Supplier Relationships	I
ESRS G1	G1-3	Prevention and Detection of Corruption and Bribery	N
ESRS G1	G1-4	Confirmed Cases of Corruption and Bribery	N

ESRS G1	G1-5	Political Influence and Lobbying	N
ESRS G1	G1-6	Payment practice	I
Non-standard		**Company-specific topics**	I
Self-publishing	Own KPI	Innovation	I
Self-publishing	Own KPI	Product quality	I

APPENDIX

The relationship between the ESRS standard and EU legislation

Disclosure requirement and related data point	Reference to the Sustainability Disclosures Regulation [23]	Reference to 3 Pillar [24]	Reference to the Benchmarks Regulation [25]	Reference to the EU Climate Regulation [26]	Materiality of disclosure [27]
ESRS 2 GOV-1 Gender distribution on the board of directors Paragraph 21(d)	Indicator No. 13 in Table 1 of Annex I		Annex II to Commission Delegated Regulation (EU) 2020/1816 [27]		
ESRS 2 GOV-1 Percentage of Independent Directors Paragraph 21(e)			Annex II to Delegated Regulation (EU) 2020/1816		
ESRS 2 GOV-4 Due Statement Paragraph 30	Indicator No. 10 in Table 3 of Annex I				
ESRS 2 SBM-1 Participation in fossil fuel activities Paragraph 40(d)(i)	Indicator No. 4 in Table 1 of Annex I	Article 449a of Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 (28) Table 1: Qualitative information on environmental risk and Table 2: Qualitative information on social risk [28]	Annex II to Delegated Regulation (EU) 2020/1816		
ESRS 2 SBM-1 Participation in activities related to the production of chemicals (paragraph 40(d)(ii))	Indicator No. 9 in Table 2 of Annex I		Annex II to Commission Delegated Regulation (EU) 2020/1816'		
ESRS 2 SBM-1 Participation in activities related to disputed weapons	Indicator No. 14 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1818 [29], Article 12(1) of Delegated Regulation		

[27] The letter I indicates material topics, the letter N indicates non-material topics

Paragraph 40(d)(iii)			(EU) 2020/1816, Annex II		
ESRS 2 SBM-1 Participation in activities related to tobacco growing and production Paragraph 40(d)(iv)			Delegated Regulation (EU) 2020/1818, Article 12(1), Annex II to Delegated Regulation (EU) 2020/1816		
ESRS E1-1 The plan for transitioning to climate neutrality by 2050, paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	
ESRS E1-1 Undertakings excluded from EU Paris-aligned benchmarks Paragraph 16(g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Table 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, issuance volume and remaining maturity	Delegated Regulation (EU) 2020/1818, Article 12(1)(d)-(g) and Article 12(2).		
ESRS E1-4 GHG emission reduction target Paragraph 34	Indicator No. 4 in Table 2 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Table 3: Banking book – Climate change transition risk: Adjustment metrics	Delegated Regulation (EU) 2020/1818, Article 6		
ESRS E1-5 Energy use from fossil sources, broken down by source (only sectors with significant climate impact) Paragraph 38	Indicator No. 5 of Table 1 and Indicator No. 5 of Table 2 of Annex I				
ESRS E1-5 Energy consumption and structure , Paragraph 37	Indicator No. 5 in Table 1 of Annex I				
ESRS E1-5 Energy intensity in activities in sectors with a high climate impact Paragraphs 40-43	Indicator No. 6 in Table 1 of Annex I				
ESRS E1-6 Gross and total GHG emissions in scope 1, 2, 3 Paragraph 44	Indicators 1 and 2 of Table 1 of Annex I	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Table 1: Banking book – Climate change transition risk:	Delegated Regulation (EU) 2020/1818, Article 5(1). Articles 6 and 8(1)		

		Credit quality of exposures by sector, emission quantity and remaining maturity			
ESRS E1-6 Gross GHG emission intensity Paragraphs 53–55	Indicator No. 3 in Table 1 of Annex I	Regulation (EU) No 575/2013, Article 449a; Commission Implementing Regulation (EU) 2022/2453, Table 3: Banking book – Climate change transition risk: Adjustment metrics	Regulation (EU) 2020/1818, Article 8(1)		
ESRS E1-7 GHG removals and carbon credits Paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks Paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II, Delegated Regulation (EU) 2020/1816, Annex II		
ESRS E1-9 Amounts broken down by acute and chronic physical risk, paragraph 66(a) **ESRS E1-9** Location of significant assets exposed to significant physical risk Paragraph 66(c)		Regulation (EU) No 575/2013, Article 449a; Commission Implementing Regulation (EU) 2022/2453, recitals (46) and (47); Table 5: Banking book – Climate change-related physical risk: Exposure to physical risks.			
ESRS E1-9. Breakdown of book value of real estate assets by energy efficiency classes Paragraph 67(c)		Regulation (EU) No 575/2013, Article 449a; Commission Implementing Regulation (EU) 2022/2453, Recital 34; Table 2: Banking book – Climate change transition risk: Loans secured by real estate – Energy efficiency of the collateral			
ESRS E1-9 The extent of the portfolio's exposure to climate-related opportunities Paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		
ESRS E2-4 The quantity of each pollutant released into air, water and soil listed in Annex II of the European PRTR Regulation (European	Indicator No. 8 in Table 1 of Annex I, Indicator No. 2 in Table 2 of Annex I, Indicator No. 1 in Table 2 of Annex I,				

Pollutant Release and Transfer Register), paragraph 28	Indicator No. 3 in Table 2 of Annex I				
ESRS E3-1 Water and marine resources, paragraph 9	Indicator No. 7 in Table 2 of Annex I				
ESRS E3-1 Targeted policy, paragraph 13	Indicator No. 8 in Table 2 of Annex I				
ESRS E3-1 Sustainable oceans and seas Paragraph 14	Indicator No. 12 in Table 2 of Annex I				
ESRS E3-4 Total recycled and reused water, paragraph 28(c)	Indicator No. 6.2 in Table 2 of Annex I				
ESRS E3-4 Total water consumption from own activities in m3 / million EUR net revenue Paragraph 29	Indicator No. 6.1 in Table 2 of Annex I				
ESRS 2 – IRO 1 – E4 Paragraph 16(a)(i)	Indicator No. 7 in Table 1 of Annex I				
ESRS 2 – IRO 1 – E4 Paragraph 16(b)	Indicator No. 10 in Table 2 of Annex I				
ESRS 2 – IRO 1 – E4 Paragraph 16(c)	Indicator No. 14 in Table 2 of Annex I				
ESRS E4-2 Sustainable land use/agricultural practices or policies Paragraph 24(b)	Indicator No. 11 in Table 2 of Annex I				
ESRS E4-2 Sustainable ocean/marine practices or policies Paragraph 24(c)	Indicator No. 12 in Table 2 of Annex I				
ESRS E4-2 Policies to address deforestation, paragraph 24(d)	Indicator No. 15 in Table 2 of Annex I				
ESRS E5-5 Non-recycled waste, paragraph 37(d)	Indicator No. 13 in Table 2 of Annex I				
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	Indicator No. 9 in Table 1 of Annex I				
ESRS 2 – SBM3 – S1 Risk of Forced Labor, Paragraph 14(f)	Indicator No. 13 in Table 3 of Annex I				
ESRS 2 – SBM3 – S1 Risk of child labour Paragraph 14(g)	Indicator No. 12 in Table 3 of Annex I				
ESRS S1-1	Indicator No. 9 of Table 3 and Indicator				

Political commitments on human rights Paragraph 20	No. 11 of Table 1 of Annex I				
ESRS S1-1 Due Diligence Policies on Issues Covered in Fundamental Conventions 1-8 of the International Labour Organization, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		
ESRS S1-1 Procedures and measures to prevent trafficking in human beings Paragraph 22	Indicator No. 11 in Table 3 of Annex I				
ESRS S1-1 occupational accident prevention policy or management system, paragraph 23	Indicator No. 1 in Table 3 of Annex I				
ESRS S1-3 complaints/grievance handling mechanisms, paragraph 32(c)	Indicator No. 5 in Table 3 of Annex I				
ESRS S1-14 Number of fatalities and number and rate of work-related accidents, paragraph 88(b) and (c)	Indicator No. 2 in Table 3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		
ESRS S1-14 Number of days lost due to injury, accident, death or illness 88. e)	Indicator No. 3 in Table 3 of Annex I				
ESRS S1-16 Unadjusted gender pay gap 97. a)	Indicator No. 12 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		
ESRS S1-16 Excessive CEO remuneration ratio 97. b)	Indicator No. 8 in Table 3 of Annex I				
ESRS S1-17 Occurrence of discrimination, point 103(a)	Indicator No. 7 in Table 3 of Annex I				
ESRS S1-17 Disregard for UN Guiding Principles on Business Responsibility and Human Rights and OECD Paragraph 104(a)	Indicator No. 10 of Table 1 and Indicator No. 14 of Table 3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II, Delegated Regulation (EU) 2020/1818, Article 12(1)		
ESRS 2 – SBM3 – S2 Significant risk of child or forced labor in the value chain, point 11(b)	Indicators 12 and 13 of Table 3 of Annex I				
ESRS S2-1 Political commitments on human rights Article 17	Indicator No. 9 of Table 3 and Indicator No. 11 of Table 1 of Annex I				

ESRS S2-1 Policies related to workers in the value chain Section 18	Indicators 11 and 4 of Table 3 of Annex I				
ESRS S2-1 Disregard for the UN Guiding Principles on Business Responsibility and Human Rights and the OECD Guidelines Paragraph 19	Indicator No. 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II, Delegated Regulation (EU) 2020/1818, Article 12(1)		
ESRS S2-1 Due Diligence Policies on Issues Covered in Fundamental Conventions 1-8 of the International Labour Organization, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		
ESRS S2-4 Human rights issues and incidents related to the upstream and downstream value chain Paragraph 36	Indicator No. 14 in Table 3 of Annex I				
ESRS S3-1 Political commitments on human rights, paragraph 16	Indicator No. 9 of Table 3 and Indicator No. 11 of Table 1 of Annex I				
ESRS S3-1 Disregard for the UN Guiding Principles on Business Responsibility on Human Rights, the ILO Principles or the OECD Guidelines Section 17	Indicator No. 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II, Delegated Regulation (EU) 2020/1818, Article 12(1)		
ESRS S3-4 Human rights problems and incidents, paragraph 36	Indicator No. 14 in Table 3 of Annex I				
ESRS S4-1 Consumer and end-user policies, paragraph 16	Indicator No. 9 of Table 3 and Indicator No. 11 of Table 1 of Annex I				
ESRS S4-1 Disregard for the UN Guiding Principles on Business Responsibility and Human Rights and the OECD Guidelines Section 17	Indicator No. 10 in Table 1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II, Delegated Regulation (EU) 2020/1818, Article 12(1)		
ESRS S4-4 Human rights problems and incidents, paragraph 35	Indicator No. 14 in Table 3 of Annex I				
ESRS G1-1 UN Convention against Corruption, paragraph 10(b)	Indicator No. 15 in Table 3 of Annex I				

ESRS G1-1 Protection of whistleblowers Paragraph 10(d)	Indicator No. 6 in Table 3 of Annex I				
ESRS G1-4 Fines imposed for violations of anti-corruption and anti-bribery laws, paragraph 24(a)	Indicator No. 17 in Table 3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		
ESRS G1-4 Anti-corruption and anti-bribery standards Paragraph 24(b)	Indicator No. 16 in Table 3 of Annex I				

GLOSSARY

BAT
Best Available Techniques. Technologies that can be applied under acceptable technical and economic conditions and are the most effective in protecting the environment as a whole.

BC
BorsodChem.

CAPEX
Capital expenditure; the investments made by a company in acquiring, expanding, or upgrading tangible assets, such as real estate, machinery, technology, or other long-lived assets.

CapEx (EU Taxonomy)
The portion of the company's capital expenditure subject to assessment under the EU Taxonomy Regulation; the related KPI indicates the share of taxonomy-eligible (sustainable) investments.

CFO
Chief Financial Officer.

CH_4 (methane)
A potent greenhouse gas with a global warming potential significantly higher than that of carbon dioxide.

CLP
Classification, Labelling and Packaging; EU regulation governing the classification, labeling, and packaging of chemical substances and mixtures to clearly indicate hazards.

CO_2e
Carbon dioxide equivalent; a standard unit to compare the climate impact of various greenhouse gases (GHGs).

CSR
Corporate Social Responsibility.

CSRD
Corporate Sustainability Reporting Directive.

DMA
Double Materiality Assessment, the ESRS process in which a company assesses the materiality of sustainability topics based on environmental and social impacts, as well as financial risks and opportunities.

Downstream
The part of the value chain following the company's own operations, including product distribution, use, and end-of-life management (e.g., recycling, disposal).

EcoVadis
International sustainability rating system evaluating corporate environmental, social, ethical, and sustainable procurement performance based on a standardized ESG methodology.

EHS
Environmental, Health, and Safety.

EIR
Energy Management System, designed to plan, monitor, and continuously improve an organization's energy use.

UN
United Nations.

ESG
Environmental, Social, and Governance criteria used to assess sustainability and investment performance.

ESEF
European Single Electronic Format.

ESRS
European Sustainability Reporting Standards.

EU Clean Industrial Deal
The EU industrial policy initiative aiming at industrial decarbonization and increased competitiveness, especially for energy-intensive sectors.

EU ETS
European Union Emissions Trading System; a cap-and-trade system incentivizing GHG reductions.

EU Taxonomy
The EU's official classification system defining environmentally sustainable economic activities.

FTE
Full-Time Equivalent, a measure of employee count in full-time units.

GRI
Global Reporting Initiative.

GWP
Global Warming Potential; a metric expressing the contribution of a specific GHG to global warming relative to CO_2.

HFC
Hydrofluorocarbons, synthetic potent greenhouse gases primarily used as refrigerants.

HPM
High Performance Material, thermoplastic polyurethane production.

HyCO
Hydrogen and Carbon Monoxide.

ILO
International Labour Organization.

IPPC
Integrated Pollution Prevention and Control, the EU system for integrated pollution prevention and reduction.

IRO
Impact, Risk, Opportunity; fundamental concept in ESRS double materiality assessment.

ISCC PLUS
International Sustainability and Carbon Certification, voluntary system certifying sustainable and traceable use of bio-based and circular materials.

KC
Krems Chemie.

KIR
Environmental Management System.

MDI
Methylene diphenyl diisocyanate, an industrial chemical raw material.

MEBIR
Occupational Health and Safety Management System (OHSAS).

MIR
Quality Management System.

MNB
Mono-nitrobenzene, chemical intermediate.

NACE
Nomenclature of Economic Activities, the EU economic activity classification system.

NNGYK
National Public Health and Medical Center.

N_2O (nitrous oxide)
Potent greenhouse gas with significant global warming potential.

OHSAS
Occupational Health and Safety Assessment Series

OECD
Organisation for Economic Co-operation and Development.

OPEX
Operational expenditure; recurring expenses related to daily operations.

OpEx (EU Taxonomy)
Operating expenditures defined under the EU Taxonomy, sometimes not mandatory to report.

PVC
Polyvinyl chloride.

PU
Polyurethane.

QMS
Quality Management Sytem

REACH
EU regulation on chemicals (Registration, Evaluation, Authorisation and Restriction of Chemicals)

SBTi
Science Based Targets initiative.

SCS
Supply Chain Security

SDS
Safety Data Sheet.

Scope 1
Direct emissions from owned or controlled sources, e.g., fuel or natural gas consumption.

Scope 2
Indirect emissions from purchased electricity, steam, or heat.

Scope 3
All other indirect emissions across the value chain, including upstream and downstream activities (procurement, logistics, employee travel, etc.).

SDGs
Sustainable Development Goals

SF_6 (sulfur hexafluoride)
Extremely potent greenhouse gas with high GWP.

SoC
Substance of Concern.

Stakeholder
Interested party.

SVHC
Substance of Very High Concern (REACH).

SZTFH
Supervisory Authority for Regulatory Affairs (SARA)

Tier 1
Direct supplier in the company's supply chain.

TDI
Toluene diisocyanate.

TPU
Thermoplastic polyurethane.

Upstream
Part of the value chain preceding the company's operations.

UNGC
United Nations Global Compact.

ÜHG
Greenhouse gases.

VCM
Vinil-klorid monomer, chemical intermediate.

WWF
World Wide Fund for Nature.

WWF Risk Filter
Online tool to identify and assess water and biodiversity risks.

WWRP
Waste Water Recycling Project

XBRL
eXtensible Business Reporting Language, standard machine-readable reporting format for financial and sustainability data.

LIST OF ATTACHMENTS

1. BC_EHS objective
2. BC_EHS_policy
3. BC_Energy objective
4. BC_Energy policy
5. BC_Quality objective
6. BC_Quality policy
7. BC_Sustainability objective
8. BC_Sustainability policy

ASSURANCE STATEMENT

1st attachment: BC_EHS objective

OUR EHS OBJECTIVE

OUR MISSION

Our mission is that BorsodChem Zrt. should be a determining and exemplary chemical company in Europe besides Hungary and also worldwide in unity with Wanhua Group. We support the achievement of BorsodChem's long-term objectives by creating EHS excellence, while we focus on the basic principles of sustainable development during our everyday work and decisions.

OUR PHILOSOPHY

In the course of our daily activity and operating our technological systems, we make a continuous effort to achieve and maintain incident-and accident free operations ensuring a continuously decreasing environmental load.

OUR EHS OBJECTIVE

We defined our Environment- Health and Safety (EHS) objectives to be achieved in the period of 2022-2024 as follows:

1. Decrease the indices of injuries - LTI index - that occurred in relation with the Company's operations on BorsodChem Zrt. site by 15% relative to 2021.
2. Decrease the number of injuries that occur in case of contracting companies working on BorsodChem site by 10 % relative to 2021.
3. Expand the electronic work permits to construction sites handed over for work.
4. Ensure healthy occupational airspace on BorsodChem Zrt. site, comply with legal regulations, identify potential sources of exposure and reduce related OHS risks.
5. Evaluate and improve our EHS performance and communicate it towards interested parties. Contribute to establishing safety awareness by means of informative and descriptive materials.
6. Expand the possibilities of voluntary health screenings by 10% compared to 2021 and increase the number of participants by 15% until 2024.
7. Expand the operating area of our Onsite Fire Department in line with the Company's capacity expansion, develop responsiveness by establishing an individual station on external areas and perform a 30% resource expansion compared to 2021.
8. Develop our emergency responsiveness by expanding and advancing our safety detection and surveillance systems.
9. Reduce the extent of general safety risks by keeping the Inherent Safety philosophy in view. Reduce the number of unexpected equipment failures relative to 2021 by equipment lifetime analysis and risk assessment.
10. Execute the annual tasks included in Stage 2-3 of the Noise Protection Action Plan. Cut down the noise performance of specific noise sources to the specified value. Pay key attention to the installation of low noise emission equipment during the engineering stage in case of new investments.
11. Continue the renewal of decontamination pools in order to preserve ground water, continuously replace coatings and linings in the technically reasonable areas and regularly review the underground sewer system.
12. Reduce our emitted contaminants to minimise BorsodChem's environmental footstep. Fully eliminate and reconstruct the Salt Lake pools as well as implement the final closing of Z1 and Z2 pools of the Sludge Area until 2024. Wind up the mercury-cathode cell room and related units until 2022. Demolish the building of the previously stopped Caustic Soda Plant until 2023.
13. Reduce the volume of generating hazardous wastes by 20% in order to develop and operate the circulatory economy (base year: 2021). Consider the lifetime/usage time of equipment in case of our procurement processes, reduce the volume of generating wastes by means of maintenance and responsible management as well as emphasize reuse. Boost the volume of recycled water by optimising and developing the technology of our plants, research the recycling possibilities of our products by virtue of our R+D activity and increase the proportion of sustainably produced raw materials.
14. Review and develop waste water pre-treatments and central waste water treatment technologies related to the launch of new plants and the increasingly stricter environmental laws.

We execute EHS programs in accord with the Business Plan to reach our goals.

László Kruppa
Chief Executive Officer

Csaba Kohajda
Chief Operation Officer

March 2022

2nd attachment: BC_EHS_policy

ARROWS TO H S E ZERO

BorsodChem
Chemistry for generations

HEALTH, SAFETY AND ENVIRONMENT PROTECTION (HSE) POLICY

OUR BELIEF

- We have a responsibility within the chemical industry, we conduct responsible behaviour towards our employees and our wider environment.
- Sustainable development is a vital part of our business strategy.
- Minimizing environmental impact as well as continuously improving safety within BorsodChem Zrt. and health of our people is of utmost importance. We strongly believe that all injuries, occupational diseases, and incidents related to safety and the environment can be prevented. This is the foundation of our beliefs.
- We are responsible for the safety of all persons who work or stay on the premises of BorsodChem.
- We follow the strictest rules to maintain the safety of our operation, the integrity of the environment, and health of our employees, and adjacent communities.
- Safety is a personal responsibility and the basis of all our activities
- We believe that adapting to the effects of climate change is essential for future generations, this is why BorsodChem works closely with the surrounding settlements in order to implement joint nature-based climate adaptation measures. We take special attention to reducing the ecological footprint.

IN ORDER TO ACHIEVE THIS GOAL AS A MEMBER OF WANHUA GROUP, WE COMMIT OURSELVES TO THE FOLLOWING

- • The Company's management considers health, safety and environmental protection requirements with business aspects as an equal condition during decision-making.
- All of BorsodChem Zrt's employees are responsible for protecting the environment, our facilities, and their own health as well as the health of other's during their work.
- We operate a risk-based and conscious corporate management system that complies with the requirements of international standards, which we continuously renew using the leading HSE management experience, with the involvement of our employees and relevant partners.
- Following laws and legal requirements and implementing the health, safety, and environmental protection recommendations of international chemical industry trade organizations are mandatory in our company. We conduct our operation according to the safety principles of the "Responsible care" program of the European Chemical Industry Association.
- Identifying and analysing safety and health risks, including environmental issues, and implementing programs aimed at their mitigation is a daily task.
- Prepared for the extreme changes in available water resources expected in the future, we are relentlessly researching water recycling solutions, thereby reducing the use of natural resources and environmental impacts.
- Our aims to achieve our HSE goals are:
  - continuous improvement of our technologies with the best available as well as the safest technologies,
  - prevent injuries as well as damages to health under all circumstances,
  - use natural resources economically,
  - minimize environmental impact,
  - develop work and employment conditions,
  - increasing the knowledge and skills of our employees.
- We expect enterprises operating on BC Zrt's sites to cooperate actively and to follow the requirements of our health, safety, and environmental protection policy as well as to implement them.
- Open communication with all interested parties.

All employees of our company realized that what we do together at this company for the sake of health, safety and environmental protection goes far beyond compliance with standards and legal obligations to protect our employees, as well as our natural and social environment.

October, 2023

SYSTEM CERTIFICATION ISO 14001 SGS

SYSTEM CERTIFICATION ISO 45001 SGS

László Kruppa
Chief Executive Officer

3rd attachment: BC_Energy objective

OUR ENERGY OBJECTIVE

OUR MISSION

By focusing on isocyanates production, BorsodChem Zrt. intends to become Europe's leading chemical company with the efficient utilisation of available energy resources by ensuring energy needed for its operations with renewable energy in a continuously increasing proportion.

OUR PHYLOSOPHY

The continuous increase of our energy consumption efficiency guarantees the responsible management with natural resources ensuring a sustainable development.

OUR ENERGY OBJECTIVES

We defined our energy objectives to be achieved between the period of 2022-2024 as follows:

1. Operate and develop the Energy Management System efficiently according to regulations of the ISO 50001 Standard.
2. Develop the methodology of energy review, establish measurements, apply the "Industry 4.0" tools in order for us to see our energy consumption as detailed as possible and be able to take actions to improve our energy efficiency.
3. Increase energy efficiency and reduce CO2 emission by optimising our technological processes, replacing energy resources as well as developing and renewing our equipment.
4. Inspect the possibility of energy saving solutions in terms of all our activities with a key emphasis on the replacement of light fittings, air-conditioning units and rotary machines.
5. Reduce electricity, steam and natural gas consumption by introducing more efficient technological solutions.
6. Reduce energies used for cooling and heating by efficiently increasing the extraction of heat generated during technological processes – achieving a wider range of utilisation – in the extent of 30,000 GJ and 1,500 t CO2 emission reduction.
7. Support our preventive maintenance processes by introducing and developing the lifetime estimate philosophy and also by the results of RCA analyses, thus a more optimal energy utilisation can be achieved throughout our operations.
8. Reduce energy consumption per unit of product by eliminating energy losses.
9. Disclose and reduce the energy loss of our production equipment, pipelines, processes and service facilities.
10. Develop our employees' sustainability aspect by means of training and the operation of an incentive scheme.
11. Apply renewable energy resources in order to reduce the ratio of fossil energy resources. Increase our renewable energy resources with a capacity of 5 MW. Increase the renewable proportion of our energy consumption up to a minimum of 40 % by 2030.
12. Select equipment in our procurements with the possibly lowest energy consumption.

To achieve our goals, we will execute EnMS programs in line with the business plan. We aim at achieving at least 150,000 MWh of energy savings by implementing our programs. We wish to achieve at least 3 % energy efficiency improvement at Company level by virtue of our continuous developments and optimised processes. By fulfilling these objectives, we desire to take another step towards sustainability!

László Kruppa
Chief Executive Officer

Csaba Kohajda
Chief Operation Officer

March 2022

4th attachment: BC_Energy policy

ENERGY POLICY

OUR MISSION

As a big plastics raw material producing company, BorsodChem operates energy intense processes, therefore continuously increasing the efficiency of our energy consumption can assure the responsible management with natural resources, the reduction of greenhouse effect gas emission and the improvement of our competitiveness.

FOR THE ABOVE REASON - AS A MEMBER OF THE WANHUA GROUP - WE COMMIT OURSELVES TO INTRODUCING AND OPERATING THE ENERGY MANAGEMENT SYSTEM IN COMPLIANCE WITH THE REGULATIONS OF THE ISO 50001 STANDARD IN TERMS OF SUSTAINABLE DEVELOPMENT AS PER THE FOLLOWING ISSUES:

- We regularly analyse our energy utilisation and the rate of our consumption both in our production and service fields.
- We determine and regularly review the energy baseline serving as the foundation of our development.
- We seek to apply energy efficient solutions in the course of operating and maintaining our technologies and facilities.
- We monitor our energy consumption and we evaluate our results by the application of indexes in order to improve our energy performance and reduce our wastes.
- We consider the energy aspects in our procurement and investment processes and we seek to apply energy efficient solutions.
- We handle the observance of relevant energy laws and company regulations as a high-priority task as well as compliance with other requirements undertaken voluntarily.
- We set objectives to continuously develop our Company's energy performance and we ensure the consistent execution of actions defined to reach these objectives and the monitoring thereof by means of our Energy Management System and resources.
- We encourage our employees to share and introduce their recommendations and ideas aimed at energy efficiency so that they could support the growth of the Company's energy efficiency via their energy-driven conduct.

According to our approach, energy management is not simply a standard and a legal liability. As a consequence, it is significant for the Management that all employees could receive proper training and understand our energy efficiency endeavours and tasks. Towards the effective operation of the Energy Management System we need the active contribution of all our employees. Energy consciousness contributes to the development of our Company, our closer and wider environment.

We regularly review our Energy Policy, communicate it towards our employees and we also make it available for interested parties.

LÁSZLÓ KRUPPA
Chief Executive Officer

June 2019

5th attachment: BC_Quality objective

OUR QUALITY OBJECTIVE

OUR MISSION

BorsodChem Zrt. should be a determining and exemplary chemical company also worldwide both in Europe and Hungary in conformity with Wanhua Group.

OUR PHYLOSOPHY

Gain the long-term confidence of our present and future customers by means of our uniform products in reliable quality.

OUR QUALITY OBJECTIVE

We defined our quality objectives to be achieved between 2022 and 2024 as follows:

1. Maintain excellent product quality in a stable way, which ensures the basis of competitiveness and growth.
2. Emphasize the improvement of product quality and inventory management so that the increasing volume of products should not cause disorder in the production chain.
3. Expand storage capacity and optimise logistics processes in order to maintain the continuity of production and enhance customer satisfaction.
4. Disclose and utilise group synergies for the sake of our competitiveness and to better serve our customers.
5. Apply digitalisation on an increasingly wider scale, establish and develop a comprehensive IT infrastructure to improve operational efficiency.
6. Enhance organisational efficiency and commitment towards sustainable development keeping the "five directions" in view.
7. Improve operational safety continuously and decrease the number of unexpected breakdowns and production losses by the provision of high-level operating maintenance activity, the development of our maintenance management system and the application of "Industry 4.0" tools in a preventive manner.
8. Ensure a high standard of our product quality by introducing new technologies and continued laboratory methodology development cost-effectively keeping up with technical development in compliance with legal regulations.
9. Provide up-to-date specialised knowledge by regularly training and informing our employees and our partners related to our Company's operations as well as renewing our talent management system and expanding our training programs.
10. Ensure our continuous / smooth operation by continuously revealing our operating risks, introducing preventive and corrective actions, furthermore strengthen our market positions by utilising our possibilities.
11. Extend our Integrated Management System to our operations coming on stream as a result of our new investments, develop and streamline our quality management processes in consideration of both internal and external Company expectations.

We execute quality programs in line with the business plan in order to achieve our objectives.

László Kruppa
Chief Executive Officer

Csaba Kohajda
Chief Operation Officer

March 2022

6th attachment: BC_Quality policy

QUALITY POLICY

of BorsodChem Ltd.

„Our severe intention is to understand and meet the demands of our customers."

Objective: to gain the long-term trust of our present and future customers with products of constant and reliable quality.

In order to achieve this objective we commit ourselves to the following:

- The management of BC Ltd. takes an active role in assuring as much attention and commitment to quality in our decisions and activities as possible.
- Each employee of BC Ltd. is responsible for the quality and continuous development of their work.
- We apply the principle of assuring mutual benefits when establishing relationships with partners, we strive to understand and fulfil the needs and expectations of all our interested parties.
- We inform our suppliers about the efforts and demands of our company, thus they are able to meet our requirements more and more.
- In order to meet the demands of our customers increasingly better, we are trying to improve the quality of our products and utilities continuously.
- Application of ISO 9001 standard for quality management provides the basis for a logical, professional and risk-based way of thinking, which assures a striving for perfection.

Each employee of BC Ltd. has recognised what we do together at this company in order to assure quality is not done for the sake of standardisation and quality auditing but in order to satisfy our customers, thus ensuring the sustention and development of our company.

May 2020

László Kruppa
Chief Executive Officer

7th attachment: BC_Sustainability objective

SUSTAINABILITY OBJECTIVES

of BorsodChem Zrt.

OUR MISSION

BorsodChem Zrt. should be a determining and exemplary chemical company also worldwide as in Europe and Hungary in conformity with Wanhua Group. We support the achievement of BorsodChem's long-term goals by integrating the principles of sustainable development into the company's everyday operations.

OUR PHILOSOPHY

We focus on the principles of sustainable development in our daily work and decisions.

OUR SUSTAINABILITY OBJECTIVES

We defined our sustainability objectives to be achieved between 2022 and 2050 as follows:

1. Sustainability is the base of all management decisions.
2. Net zero carbon emissions by 2050.
3. Strive for SBTi certified absolute carbon reduction target by 2030 with 2023 as a base year.
4. Scope 3 emission reduction.
5. Sustainable, premium product portfolio by 2050.
6. Continuous improvement of sustainability in the supply chain.
7. 10% reduction in water withdrawal from Sajó river by 2030.
8. Zero waste to landfill by 2040.
9. Minimising Environmental Impact.
10. Zero work-related lost time injuries by 2030.
11. Zero LEVEL 2 process safety accidents by 2030.
12. Professional, smart, sustainable, visible & responsible company.

We execute sustainability programs in line with the business plan in order to achieve our objectives.

László Kruppa
Chief Executive Officer

Béla Varga
Vice President HR and Communication

September 2022

8th attachment: BC_Sustainability policy

SUSTAINABILITY POLICY

of BorsodChem Zrt.

"Every day we work for a more sustainable chemical industry."

OUR BELIEF

BorsodChem Zrt., as one of the most significant chemical companies in the region, achieves its long-term success with technological solutions and products that provide high added value for the environment, the economy and society. In order to realize all this, in our Sustainability Strategy we have defined the areas through development of which we ensure our long-term, sustainable operation.

REDUCTION OF GREENHOUSE GAS EMISSIONS

- We optimize the operation of our current technologies. We strive to always choose the best available solutions with the least environmental impact when introducing new technologies/processes.
- We increase the proportion of energy from carbon-free and renewable sources.
- We continuously reduce our greenhouse gas emissions.
- We prioritize developments significantly reducing our GHG emissions.

CIRCULAR ECONOMY

- In order to promote the circular economy, we strive to use recycled, recyclable, bio-based, renewable and sustainable raw materials. We increase the proportion of sustainable raw materials in our products.
- We search for the possibilities of recycling our products. Through our R&D activities and within the framework of professional organizations, we are looking for sustainable solutions in order to close the loop.
- We introduce the life cycle assessment of our products, which we continuously develop and take into account in our management decisions.

SUSTAINABLE PROCUREMENT

- We incorporate sustainability principles into our procurement processes. During our purchases, we also evaluate the sustainability aspects among the selection factors.
- We explore and manage sustainability risks in our supply chain.
- We encourage our partners in the supply chain to follow sustainability principles and improve their performance.

WATER AND ENVIRONMENTAL PROTECTION

- By improving the technologies of our plants, we increase the amount of recycled water. We look for the possibilities of minimizing our water consumption, the use of new/alternative water sources.
- When introducing new technologies/processes, we always choose the best available solutions with low water consumption.
- We strive to eliminate our environmental impacts by responsible management.
- In our processes, we apply the principle of prevention in order to minimize the generation of waste, focusing on recycling.

HEALTH AND SAFETY

- Applying advanced technical solutions, we guarantee the safe operation of our technologies.
- With regular training, we maintain a high level of safety culture, we constantly improve and strengthen the safety awareness of our employees.
- We support our employees with health screenings, consultations and mental well-being development programs.

EMPLOYEES AND CSR

- We constantly develop our corporate sustainability culture.
- We ensure the highly qualified and skilled workforce by internal professional trainings.
- We constantly expand and improve our CSR and donation activities.
- We maintain open communication with our stakeholders.

We have incorporated the sustainability principles into our integrated management system in order to ensure their effective implementation.

The management and employees of BorsodChem Zrt. have realized that what we do together at our company in favor of sustainable development, we do it not only to comply with legal requirements, but to contribute to the catching-up and well-being of the region and to increasing social satisfaction.

LÁSZLÓ KRUPPA
Chief Executive Officer

September 2022

ASSURANCE STATEMENT

ASSURANCE STATEMENT

SGS HUNGARY'S REPORT ON SUSTAINABILITY INFORMATION IN THE BORSODCHEM'S VOLUNTARY PARTIALLY CONSOLIDATED ESRS SUSTAINABILITY REPORT, 1ST JANUARY 2024 – 31ST DECEMBER 2024

NATURE OF THE ASSURANCE/VERIFICATION

SGS Hungary (hereinafter referred to as SGS) was commissioned by Borsodchem Zrt. (hereinafter referred to as Borsodchem) to conduct an independent assurance of the Voluntary Partially Consolidated ESRS Sustainability Report 2024.

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all Borsodchem's Stakeholders.

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors or governing body and the management of Borsodchem. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention of informing all Borsodchem's stakeholders.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

A Limited level of assurance had been obtained according to International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard Options		Level of Assurance
A	ISAE3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information.	Limited

Assurance has been conducted at a 'Limited' level of scrutiny.

SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included evaluation of quality, accuracy and reliability of specified performance information as detailed below and evaluation of adherence to the following reporting criteria:

Reporting Criteria Options	
1	European Sustainability Reporting Standard (ESRS, 2023)
2	GHG Protocol – Corporate Accounting and Reporting Standard (Revised)
3	GHG Protocol – Corporate Value Chain (Scope 3) Accounting and Reporting Standard

SPECIFIED PERFORMANCE INFORMATION AND DISCLOSURES INCLUDED IN SCOPE

Standard	Disclosure requirement	Disclosure requirement name
ESRS 2	**General disclosures**	
ESRS 2	**Basis for preparing the report (BP)**	
ESRS 2	BP-1	General basis for preparing a sustainability statement
ESRS 2	BP-2	Disclosures regarding unique circumstances
ESRS 2	**Governance**	
ESRS 2	GOV-1	The role of the management, executive and supervisory bodies
ESRS 2	GOV-2	Information provided to the management, executive and supervisory bodies of the enterprise and the sustainability issues they address
ESRS 2	GOV-3	Integrating sustainability performance into incentive mechanisms
ESRS 2	GOV-4	Statement on due diligence
ESRS 2	GOV-5	Internal control over risk management and sustainability reporting
ESRS 2	**Strategy**	
ESRS 2	SBM-1	Strategy, business model and value chain
ESRS 2	SBM-2	Stakeholder interests and positions
ESRS 2	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model
ESRS 2	**Managing impacts, risks and opportunities**	
ESRS 2	IRO-1	Description of the processes for identifying and assessing material impacts, risks and opportunities
ESRS 2	IRO-2	Disclosure requirements under the ESRS covered by the company's sustainability statements
ESRS E1	**Climate Change / Climate Change Mitigation, Climate Change Adaptation, Energy**	
ESRS E1	E1-1	Climate change mitigation transition plan
ESRS E1	E1-2	Climate change mitigation and adaptation policies
ESRS E1	E1-3	Measures and resources related to climate change policies
ESRS E1	E1-4	Climate change mitigation and adaptation targets
ESRS E1	E1-5	Energy consumption and structure
ESRS E1	E1-6	Gross and total GHG emissions in scope 1, 2, 3
ESRS E1	E1-7	GHG mitigation projects financed through GHG removals and carbon credits
ESRS E1	E1-8	Internal carbon pricing
ESRS E1	E1-9	Expected financial impacts from material physical and transition risks and potential climate-related opportunities
ESRS E2	**Pollution**	
ESRS E2	E2-1	Pollution policies
ESRS E2	E2-2	Pollution measures and resources
ESRS E2	E2-3	Pollution targets
ESRS E2	E2-4	Air, water and soil pollution
ESRS E2	E2-5	Substances of concern and substances of very high concern
ESRS E2	E2-6	Expected financial impacts from pollution-related impacts, risks and opportunities

ESRS E3	**Water and marine resources**	
ESRS E3	E3-1	Water and marine policies
ESRS E3	E3-2	Water and marine measures and resources
ESRS E3	E3-3	Water and marine targets
ESRS E5	E3-4	Water consumption
ESRS E5	E3-5	Expected financial impacts resulting from material impacts, risks and opportunities related to water and marine
ESRS E4	**Biodiversity and ecosystems**	
ESRS E4	IRO-1. Description of procedures for identifying and assessing significant impacts, risks and opportunities related to biodiversity and the ecosystem	
ESRS E5	**Resource use and circular economy / Resource inflow, including resource use**	
ESRS E5	E5-1	Policies on resource use and the circular economy
ESRS E5	E5-2	Measures and resources on resource use and the circular economy
ESRS E5	E5-3	Targets on resource use and the circular economy
ESRS E5	E5-4	Resource inflows
ESRS E5	E5-5	Resource outflows
ESRS E5	E5-6	Expected financial impacts of material risks and opportunities related to resource use and the circular economy
ESRS E	N/A	EU Taxonomy / Disclosures under Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)
ESRS S1	**Own workforce**	
ESRS S1	S1-1	Policies related to own workforce
ESRS S1	S1-2	Processes used to engage with own employees and employee representatives on impacts
ESRS S1	S1-3	Processes for correcting negative impacts and channels for own employees to raise concerns
ESRS S1	S1-4	Measures for material impacts on own workforce and approaches to mitigate material risks and exploit material opportunities related to own workforce, and the effectiveness of these measures
ESRS S1	S1-5	Objectives related to addressing material negative impacts, promoting positive impacts and managing material risks and opportunities
ESRS S1	S1-6	Characteristics of the enterprise's employees
ESRS S1	S1-7	Characteristics of non-employee workers within the enterprise's workforce
ESRS S1	S1-8	Collective bargaining coverage and social dialogue
ESRS S1	S1-9	Diversity metrics
ESRS S1	S1-10	Adequate wages
ESRS S1	S1-11	Social protection
ESRS S1	S1-12	Persons with disabilities
ESRS S1	S1-13	Training and skills development metrics
ESRS S1	S1-14	Health and safety metrics
ESRS S1	S1-15	Work-life balance metrics
ESRS S1	S1-16	Income metrics (wage gap and total income)
ESRS S1	S1-17	Incidents, complaints and serious human rights impacts
ESRS S2	**Workers in the value chain**	
ESRS S2	S2-1	Policies for workers in the value chain
ESRS S2	S2-2	Processes for engaging with workers in the value chain on impacts
ESRS S2	S2-3	Processes for redressing negative impacts and channels for workers in the value chain to raise concerns

ESRS S2	S2-4	Measures for material impacts on workers in the value chain, approaches to address material risks and opportunities related to workers in the value chain, and the effectiveness of these measures
ESRS S2	S2-5	Objectives related to addressing material negative impacts, promoting positive impacts, and managing material risks and opportunities
ESRS S3	**Affected communities**	
ESRS S3	S3-1	Policies related to affected communities
ESRS S3	S3-2	Processes used to engage with affected communities on impacts
ESRS S3	S3-3	Processes for remediation of adverse impacts and channels for affected communities to raise concerns
ESRS S3	S3-4	Measures for significant impacts on affected communities, approaches to address significant risks and opportunities associated with affected communities, and the effectiveness of these measures
ESRS S4	**Consumers and end users**	
ESRS S4	S4-1	Consumer and end-user policies
ESRS S4	S4-2	Processes used to engage with consumers and end-users on impacts
ESRS S4	S4-3	Processes for redressing negative impacts and channels for consumers and end-users to raise concerns
ESRS S4	S4-4	Measures for material impacts on consumers and end-users, approaches to address material risks and opportunities for consumers and end-users, and the effectiveness of these measures
ESRS S4	S4-5	Objectives related to addressing material negative impacts, promoting positive impacts and managing material risks and opportunities
ESRS G1	**Business Conduct / Corporate Culture, Supplier Relationship Management, including Payment Practices**	
ESRS G1	G1-1	Corporate Culture and Business Conduct Policies and Corporate Culture
ESRS G1	G1-2	Management of Supplier Relationships
ESRS G1	G1-3	Prevention and Detection of Corruption and Bribery
ESRS G1	G1-4	Confirmed Cases of Corruption and Bribery
ESRS G1	G1-5	Political Influence and Lobbying
ESRS G1	G1-6	Payment practice
Non-standard		**Company-specific topics**
Self-publishing	Own KPI	Innovation
Self-publishing	Own KPI	Product quality

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assessment research carried out from May to September 2025 and interviews with relevant employees and primary data verification that were held remotely in October 2025 and in February 2026. The on-site visit and the closing meeting were held in March 2026.

LIMITATIONS AND MITIGATION

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

Greenhouse Gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality,

environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from Borsodchem, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders. In conducting assurance engagements, SGS is governed by the 'SGS Code of Conduct' and the 'Assurance Ethical Code SAGSP2', which has been established with the requirements of the IESSA (International Ethics Standard for Sustainability Assurance) (IESBA, 2025), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

At SGS assurance quality is governed through the Sustainability Assurance Global Systems Procedure (SAGSP). This quality management system compliments the requirements of ISAEs and are designed to be as demanding as quality control requirements stipulated by ISO17029:2019, and the ISQM1.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors, Cecilia Pelizza - Lead Practitioner, Ambra Morelli - Practitioner, Irene Tomasoni - Practitioner, Indika Edussuriya - Technical Reviewer.

FINDINGS AND CONCLUSIONS

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, nothing has come to our attention that causes us to believe that the specified performance information included in the scope of assurance is not fairly stated and has not been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

Signed:
For and on behalf of SGS Hungary

Signed by:
Zsuzsanna Mikó
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Zsuzsanna Miko, Business Manager
Budapest
1 April 2026

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