

WE SUPPORT



**BORSODCHEM ZRT.'S
COMMUNICATION ON PROGRESS WITH REGARD TO ITS
PARTICIPATION IN THE UN GLOBAL COMPACT
FOR THE PERIOD**

AUGUST, 2021 - AUGUST, 2022

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1. STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OFFICER

I am pleased to confirm that BorsodChem Zrt. continues to support the Ten Principles of the United Nations Global Compact in the year 2022, including the areas of Human Rights, Labour, Environment and Anti-Corruption.

Following the Principles is an inseparable and naturally inherent part of our sustainable development and future. Our participation in the United Nations Global Compact and the wide range of information made available with it help us to apply an even more focused, systematic approach in these areas of our operation.

We submit our first Communication on Progress as a standalone document, however in certain cases we refer to our sustainability report covering the period 2019–2020. Our sustainability report describes many activities and practices, which support the Principles and are integral part of our current practice as well.

We are committed to share our Communication on Progress with our stakeholders on our corporate website.



Your sincerely,

László Kruppa
Chief Executive Officer
BorsodChem Zrt.

2. ABOUT THE COMMUNICATION ON PROGRESS



This document is the very first Communication on Progress submitted by BorsodChem Zrt. with regard to its support of the UN Global Compact covering the period August, 2021 – August, 2022.

BorsodChem Zrt., as the parent company of the BorsodChem Group, is one of Europe's leading producers of plastic raw materials and inorganic chemicals. The Company's main site can be found in Kazincbarcika, Hungary which is the center of the Company and its production activities.

BorsodChem Zrt. employed 3,139 employees in 2021 and 3,222 employees in 2022 January–August on an average basis.

HUMAN RIGHTS



3. HUMAN RIGHTS

3.1. ASSESSMENT, POLICY AND GOALS

"BorsodChem is a signatory to the United Nations Global Compact, respects and supports all of its principles – including principles on human rights, labor, environmental protection and anti-corruption."

👁 ***BorsodChem Zrt.'s Code of Ethics, Chapter 2, Introduction***

"Employee relations, relations among the employees and the relationships between superiors and subordinates are based on the respect of the dignity of all human beings and that of human rights at the BorsodChem Group."

👁 ***BorsodChem Zrt.'s Code of Ethics, Chapter 4.2., Relationships within the Company***

🌐 ***Code of Ethics is available at: www.borsodchem.com, see menu Sustainability / Compliance / Ethical compliance / Ethics rules***

According to the Company's perception the risk of human rights violations is generally low at the Company. BorsodChem Zrt. is one of Europe's leading producers of plastic raw materials and inorganic chemicals. The Company's main site is in Hungary, which geographically is situated in Central Europe and from political-economic aspects is in the European Union.

BorsodChem Zrt. and its legal predecessor have been the dominant employer of successive generations living in the neighborhood of the Company more than 70 years now. We can state that the sense

of belonging, the sense of responsibility for the Company and its collective, and ethical behavior are deeply rooted in the Company's everyday life and values.

All these provide a general operational culture and legislative framework, which limits the possibility of human rights violations.

From gender equality point of view the Company is in a unique situation. BorsodChem is a typical player of heavy chemical industry, which means that a larger portion of positions can be fulfilled only by men (e.g. system operation, mechanical maintenance, product loading). The Company transparently discloses such positions in its occupational health policy. These circumstances fundamentally determine the company's opportunities in the field of gender equality.

👁 ***See also our Sustainability Report 2019-2020, page 70.***

🌐 ***Sustainability Report is available at: www.borsodchem.com, see menu Sustainability / Sustainability Reports.***

The Company's Code of Ethics forms the general basis and framework that defines the company's position and expected practices in relation to human rights.

The Company's ethical values appeared officially in the form of a Code of Ethics more than two decades ago. BorsodChem's Code of Ethics contains all ethical values generally expected and accepted in international practice and covers top-

ics like the respect for people and human rights (*Chapter 4.2*), the importance of cooperation with the employees (*Chapter 4.3*), and partnership with trade unions (*Chapter 4.4*).

"BorsodChem is a signatory to the United Nations Global Compact, respects and supports all of its principles – including principles on human rights, labor, environmental protection and anti-corruption. We always keep these principles in mind during our operations..."

BorsodChem expects its suppliers to respect, to the best of their ability, the principles of the United Nations Global Compact which are relevant to their operations."

👁 ***BorsodChem Zrt. Supplier Code of Conduct, Chapter 1 – Foreword.***

"BorsodChem's supplier is committed to ensuring the human rights of employees and in addition to complying with employment legislation."

👁 ***BorsodChem Zrt. Supplier Code of Conduct, Chapter 2 – The respect of human rights and lawful employment***

BorsodChem Zrt. introduced a Supplier Code of Conduct in 2021, which requires suppliers to respect human rights, reject any form of discrimination, child labour, forced labour and provide a humane treatment for their employees. The Supplier Code of Conduct represents an integral part of our purchase contracts signed with our suppliers.

🌐 ***The Code of Conduct is available at www.borsodchem.com, see menu Sustainability / Compliance / Ethical compliance / Ethics rules***

BorsodChem's mid-term sustainability commitments in terms of human rights are as follows:

- 1.) We will continuously increase the proportionality of management and employees participating in annual ethics and anti-corruption training courses.

👁 ***See also Sustainability Report 2019-2020, page 31.***

BorsodChem's short term, 2023 goals in terms of human rights are as follows:

- 1.) Execution of a training tailored to the specifics of the Company focusing on human rights and labour issues, workers' rights.
- 2.) Following up GRI disclosure 406-1 Incidents of discrimination and corrective actions taken. In 2021 and 2022 so far no such event has happened.

3.2. IMPLEMENTATION

BorsodChem Zrt. has been operating an Ethics Line for almost a decade, where anyone, whether internal or external party, can file a complaint without suffering any disadvantage or retaliation, while keeping their identity confidential, if they suffer an ethical or human rights violation or experience any unethical practice (*e.g. fraud*). The Ethics Line is easily accessible through a wide range of notification channels (*personal notification, e-mail, mail, telephone, closed mailboxes located at our premises*). The operation of Ethics Line is regulated in the Ethics Line Policy.

🌐 ***The Ethics Line Policy is available at: www.borsodchem.com, see menu Sustainability / Compliance / Ethical compliance / Ethics rules***

We have been making our employees aware of our ethical values in the form of training since 2014. New entrants to our Company receive mandatory ethics training, and from 2020 our colleagues update their ethical knowledge annually during training courses that are constantly re-

newed in terms of content and subject matter. Our ethical trainings covered all major topics of our Code of Ethics, including human rights both in 2021 and 2022 and our colleagues completed these in a ratio of over 90%.

BorsodChem maintains various forums where our employees have the possibility to directly raise questions in various topics to company leadership and receive answers – including ethics, human rights and employment issues. The Covid pandemic somewhat limited these direct interactions in the years 2020–2021. During this period, the employees were still able to share their remarks with the Company's leadership via the representatives of the labour unions, with whom personal contact from the side of Company's leadership operated in the usual open form during this time. The Company re-started the practice of employees' forum in 2022.

👁️ *See also our Sustainability Report 2019–2020, page 20.*

🌐 *Sustainability Report is available at: www.borsodchem.com, see menu Sustainability / Sustainability Reports.*

The Director Compliance & Internal Audit has the main responsibility for the protection of Human Rights within the Company. The Director together with the Vice President HR & Communication and Director EHS ensure, that human rights are considered and properly managed in the Company's internal policies and processes.

3.3. MEASUREMENT OF OUTCOMES

The Company has not experienced any noteworthy human right's violation, which would have resulted in legal case, fine and other consequence in 2021 and so far in 2022.

In terms of external audits EcoVadis regularly evaluates how BorsodChem inte-

grated the basic principles of sustainability and corporate social responsibility into its business and management system also including the companies in the global supply chains. In 2021 the Company received EcoVadis's Platinum Medal.

👁️ *For further details please refer to Sustainability Report 2019–2020, page 98.*

🌐 *Sustainability Report is available at: www.borsodchem.com, see menu Sustainability / Sustainability Reports.*

The Company's Internal Audit department is authorized to investigate any suspected or reported human right's violations. According to the Code of Ethics deliberate misconduct, that is, the violation of the values and principles of the Code of Ethics is unacceptable, considered as violation of the obligations arising from employment and such violation will be prosecuted. Prosecution shall be in accordance with the Hungarian Labour Code, the Civil Code and the internal regulations of the BorsodChem Group. The measure or sanction applied is adjusted to the seriousness of the breach of obligation.

As stated before, no disciplinary action had to be executed due to human rights' violation in 2021 and in 2022 so far.

LABOUR



4. LABOUR

4.1. ASSESSMENT, POLICY AND GOALS

BorsodChem Zrt. employed 3,139 employees in 2021 and 3,222 employees in 2022 January–August on an average basis.


Due to the circumstances described in Chapter Human rights of the current COP (see *Assessment*), the Company's perception is that the risk of human and workers' rights violations is generally low at the Company.

As the core activity of the Company is chemical production, huge emphasis must be put on safety and health of our employees however.

The Company maintains a large number of policies and systems and executes practices which safeguard our employees' rights, health and safety.

4.1.1. Worker's (labour) rights

The Company's Code of Ethics rejects any form of child labour and forced labour (*Chapter 4.2, Respect of the individual*). The Company guarantees wage above the legally required minimum and complies with legislation related to working hours which is described in Chapter 4.3 of the Code (*Co-operation with employees*). Fair partnership with trade unions is emphasized in Chapter 4.4. of the Code (*Freedom of association & right to collective bargaining, co-operation with Trade Unions*).

 **Code of Ethics is available at: www.borsodchem.com, see menu Sustainability / Compliance / Ethical compliance / Ethics rules**

Various internal human resources policies cover all the phases and aspects of the employment of workforce. Clear internal procedures are defined for recruitment, employment and retainment, retirement, termination of employment.

The so called social responsibility policy defines among others procedures to be followed for preventing child labour, forced labour, discrimination and enabling the freedom of association and right to collective bargaining.

Separate policies cover the topics of working time and remuneration.

The Company's Supplier Code of Conduct – *already mentioned previously in this COP* – covers basically all Labour Principles in Chapter 2 (*The respect of human rights and lawful employment*). The Supplier Code of Conduct is an integral part of our purchase contracts signed with our suppliers.

4.1.2. Employee health and safety

The Company has been operating its OHSAS (*Occupational Health and Safety Assessment Series*) system according to the OHSAS18001/ISO45001 standard since 2010, which was supplemented by the PSRM (*Process Safety and Risk Management*) system introduced in 2018. A vast array of internal corporate policies and system documentations provide the regulatory and documentation framework for the operation of these standards and processes. The Company's Supplier Code of Conduct in Chapter 3 (*Environmental Protection, health protection*

and safety) requires the suppliers to create a work environment for their employees and visitors on their site that is safe and ensures the preservation of health.

4.1.3. Goals

The Company elaborated its sustainability strategy in the course of 2022. During this process the following long term objectives have been defined in terms of labour issues, especially for employee health and safety:

- 1.) Zero work-related lost time injuries by 2030.
- 2.) Zero LEVEL 2 process safety accidents by 2030 (*accident affects multiple plants but the effects remain within the Company's premises*).

BorsodChem's long-term sustainability commitments in terms of Labour Principles are as follows:

- 1.) **Workplace safety** – We will reduce the number of incidents caused by the improper use of personal protective equipment by 20% in 5 years and by 40% by 2030 compared to 2015.

👁️ *See also our Sustainability Report 2019-2020, page 31.*

- 2.) **Workplace safety** – Lost time injury rate at the workplace will be reduced by 25% in 5 years and by 50% up to 2030 compared to 2015.

👁️ *See also our Sustainability Report 2019-2020, page 31.*

- 3.) **Trainings** – We will continuously increase the proportionality of management and employees participating in annual ethics and anti-corruption training courses.

👁️ *See also Sustainability Report 2019-2020, page 31.*

- 4.) **Business relation and communication** – We will raise communication with our business partners about ethics and anti-corruption topics, covering our whole value chain from our regular suppliers to our customers.

👁️ *See also Sustainability Report 2019-2020, page 32.*

- 5.) **30 day challenges (Increasing workers' quality of life)** – Setting organizational 30-day challenges that are related to some kind of exercise or a healthy lifestyle with the purpose of promoting regular movement, the culture and lifestyle of health.

👁️ *See also Sustainability Report 2019-2020, page 33.*

BorsodChem's short term, 2023 goals in terms of human rights are as follows:

- 1.) Execution of a training tailored to the specifics of the Company focusing on human rights and labour issues, workers' rights.
- 2.) Following up GRI disclosure 406-1 Incidents of discrimination and corrective actions taken. In 2021 and 2022 so far no such event has happened.
- 3.) Further expansion of the career program to more positions in order to provide transparent framework for advancement at work.
- 4.) We shall continue the analysis of our production plants from safety management point of view according to the ISRS (*International Safety Rating System*) method.
- 5.) We shall co-operate with an internationally acknowledged expert in order to identify improvement possibilities in our safety management system in 2023.
- 6.) We shall re-work our existing safety and chemical risk assessment related to work positions and we shall introduce an even more sophisticated method in 2023.

4.2. IMPLEMENTATION

4.2.1. Worker's (Labour) rights

Any suspected or actual labour right violation can be reported to the Vice President HR & Communication or the already mentioned Ethics Line.

Any unfavorable measure affecting an employee is carefully considered by both the HR Organization and the Legal Office before it enters into force, in order to ensure that employment legislation and other provisions are complied with. Before making a decision affecting a larger group of employees (*30 people at least*), the Company is obliged to consult with the trade unions on the matter.

Internal policies affecting aspects of employment and labour rights are accessible to any internal party in order to ensure awareness and transparency

HR & Communication organized various trainings related to aspects of employment (*e.g. basic employment law rules, working and rest-time, collective bargaining agreement*) at which our employees could participate on a voluntary basis both in 2021 and 2022.

The previously mentioned ethical trainings cover all major topics of our Code of Ethics, including workers' rights and our colleagues completed these in a ratio of over 90% both in 2021 and 2022.

The Company employs persons above the age of 18 only. The applicant's age is checked carefully during the recruitment process based on official documents in order to avoid any possibility of child labour. In special cases (*summer student work*), 16-year-olds may also be employed. Internal regulations define in detail the conditions that guarantee the health and safety of young workers.

Forced labour is prevented in various ways. Candidates approach the Company on a voluntary basis during the recruitment process. The Company informs the applicants about all relevant circumstances of the position applied for in writing, including working time, wage, well before the candidate signs an employment contract. Employment always happens on the basis of a contract which fulfils all requirements of national legislation and other relevant provisions. BorsodChem does not withhold the candidate's personal documents, even temporarily. Any employee has the right to terminate his / her employment in accordance with the procedures specified by the national Labor Code.

The recruitment policy defines working methods and recruitment practices which prevent discrimination and favoritism. A career program has been implemented for certain positions and related policy has been put into force as well which ensure that advancement at work is based solely on knowledge, competence and performance. It is our plan to expand the career program in the future to further positions.

BorsodChem placed its Talent Management Program on a new foundation in 2022. Under the new scheme, the graduated employees can apply on a voluntary basis for both the young, expert and leadership talent segment programs as well the secondary education level colleagues for the Supervisor talent program.

Any employee can join trade unions without any disadvantages. The Company does not keep any records of union members for the purpose of distinguishing them from non-union members.

In terms of working time there are several work schedules at the Company that are adapted to the various positions. The Com-

pany publishes the exact schedule of these work schedules to its employees one year in advance. Rest time and day off is provided in accordance with national legislation and collective bargaining agreement signed with trade unions. Work time is recorded accurately and data is accessible transparently to employees anytime.

The Company does not only guarantee that wages meet the minimum legal requirements but offers a complex remuneration package for its employees. Genders have no importance when defining the wage levels. Work positions and related wages are based on the MERCER job evaluation method. Beyond that the remuneration package contains elements like life insurance, wage advance in case of necessity, 13th month bonus payment, employer's contribution to the employee's voluntary pension fund, a bonus system, cafeteria system, and so on. The internal remuneration policy clearly describes the elements of the remuneration system and also provides for the transfer and provision of benefits to the employees.

The Company maintains an open and fair relationship with two labour unions operating on its site. There is a long tradition of the company concluding a collective bargaining agreement with the trade unions. The agreement contains much more favorable employment and remuneration conditions for the employees than required by the national Labor Code.

The Company provides the labour unions – *among others* – with separate office, communication and IT devices, IT network, parking lot free of charge.

The labour unions operating on the Company's site have the possibility to post information on the Company's intranet without any influence of the Company and they freely can access their members personally or by using the e-mail system provided by the Company. The Company and the labour unions operate an employee aiding system, the purpose of

which is to help employees who find themselves in a difficult financial situation and whose livelihood is threatened to such an extent that they can only provide it with external help, also in view of their financial situation. The Company – *consulting with the labour unions* – provides the financial background, the distribution of which is decided jointly by the employer and the two labour unions.

The Company regularly measures the employees' satisfaction which is executed on a voluntary, anonym basis. The collected data is objectively analyzed and results are shared both with the employees and the management.

🔗 *For further details please refer to Sustainability Report 2019-2020, Chapter Our social responsibility, Responsibility for our employees, page 69-78.*

🌐 *Sustainability Report is available at: www.borsodchem.com, see menu Sustainability / Sustainability Reports.*

The Vice President & Communication has the main responsibility for the protection of Labour Rights within the Company. The Vice President together with the Director Compliance & Internal Audit and Director EHS ensure, that labour rights are considered and properly managed in the Company's internal policies and processes.

From the year 2021, BorsodChem continuously reviews its Hungarian suppliers from the point of view of whether the phenomenon of unreported employment (*undeclared work*) occurs among them. With this activity, the Company's goal is to indirectly provide a suitable and legal livelihood for the persons and employees who contribute to the operation of the Company as external parties. According to the Company's experience, the phenomenon of unreported employment among the active Hungarian suppliers is negligible.

4.2.2. Employee health and safety

The Director EHS is responsible for managing employee health and safety issues. The EHS Management including various organizational units manages, supervises the Company's efforts in the field of Environmental Protection, Health Protection and Safety Management.

Safety First

As described previously, the core activity of the Company is chemical production, that is huge emphasis must be put on safety and health of our employees. The Company uses and produces several health-hazardous and flammable materials in its production processes, which requires accelerated precautions.

The Company's follows its motto "*Safety First*" day by day. Safety plays a primary role in the selection of equipment and planning processes, which guarantees the reliable operation and it also protects the employee's health as the largest value of our Company.

The Company has been operating its OHSAS (*Occupational Health and Safety Assessment Series*) system according to the OHSAS18001/ISO45001 standard since 2010, which was supplemented by the PSRM (*Process Safety and Risk Management*) system introduced in 2018. The basis of this management system is the assessment and identification of risks, specification and introduction of risk reduction measures. An annual risk assessment covers areas like major health impairment effects of positions (*occupational*), risk assessment of the effect of chemical pathogens, psychosocial risks, other occupational safety hazards and related risks, etc. In case of severe accidents, the Company executes an extraordinary risk assessment and defines risk reduction measures on the grounds of the work processes review. Introduction of corrective measures is followed up regularly.

All employees shall assume the responsibility for maintaining safe working conditions and minimizing risks. The Company raises employees awareness through a multi-level safety training system. Mandatory occupational safety trainings are tailored to each position and its role in the Company's operational processes.

A vast array of internal corporate policies and system documentations provide the regulatory and documentation framework for the operation of these standards and processes.

Various members of Company's management and safety experts execute weekly "*safety tour*" in various plants and review actual environment and safety status and practices in the relevant plants.

👁 *For further details please refer to Sustainability Report 2019-2020, page 82-83.*

Health services

The Company operates a health monitoring system in cooperation with a health service provider operating on the Company's site to prevent occupational diseases. Regular medical screening examinations defined for positions ensure the recognition of potential diseases in due time.

In 2019 the Company established the "*Mini hospital*" operating on its site, where employees can attend voluntary screening examinations, medical examinations and treatments. Within this framework, 15 kinds of medical examinations became available and the Company procured advanced medical equipment in a high value to ensure the high standard of these examinations.

In 2018 the Company introduced a new allowance form covering all employees that is a health insurance service financed

by an insurance company. All employees have a membership card with which they can utilise the services. The health service can be expanded to close relatives as well for a fee. In addition to the above, the private healthcare service provider ensures certain health screening programs every quarter free of charge.

🔗 *For further details please refer to Sustainability Report 2019-2020, page 83.*

The protection against the new coronavirus infection necessitated decisive and quick measures on the part of our Company as well. We took many measures to protect the health of our employees and ensure safe operations, like introducing full and partial remote work, providing our employees with health-masks and disinfectant, even established a local inoculation point on the Company site. BorsodChem provided a substantial amount of support to various local institutions, local hospital and governments after the breakout of the coronavirus pandemic in the form of disinfectants and protective equipment.

🔗 *See also Sustainability Report 2019-2020, page 39, 67.*

In 2018 the Company introduced a complex health- and physical exercise program to establish the health culture, which enhances consciousness in this field. A part of it is the "challenge" and "trial" series encouraging the exercise of our colleagues, which ensures a regular possibility for our organisational units to "compare their powers". This initiative has been in progress in the period 2021-2022 and shall be continued in 2023 as well.

4.3. MEASUREMENT OF OUTCOMES

The Company in terms of employment issues has not experienced any noteworthy

violation of UNGC labour principles, which would have resulted in legal case, fine and other consequence in 2021 and so far in 2022. In 2021 there was no any fine, penalty imposed on the company due to breach of safety regulations. In 2022 one employee has been affected by adverse effects at the Company. Due to this the Company received a fine from relevant Hungarian authority. Corrective measures have been introduced, the affected person continues his work at the Company.

Noteworthy improvements, results in the field of employment and labour rights in 2022 are as follows:

- 1.) In 2021, we introduced the Employee Support Program (*You Can Count On Us!*) as a new benefit element, which provides fast and efficient expert assistance in solving personal, financial, legal or health-related questions, challenges and problems. The success of the program is shown by the fact that our colleagues used this service in 192 cases in the semester following its introduction.
- 2.) We did not identify the phenomenon of unreported employment among our active and determining Hungarian suppliers in 2021 and in 2022 so far.
- 3.) The war in Ukraine and the volatility of energy prices presented unprecedented challenges to industrial players and employees alike. To offset these effects, the Company provided all its employees with a one-time financial support in 2022.
- 4.) Just like in case of human rights, EcoVadis regularly evaluates BorsodChem's performance in the field of human employment as well. In 2021 the Company received EcoVadis's Platinum Medal.
- 5.) The Company voluntarily ordered an external audit based on the so called ISRS (*International Safety Rating System*) method regarding its safety practices in certain operation plants.

In 2023 further production units shall be involved in this audit.

- 6.) The Company purchased a valuable ultrasound medical machine for the so called "*Mini-hospital*".
- 7.) The Company based on voluntary decision increased the budget and possibility for tumor screening and cytogenetic tests at which our employees can participate free of charge.
- 8.) The Company introduced animated cartoon regarding safety for our external contractors which is available in 10 various languages.
- 9.) The European Union's Senior Labour Inspectors' Committee (*SLIC*) executed a safety audit on the premises of the Company in 2022. The auditors made positive findings.

ENVIRONMENT



5. ENVIRONMENT

5.1. ASSESSMENT, POLICY AND GOALS

"We continue the developmental concept going along the green chemical industry and environmental protection and we create a solid basis for BorsodChem's long-term and sustainable development."

👁️ CEO greetings – BorsodChem Zrt., Sustainability report page 3. Sustainability Report is available at: www.borsodchem.com, see menu Sustainability / Sustainability Reports.

Environment protection and the management of environmental issues is of strategic importance for BorsodChem Zrt., as the Company is a noteworthy player in the chemical industry.

The Company operates the ISO 14001 based Environmental Management System (EMS) and the ISO 50001 Energy Management System (EnMS) which provide the regulatory and operational framework for the environmental and energy management activity. External party certifies both systems – the certification audits did not register any failure in the last years. Both systems include a risk assessment process.

A large number of internal policies covering various aspects of environment management and protection provide further support to the operation of the system mentioned above.

👁️ For further details please refer to Sustainability Report 2019-2020, Responsible company management, page 34.

BorsodChem's Supplier Code of Conduct describes: "BorsodChem is a signatory to the United Nations Global Compact, respects and supports all of its principles – including principles on human rights, labor, environmental protection and anti-corruption. We always keep these principles in mind during our operations... BorsodChem expects its suppliers to respect, to the best of their ability, the principles of the United Nations Global Compact which are relevant to their operations."

The Supplier Code of Conduct's 3rd chapter is dedicated to environmental protection, health protection and safety. The chapter covers topics like management of safety and environmental risks, management of wastes and contaminants, protection of natural resources.

🌐 The Code is available at www.borsodchem.com, see menu Sustainability / Compliance / Ethical compliance / Ethics rules

The Company elaborated its sustainability strategy in the course of 2022. During this process the following long term objectives have been defined in terms of environment:

- 1.) Net zero carbon emissions by 2050.
- 2.) Strive for SBTi certified absolute carbon reduction target by 2030 with 2023 as a base year.
- 3.) Scope 3 greenhouse gas emission reduction.
- 4.) 10% reduction in water withdrawal from Sajó river by 2030.
- 5.) Zero waste to landfill by 2040.
- 6.) Minimising Environmental Impact.

BorsodChem's long-term sustainability commitments in terms of environment are as follows:

- 1.) **Decreasing CO₂ footprint** – By 2021, we will start building our MNB-Aniline Plant, saving more than 14,000 tons of GHG emissions from raw material transport.
- 2.) **Decreasing CO₂ footprint** – By 2030, we will reduce our specific GHG emissions by 40% compared to 2013.
- 3.) **Recultivation** – Recultivation of our Salty Lagoon area by 2030, including multiple pools.
- 4.) **Recultivation** – Recultivation of the Old Sludge Area by 2034 in 3 phases (*cassette No. 1 by 2023, cassette No. 2 by 2027, and cassette No. 3 by 2034*).
- 5.) **Water consumption** – The amount of water withdrawn from the river Sajó will be reduced by 3% in 5 years compared to 2015 and by 10% by 2030.

🔗 *See also Sustainability report 2019-2020, page 30-31.*

Our environmental goals for 2023 are as follows:

- 1.) Finish the recultivation of Salty Lagoon area (*in the area the Company stored salty waste water generated during the production of the past, in total consists of 6 pools*) – according to original plans the final and entire recultivation was scheduled to 2030. According to current status the recultivation shall be finished by 2023.
- 2.) Establishment of a bird-watching station and nature trail next to the M3 pool of the Salty Lagoon area.
- 3.) Continue recultivation of cassette No. 2 of Old Sludge Area. The area shall be filled with demolition waste coming from old buildings on our site, that is we recycle unnecessary waste material.
- 4.) We plan to install on the area of demolished buildings (*see above*) a solar-farm.

5.2. IMPLEMENTATION

5.2.1. Organization

The Director EHS is responsible for the management of environment protection and environmental issues. The EHS Management including various organizational units manages, supervises the Company's efforts in the field of Environmental Protection, Health Protection and Safety Management.

As described previously, the Company maintains regularly certified ISO 14001 based Environmental Management System (EMS) and ISO 50001 Energy Management System (EnMS).

5.2.2. Initiatives and programmes to reduce consumption of resources and waste

Circular Economy

BorsodChem can be considered a complex system in terms of operations, as it operates a kind of circular economy within the factory gates due to the coordinated activities of the plants operating in its territory. The material, by-product or energy produced during the production of one plant forms the source of the needs of the other plant. This not only reduces operating costs, but also successfully decreases the generation of waste, and also results in a significant reduction in GHG emissions.

Water

Due to its geographical location the Company acquires the industrial water from the nearby River Sajó required for its operation.

BorsodChem aims at achieving and maintaining a good ecological status of the river in the long run based on the Water frame policy of the European Union. BorsodChem continuously monitors the water quality of the Sajó and annual ecological status assessment is executed as well.

The Company executes the following projects for the sake of sustainable water management:

- Purification and recycling of technological waters
- Selection of anhydrous/water sparing technologies in case of investment decisions
- Cooperation with our town, Kazincbarcika to analyse the treated municipal wastewater utilization.

The Company together with the city of Kazincbarcika and the University of Miskolc are working on solutions that further develop water management and mitigate the effects of climate change within the LIFE-CLIMCOOP EU-supported project.

🌐 *See also Sustainability Report 2019-2020, page 54-55. Sustainability Report is available at: www.borsodchem.com, see menu Sustainability / Sustainability Reports.*

BorsodChem generates a large amount of wastewater – mainly technological. The Company established production sites in a way that untreated wastewater could not escape into the environment. The Company maintains and operates a central wastewater treatment system which includes several purification technology units, large sewage lagoon capacities and water flow control options. The Company has one wastewater emission point through which the Company lets purified wastewater into the River Sajó as receiving water meeting all legal provisions under the limit values in terms of contaminants. Water treatment capacities and technologies are continuously improved and precede changes in production technology or increase in production capacity. In 2021-2022, due to the new technologies and new types of wastewater appearing on our new Site No. 4, we made significant improvements (*including efficiency-enhancing and energy-saving investments*) to the Wastewater Treatment Plant.

In 2021 we finalized our technical project serving ODCB decontamination of wastewater and hydrochloric acid gases. The result is easier manageable wastewater which is more advantageous in terms of environmental protection.

The company further developed its HCl (*hydrochloric-acid*) Conversion Plant in 2021. The technology improvement not only reduces the wastewater volume to be treated, but regains higher quantity of material which can be used in production, that is less raw material has to be purchased and the related environmental footprint caused by transportation is decreased.

In 2020-2021, we installed an organic matter removal system operating on the principle of catalytic oxidation for the high-salt technological water produced at the VCM plant. In this way, this wastewater flow can be continuously transferred to our MDI plant's salt evaporation units, where wastewater becomes industrial salt which is a raw-material utilizable in our production units.

👁️ *See also Sustainability Report 2019-2020, page 56.*

Atmospheric emissions

The Company applies the air pollutant emission reduction solutions in compliance with the latest BAT recommendations and domestic legal regulations in the production technologies of our site. Recirculation arising from the integrated production and products manufactured by utilising specific end gas streams (*circular economy*) also further reduces the ambient air load.

When choosing the technologies for our new plants, we prefer solutions with lower GHG emissions.

In case of GHG gases the Company participates in the EU emissions trading system.

As a company operating energy-intensive technologies, our Scope 1 emission from direct resources and Scope 2 emission from indirect energy use are substantial, therefore we set up a detailed greenhouse gas inventory in early 2021 based on regulations of the international "Greenhouse Gas Protocol". By now we can also quantify our Scope 3 emission related to our operations so we can come up with such long-term carbon footprint reduction objectives that may lead to climate neutrality until 2050.

In 2022 the Company decommissioned an old industrial 120kV switchgear and installed a modern equipment. The old equipment had a "natural" SF6 gas loss which had been phased out and this way a significant amount of GHG emission has been eliminated.

🔗 *See also Sustainability Report 2019-2020, page 57-60.*

Noise reduction

BorsodChem adjoins the residential area of two settlements – *Kazincbarcika and Berente* – as well as *Sajószentpéter* and *Múcsony* are also located near the Company, thus the noise emission has an impact on the life quality of those living nearby. Our goal is to maintain a noise level that complies with the local communities and the legal provisions. The Company operates noise monitoring stations and noise measurements are also regular.

The Company implemented considerable noise reduction programs which include among others: coating of the fresh-air pipeline system, construction of acoustic shielding walls, installation of new doors, windows and noise reduction walls, construction of sound-absorbing diffusers, silencers instead of the existing chimneys, etc.

The Company pays close attention to the noise protection of new investments

and technological developments. Noise spread modelling is part of technical projects and placement of production technologies, assets is considered from voice protection point of view.

🔗 *See also Sustainability Report 2019-2020, page 65.*

Waste management

BorsodChem selectively collects the hazardous- and non-hazardous wastes within the frames of a full-scale waste management system. The Company applies the EU's waste hierarchy as our basic principle. The Company makes every effort to utilize the aspect of circular economy, that is any production residue, material and used product or by-product, that is repeatedly usable, can be recirculated should stay in the production cycle to prevent waste generation. This way the potential environmental load impact caused by the chemical by-products or wastes is avoidable.

Our wastes are collected, managed, selected and prepared for delivery by the Waste Treatment Site established within BorsodChem. All employees are responsible for observing the waste management regulations within the framework of our waste management system.

Our most significant waste stream is the sludge-like waste originating from the various technologies. Construction and demolition waste is also considerable that is not directly related to production. In case of our raw materials, procurement takes place mostly in bulk, that is the generation of packaging materials is not significant.

We use the majority of waste previously disposed of by incineration for land reconstruction purposes today. Wastewater sludge is dried by biogas on our behalf and is utilised in sludge area cassettes for landfilling. Animals and plants can take

possession of the sludge areas following aftercare. The waste we use in this way is not landfilled, which means significantly less impact on the environment.

The construction and demolition wastes originating from our brownfield investments and the ground waste make up our reused and recycled wastes in the largest proportion. We use these for different purposes (e.g. *land reconstruction in the sludge area, road works*).

All employees contribute to selective waste collection within the Company.

🔗 *See also Sustainability Report 2019-2020, page 61-62.*

5.2.3. Energy

BorsodChem is the largest industrial electricity consumer in Hungary. The production of electricity required to satisfy our energy demand is accompanied by outstanding environmental impact, which can be reduced through implementing energy efficiency measures. Our energy efficiency projects planned for the long run are as follows: internal energy efficiency programs, waste heat utilization, renewable energy utilization, reduction of carbon footprint.

Within our Kazincbarcika site, our operating units connected as a network can share the unused electricity or the steam recovered from the exothermic processes during the technology many times. We continuously increase the utilisation of waste heat generated in our plants and we reduce the losses emerging at the operating units thereby and improve the efficiency.

In 2019 our Energy Management System was successfully recertified in line with the new ISO 50001 standard.

🌐 *See also Sustainability Report 2019-2020, page 52-53. Sustainability Re-*

port is available at: www.borsodchem.com, see menu Sustainability / Sustainability Reports.

5.2.4. Environment friendly technology

European Union regulations required companies to stop making chlorine via a process that involves mercury. Mercury based plants had to either stop or converted to the less environmentally harmful membrane technology. BorsodChem with the construction of a membrane cell Chlorine Plant shut down the electrolysis plant operating with mercury cathode procedure in 2018. From 2019 to 2020 the cells of the former plant were dismantled, the cell room and external technological equipments were demolished, cleaned by high pressure and the wastes were pre-treated. In the course of 2021 the cell room structure has been demolished, in 2022 a watertight reinforced concrete sarcophagus has been installed in place of the former cell room and by end of 2022 – *as originally planned* – the former plant shall be completely liquidated and remaining waste shall be treated appropriately and completely.

Between 2020-2022 we executed technology improvements in our vinyl and PVC plants according to latest BAT guidelines which results in less emissions and load on environment.

5.2.5. Biodiversity and land reconstruction

BorsodChem operates in an environment being of key significance in terms of conservation, next to Natura 2000 (*specially protected*) areas near one of Hungary's significant rivers (*river Sajó*). Therefore the monitoring and protection of the local ecosystems deserves special importance. We perform the land reconstruction works of the brine storage basins on our Salty lake area in co-operation with the Aggtelek National Park. The area – where we mostly stored the salty wastewaters

generated during the previous production – consisted of a total of 6 basins. By 2022 we finished the reconstruction of 4 basins, that is they fit into the natural landscape.

It is to be highlighted that the due to our reconstruction efforts Salty lake by now is the living space of protected and highly protected birds (*e.g. scooper and avocet*).

👁️ *See also Sustainability Report 2019-2020, page 63.*

5.3. MEASUREMENT OF OUTCOMES

The company received neither environmental nor nature protection fines in 2021. No environmental protection fine was imposed on the Company in 2022 so far.

In 2022 due to a minor incident (*destruction of birds' nest in the course of a building renovation, birds were not harmed*) the Company received a minor nature protection fine.

Main progress made in environmental issues, improvements in the course of 2022:

- 1.) Total liquidation of mercury based chlorine plant according to our plans.
- 2.) Technology improvements in vinyl and PVC plants resulting in less emissions and load on environment.
- 3.) Due to the new technologies and new types of wastewater appearing on our new Site No. 4, we made significant improvements to the Wastewater Treatment Plant (*see chapter Implementation, Water above*).
- 4.) Continuous proceeding in the recultivation of the Salty-lake area (*see chapter Implementation, Biodiversity and land reconstruction above*).
- 5.) Decommissioning an old industrial 120kV switchgear, this way phasing out a SF6 gas loss source and reduction of GHG emission (*see chapter Implementation, Atmospheric emissions above*).

ANTI-CORRUPTION



6. ANTI-CORRUPTION

6.1. ASSESSMENT, POLICY AND GOALS

"BorsodChem has signed the United Nations Global Compact, respects and supports all its principles – including the anti-corruption principle. Our company distances itself from all forms of fraud and corruption, and considers them incompatible with its operation."

"If the suspicion of fraud or bribery is substantiated following the investigation of the case reported via the Ethics Line, the Company will strictly proceed as per the principle of zero tolerance and of consistency against all perpetrators committing fraud and bribery."

🌐 BorsodChem Zrt.'s Anti-fraud Policy. Anti-Fraud Policy is available at: www.borsodchem.com, see menu Sustainability / Compliance / Ethical compliance / Ethics rules.

BorsodChem Zrt. executed a fraud risk assessment in 2021 involving the Company's Internal Audit Department as well as management. According to our perception, the possibility of occurrence of fraud and corruption is meagre at the Company – certainly irrespective of the control levels used in order to protect an enterprise, the risk of fraud can never be fully excluded.

The Company maintains a Code of Ethics, an Anti-Fraud Policy and an Ethics Line Policy which provide the current framework for preventing and handling fraud. These regulations have a decades-long history at the Company.

The Anti-Fraud Policy defines acceptable business-gifts and requires employees

to report the occurrence of fraud to the Company's Ethics Line. The Code of Ethics covers other relevant topics, like conflict of interest.

Anyone, whether internal or external party, can file a complaint to the Ethics Line without suffering any disadvantage or retaliation, while keeping their identity confidential, if they suffer an ethical or human rights violation or experience any unethical practice (e.g. fraud).

🌐 All these policies are available at: www.borsodchem.com, see menu Sustainability / Compliance / Ethical compliance / Ethics rules.

"BorsodChem's supplier is committed to observing the generally accepted ethical norms and regulations of business life as well as the laws related to its operation."

BorsodChem's Supplier Code of Conduct, Chapter 4, Business ethics and compliance.

🌐 Available at: www.borsodchem.com, see menu Sustainability / Compliance / Ethical compliance / Ethics rules.

The Supplier Code of Conduct requires suppliers to reject and refrain from any form of corruption. The Supplier Code of Conduct represents an integral part of our purchase contracts signed with our suppliers.

Our so far defined specific goals in the area of anti-corruption for 2023 are as follows:

- 1.) Achieving at least 90% participation ratio at our ethical and anti-fraud trainings.
- 2.) Achieving at least a 90% signature ratio in case of our recently introduced Declaration of Integrity (see below).

6.2. IMPLEMENTATION

For several decades, the Company have operated an internal audit function that is completely independent of the company's operational hierarchy and reports directly only to the Chief Executive Officer and the Supervisory Board. The main task of the Internal Audit Department is to examine and support compliance with internal rules, the observance of ethical standards, in addition to the prevention of fraud and corruption.

The Internal Audit department executes audits on internal controls and processes according to an annual work-plan. Internal Audit considers the possibility of fraud during the execution of these planned audits as well. Any suspicion of fraud is investigated as a non-planned audit.

Any party, either internal employee or external stakeholder has the possibility to file a complaint to the Company's already mentioned Ethics Line, if they witness or suspect any unethical act, fraud or corruption.

The Company makes employees aware of ethical values and the Company's standpoint on fraud in the form of training since 2014. New entrants to our Company receive mandatory ethics training, and from 2020 our colleagues update their ethical knowledge annually during training courses. Our ethical trainings covered the topic fraud as well in 2021 and 2022 and our colleagues completed these in a ratio of over 90%.

6.3. MEASUREMENT OF OUTCOMES

The Company applies the principle of zero tolerance to fraud and corruption which means that all suspected incidents are thoroughly investigated and that any improper, evidenced behavior results in disciplinary action in harmony with national legislation. In serious cases the Company informs the police officially as well.

The Company has not faced any noteworthy corruption or fraud case, which would have resulted in legal case, fine and other relevant event in 2021 and so far this year. In 2022, an employee committed a fraud-like act against another employee. Following internal investigation the Company terminated the employment relationship of the perpetrator and reported the case to the police. The police's investigation is still in progress during the preparation of our Communication on Progress. In the meantime, the perpetrator compensated the other employee.

Recently in 2022, as a new initiative, we provided the opportunity for our employees – *on a voluntary basis* – to confirm their commitment to the ethical values of our Company by signing a so-called Declaration of Integrity. The declaration specifically affects the issue of corruption, fraud and conflicts of interest. We are very pleased that in just a very short time we have already managed to reach a 76% signature rate among our employees.

👁 For further information see our *Sustainability Report 2019-2020, page 101.*

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