

From tradition to transformation

Our path towards a sustainable company

April 2024





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A sustainable tomorrow starts today



Daniel Meyer
CEO

Over 130 years of company history show that Kandelium's employees have consistently demonstrated resilience and found solutions to ensure the company's continued existence. The expertise anchored in the company has always been the greatest lever, which is proven not least by an average length of service of 13 years.

Today, Kandelium is a globally operating company and, following several name changes, has also been an independent company since 2021, which has full control and therefore responsibility for its activities and impact. In addition to ensuring self-sufficient operations, I am proud that we have managed to immediately put in place the first measures for decarbonisation.

At the centre of our corporate strategy is the embedding of business strategies in a sustainable framework, from which the strategic initiatives are derived, and which also forms the starting point for future reporting. I am convinced that a sustainable transformation can only work on the basis of a systemic approach. After all, the prerequisite for a successful company is a motivated workforce in a flourishing society that lives in harmony with ecological principles.

Like so many companies, we are still at the beginning of a long journey. Nevertheless, we are proud to have already reached our first milestones. Because safety is our top priority and nothing we do justifies putting our health at risk, we initiated a wide range

of safety measures in 2023, such as the Safety Days, and will continue to sensitise all employees and partner companies at our sites to occupational safety with further measures in 2024.

With the decarbonisation roadmap in 2022, we laid the foundation for climate-neutral production by 2042. Last year, we set up the Governance, Risk & Compliance Committee in order to be able to respond proactively and appropriately to the growing demands on far-sighted corporate management in an increasingly volatile environment. After all, the success of a company depends not least on its relationships with its stakeholders. For this reason, we have launched the *Kandelium Kurier* in Bad Hönningen and enter into dialogue with all relevant and interested stakeholders as part of a comprehensive materiality analysis.

In my view, all these measures are a first step in the right direction, but an important one nonetheless.

I look forward to working with our employees and partner companies to ensure that Kandelium can once again prove its resilience. Together, we want to secure the ecological, social and future of Kandelium.

We want to promote sustainability in chemicals and mining

Our Declaration of Ambition

To express our commitment to sustainable business practices, we set out our ambition in a *Declaration of Ambition in 2023*. This formal management declaration describes the role we want to play in society and our positioning with regard to sustainability, including stakeholder engagement. We have set the targets for our commitment and the implementation of integrated disclosure for the year 2029.

The *Declaration of Ambition* was drawn up and adopted as a joint project between management and employees from various functional areas who, as members of the ESG Council, transfer our sustainability endeavours to their areas.

We use our *Declaration of Ambition* for internal orientation and communication, the development of roadmaps and to support strategic decisions.



From left to right: D. Meyer (CEO); Dr M. Paasch (CTO); J. Guiu (Managing Director Care); R. Romero (Managing Director Barium Strontium); M. Zeiss (CHRO); M. Schilcher (CFO); missing: E. Fonseca (Managing Director Mexico)

Our ambitions for a positive contribution. Extract from our *Declaration of Ambition*:

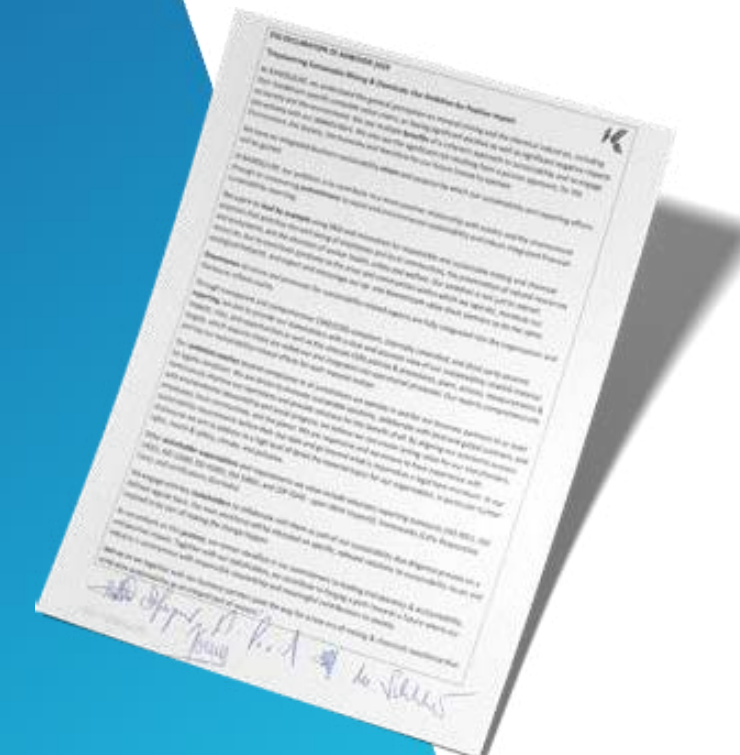
At KANDELIUM, we are committed to contributing to a more positive relationship with society and the environment through a relentless commitment to social and environmental sustainability and sound integrated financial and sustainability reporting.

We want to lead by example by using research and development and innovation for responsible and sustainable mining and chemical practices that prioritise the well-being

of employees and local communities, the conservation of natural resources and ecosystems and the improvement of the health, safety and well-being of workers.

Together with our stakeholders, we are helping to pave the way for a future in which our industry is perceived as synonymous with responsible behaviour and meaningful contributions to society.

Bad Hönningen, November 2023



Who we are

A "start-up" with 134 years of history

employees worldwide:

~ 500



Revenue:

EUR 225 million

Investment ratio in Decarbonisation projects: ~ 20%

Our goal: Climate-neutral production by 2042 (Scope 1 & 2)

All figures relate to the 2023 financial year

Kandelium is an internationally active, market-leading company that produces raw materials for the chemical industry around the globe. We operate sites in Mexico, Germany and Spain and supply customers in over 65 countries. Around 500 employees currently work for Kandelium worldwide. Our headquarters in Bad Hönningen is the world's largest producer of strontium carbonate and barium carbonate outside of China. We also produce sodium percarbonate at this plant: the most energy-efficient and environmentally friendly product of its kind on the market. At our site in Monterrey, Mexico, we produce nitrates that are used as solutions for the treatment of soil and water.



Strontium and barium are categorised as critical raw materials by the EU due to their use in future industries (e.g. magnets for solar and wind energy, EVs). We are aware of our special responsibility and secure long-term access to the necessary celestite with our own raw material mine in Spain. For barite, we work with established partners and have long-term supply contracts.

Environmental Solutions

- Soil remediation
- Wastewater utilisation



Construction & Mining

- Ceramic glazes
- Clay ceramics
- Copper mining



Nutrition & Consumer Application

- Fertiliser
- Aquacultures
- Washing & dishwashing detergents
- Crystal glass



Industrial Applications

- Chemicals (aviation)
- Electrolytic zinc metal
- Leather tanning



Electronics & New Energy

- Displays
- Ferrites (magnets) for electronic vehicles & wind power
- Ceramic multilayer capacitors



Where history meets the future

On the way to becoming a sustainable company

You can see us from afar! Everyone in Bad Hönningen knows our landmark: the chimney of our flue gas desulphurisation plant. Since 1997, the striking chimney has towered over our plant, visible from afar. But we have been part of the town's history for much longer. We have been producing high-quality chemicals for more than 130 years.

It all started with Walther Feld, an entrepreneur and chemist from the region, who founded the company "Chemische Fabrik Walther Feld & Companie zu Hönningen am Rhein" in 1890. The company produced barium sulphide in a flame furnace, barium carbonate with carbonic acid from mofettes, as well as barium hydroxide, barium chloride and sulphur. Hönningen was an ideal location because natural carbonic acid is available here as a raw material.



1890
Founded as Chemische Fabrik Walther Feld for the production of various barium products

1928
Kali-Chemie AG becomes new owner

1954
Solvay takes over Kali-Chemie AG

1989
Opening of the strontium carbonate plant in Monterrey, Mexico

1989
Escúzar, Spain Coelestine mine opens with a capacity of 30,000 tonnes per year

2014
Escúzar reaches a capacity of 2 million tonnes per year

2021
Kandelium is founded with the new owner Latour Capital



Today, we are an independent company that has been focusing entirely on its core competencies since 2021. This is because we want to continue our success story in the future. After founding Kandelium, we first started to develop a roadmap for decarbonisation and for increasing the energy efficiency of our processes in order to set the course for our major goal of climate-neutral production by 2042. Today, we can already see the first successes in implementing the roadmap.

In addition, we have set up a company-wide project in 2023 to anchor sustainability in our corporate strategy and implement the CSRD in order to make Kandelium fit for the future.

Sustainable success requires a systemic perspective

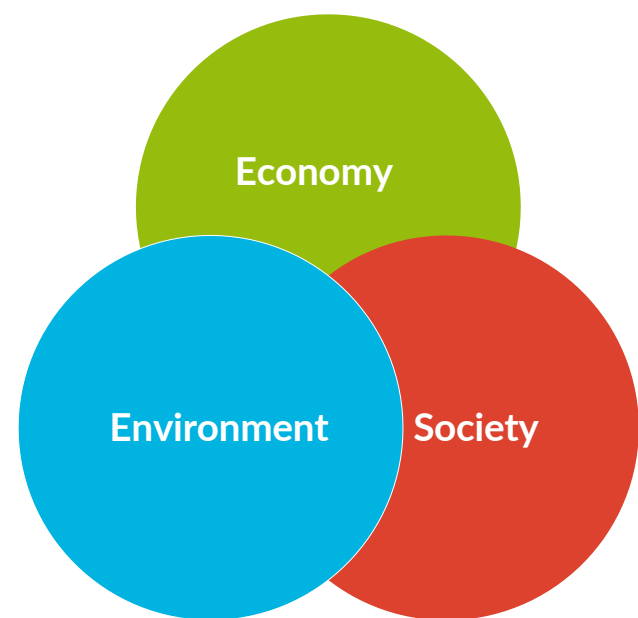
Our pursuit for future fitness

We are on our way to transforming ourselves into a sustainable company. Our positioning in relation to the environment, society and the economy, which we believe are interrelated, is clear to us: Kandelium is directly dependent on all three elements.

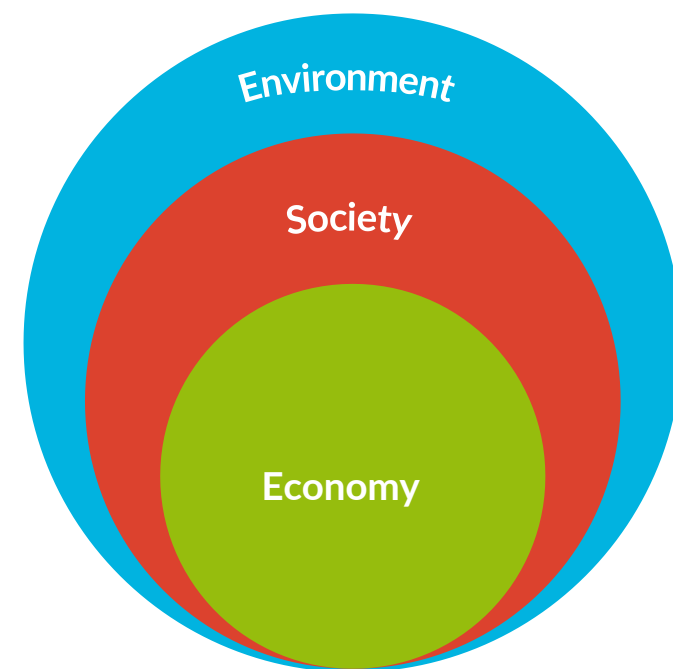
Our aim is to establish ourselves as part of the solution, which is why we apply a systemic approach to ensure that we tackle the root causes of unsustainability rather than focusing on the symptoms. To this end, our sustainability strategy is

based on the sound and science-based principles of *The Natural Step*, provided by our partner, *Sustainable Growth Associates*. We are currently in the process of evaluating our activities against so-called break-even targets, which are derived from the eight principles and define the future fitness of companies.

We will integrate these goals into our strategy in order to keep Kandelium on track for our long-term goal of becoming future fit.



Traditional perspective



Systemic perspective

Our approach is based on 8 sustainability principles. They guide our endeavours towards a sustainable society in which:



ENVIRONMENT



SOCIETY

SP1



...nature is not subject to systematically increasing concentrations of substances from the earth's crust

SP2



...nature is not subject to systematically increasing concentration of substances produced by society

SP3



...nature is not subject to systematically increasing degradation by physical means

SP4



...people are not exposed to systematic social conditions that jeopardise their physical, mental or emotional health

SP5



...people are not systematically prevented from using and shaping the social systems to which they belong

SP6



...people are not systematically discouraged from acquiring [...] skills and abilities

SP7



...people do not experience systematic treatment that is unobjective or characterised by prejudice

SP8



...people are not systematically prevented from creating [...] meaning and purpose

From vision to action

Our strategy for a sustainable business model

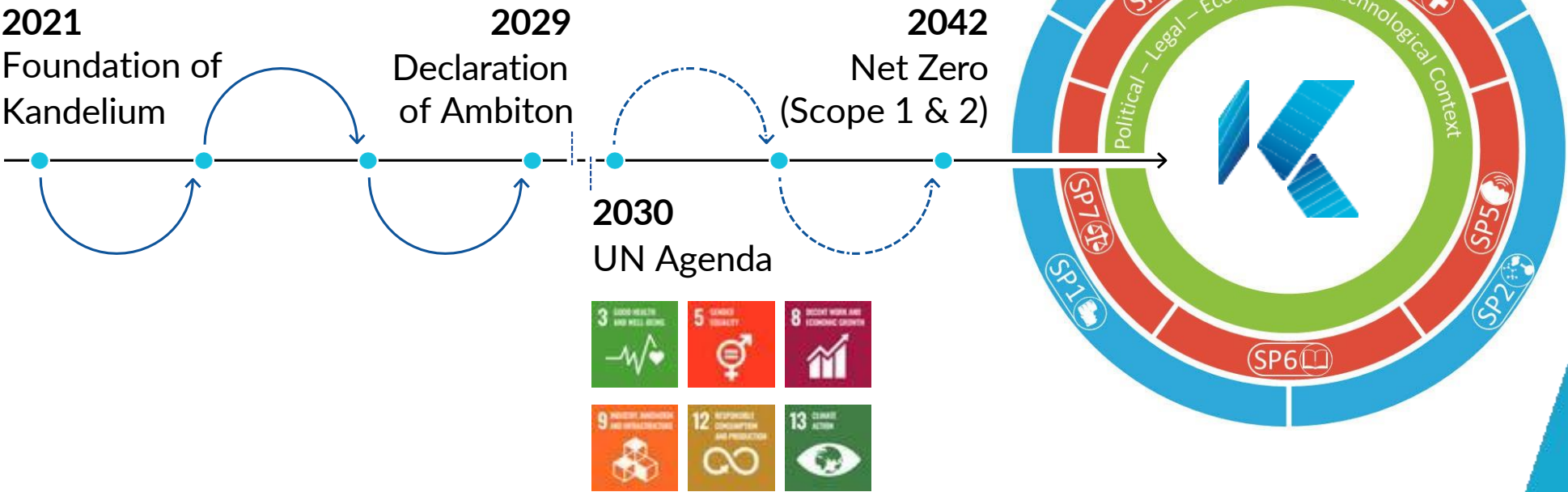
We are convinced that socio-ecological sustainability must be the basis for the success and resilience of Kandelium. Our agenda is therefore derived from science-based sustainability principles and is based on three pillars, which are divided into nine core areas.

Environmental sustainability focuses on the implementation of all measures for decarbonisation, energy efficiency and the development of concepts for circular waste.

By social sustainability, we mean the establishment of a performance-oriented

culture that does not compromise on safety and promotes the ability to perform with excellence and efficiency. We want to work together with our customers and suppliers on sustainability solutions and develop new products that contribute to their ecological goals.

Finally, for us, Governance means the sustainable implementation of effective processes and overarching management of both pillars at all Kandelium locations in order to be able to control and mitigate emerging risks at all times.



Kandelium

Our Sustainability Strategy

Our strategy is geared towards setting up Kandelium in accordance with the eight principles of sustainability. In doing so, we are also contributing to the implementation of the UN Agenda 2030 and the Sustainable Development Goals; six of which are the focus of our activities.

Ecological sustainability
Securing the licence to operate at all times

Social sustainability
Promoting uncompromising safety & implementation expertise

Governance

Enabling far-sighted corporate management with integrity



Our ecosystem

Innovation through integration with the integrated management system

Kandelium's integrated management system combines various methods and instruments for compliance with requirements in the areas of occupational health and safety, quality, environment, energy and food safety in a standardised structure.

The IMS thus forms the framework for all management systems at Kandelium to ensure compliance with legal regulations, ISO and product standards as well as internal and external requirements. At the same time, it ensures an efficient way of working, which is

achieved through internal regulations and applicable processes with clear roles and responsibilities. The IMS puts these issues centre stage and helps us to drive Kandelium's performance forward through continuous improvement. Any risks are recorded and mitigated as part of the GRC process. The efficiency of the integrated management system is monitored annually by an accredited certifier and verified according to a set schedule. We are also currently preparing for ISO 9001 and 14001 certification for the Mexico site.

OUR ISO CERTIFICATIONS



Integrated management system:

- Since 1996: ISO 9001
- Since 1996: ISO 14001
- Since 2006: ISO 45001



Energy management:

- Since 2012: ISO 50001



Food safety:

- Since 2012: ISO 22000



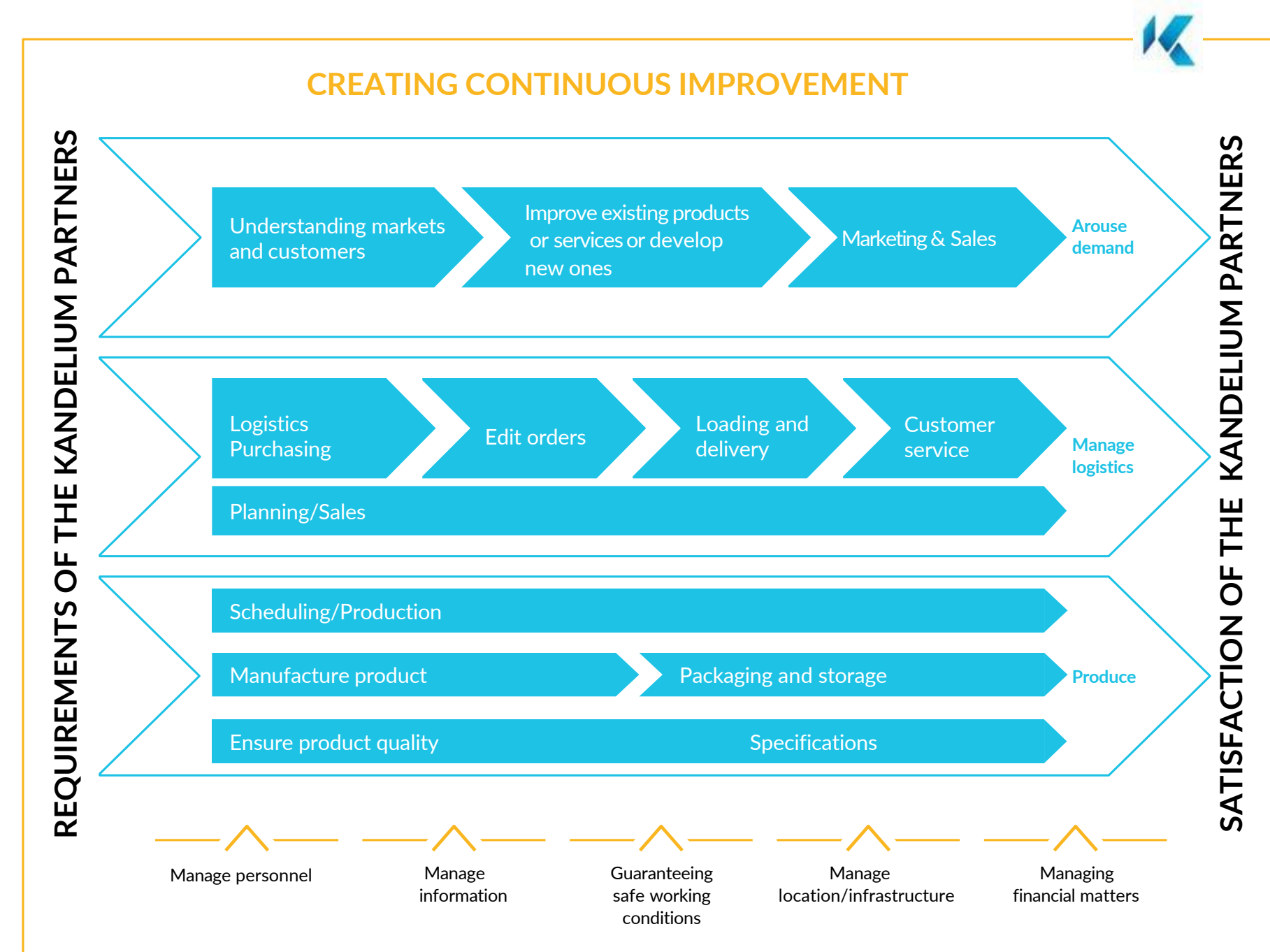
Kandelium Barium Strontium GmbH & Co. KG



Kandelium Care GmbH



STRATEGIES / BUSINESS OBJECTIVES



The management system in a systemic context

The Value Creation Model

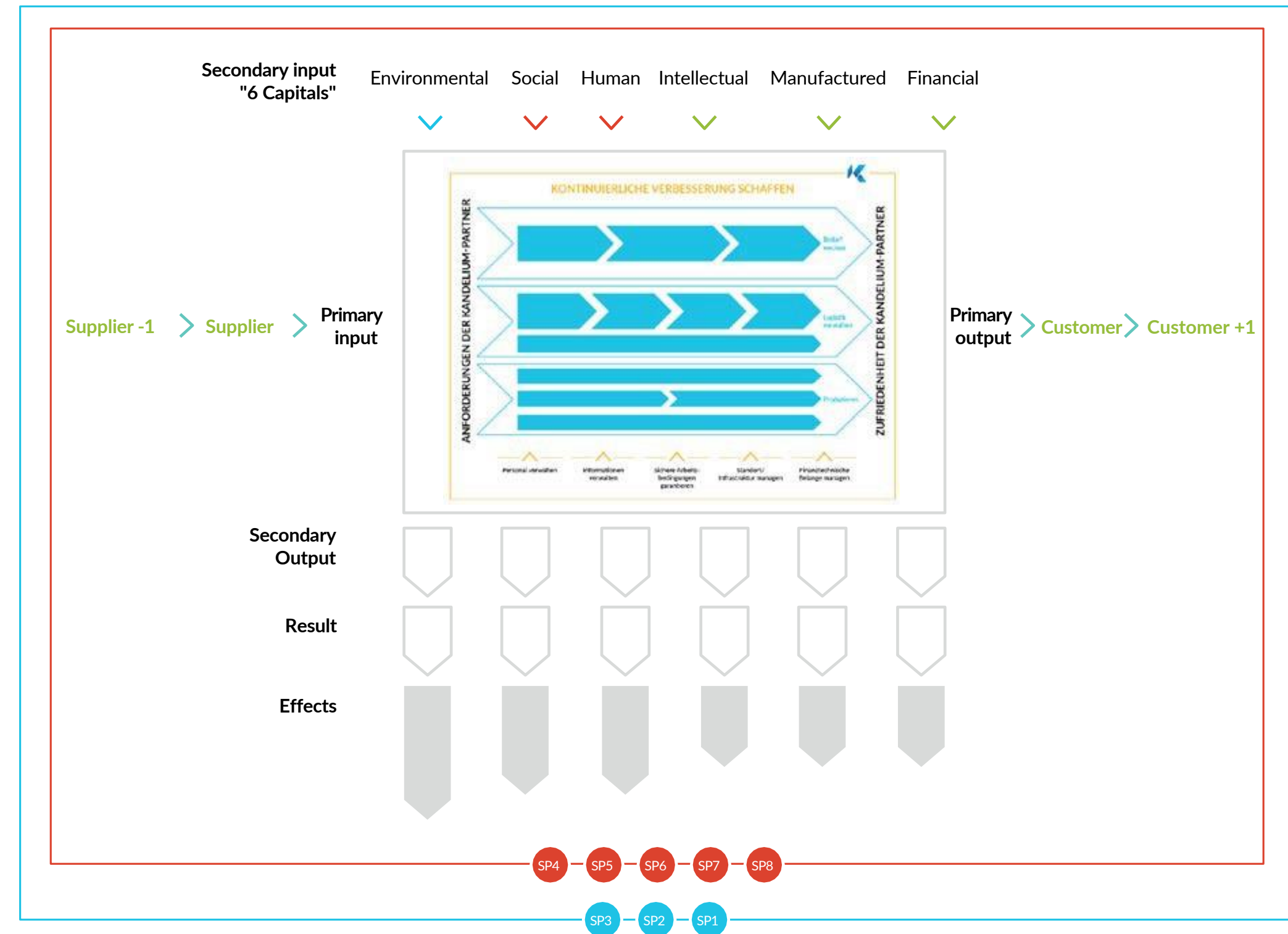
We are aware that a sustainable business model goes far beyond our operational processes. For this reason, we have embedded our management system in the context of a holistic "Value Creation Model".

This model helps us to visualise our business model, the activities and services of our own operations and the so-called "capitals" on which we depend, and to shed light on the business partner relationships in our value chains.

We review each of our value chains and work with our stakeholders to significantly reduce our negative impacts and risks to the outside ("inside-out") as well as those risks that affect us ("outside-in"). At the same time, we endeavour to increase our positive impacts and opportunities.

In order to prioritise our efforts and investments, we apply a solid materiality process and measure the perceived relevance and satisfaction of our affected and interested stakeholders based on our sustainability-related guidelines and measures.

With this approach, we integrate dual materiality, which is important along the entire value chain, into our risk assessment process. In addition to financial materiality, which describes the risks and opportunities that affect the value of the company, impact materiality refers to issues that may have actual or potential effects on people or the environment in the short, medium and long term.



The "Six Capitals" describe the key input factors of every company and form the basis for a comprehensive sustainability assessment. They help companies to achieve long-term value creation by integrating environmental, social and economic aspects into their business model.

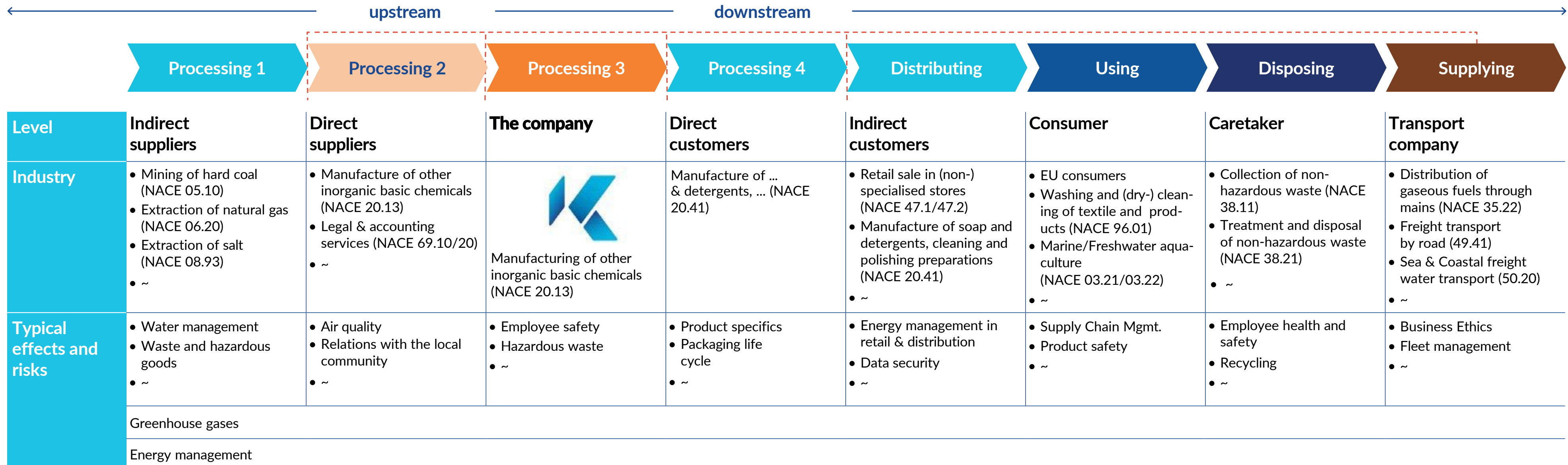


Comprehensive capturing of effects and risks

Analysing the OXYPER © value chain

Our holistic value chain model is based on a thorough process in which the respective impacts and risks are determined for the entire value chain and our core products. As part of a pilot project, we mapped the value chain of our product OXYPER © (sodium percarbonate) and identified the activities of the specific industry using the NACE codes.

This helped us to identify the industries and relevant stakeholders and to determine the typical (potential) impacts and risks for Kandelium arising from the capitals, activities and services of our own operations and current business partners in the value chain. All positive and negative effects were then assessed in terms of their significance for further development and reporting.



What we are already proud of

Milestones on the way to becoming a sustainable company

Kandelium's vision for a sustainable future is manifested in our pioneering "Landfill 2023" project. Here we are setting a new standard for environmental protection and resource utilisation in the chemical industry. Instead of simply dumping mineral residues from our plant in Bad Hönningen, we are finding innovative ways to convert them into valuable resources.

Our approach is based on the principle of the circular economy. The ores celestite and barite, from which we produce strontium carbonate and barium carbonate, contain not only the minerals relevant to our production but also other mineral fragments - materials that have previously

remained unused. But this is now a thing of the past. These residues are stabilised in a special plant and can be reused in other industrial processes. We are not only thinking about today, but also about tomorrow, by using the landfill not as a final storage site, but as a transit station for residues that we process as valuable resources in cooperation with partner companies.

Another example of our commitment to sustainability is the utilisation of the sludge produced during the leaching process in Mexico. This waste is not simply disposed of, but used as a soil stabiliser in road construction projects, enabling us to achieve an impressive recycling rate of 100%.



These initiatives are not isolated. Since our foundation, we have continuously invested in environmentally friendly technologies and sustainable processes. From building a wastewater treatment plant to phasing out the sale of products containing boron in 2022 - every step brings us closer to our goal of becoming a fully sustainable company.

Our view of the future is clear: we are focusing on 100% green electricity and are

working on supplying the city Bad Breisig with environmentally friendly local heating. These measures are just one part of our commitment to a sustainable future - a commitment that we are driving forward with pride and conviction.

Join us on our journey as we work together to shape a new era of excellence in mining and chemicals, where sustainability is not just a buzzword, but a living reality.

Construction of the wastewater treatment plant	1989
Extension of the landfill site to Limes Tower No. 1	1996
Construction of the flue gas desulphurisation plant	1996/97
Establishment of a global research centre for persalts	2001
Chimney risers at the carbon dioxide sources	2012
100% recycling of the waste water produced at the sites in Mexico and Spain	2013
Construction of a solar pond in Escúzar, Spain	2014
Phasing out the sale of products containing boron	2022
Installation of PV plant with 320 kWp in Escúzar, Spain	2023

- Use of 100% green electricity
- Supplying Bad Breisig with local heating
- Conversion to 100% LED lighting



From Waste to Circular

What we are already proud of

From a raw material mine to our own olive grove

At Kandelium, we go beyond just doing business and are committed to sustainable practices that positively impact our environment and community. One outstanding example is our project in Escúzar, Spain, where we use innovative methods to minimise the impact of raw material extraction.

Our vision goes beyond simply restoring the mined areas. We strive to restore the ecosystem and improve the quality of life of the community. After the extraction of celestite, we fill the resulting holes with environmentally friendly material, creating

a foundation for the replanting of olive trees. These trees are not only symbols of our commitment to sustainability, but also sources of high-quality products such as our own olive oil.

Our olive groves in Escúzar are a living example of the fusion of tradition and innovation. Every year we harvest delicious olives, which are processed into our exquisite olive oil in collaboration with a local oil mill. This product not only symbolises our environmental responsibility, but also our commitment to quality and excellence.



Our olive grove in Escúzar, Spain



Our own olive oil

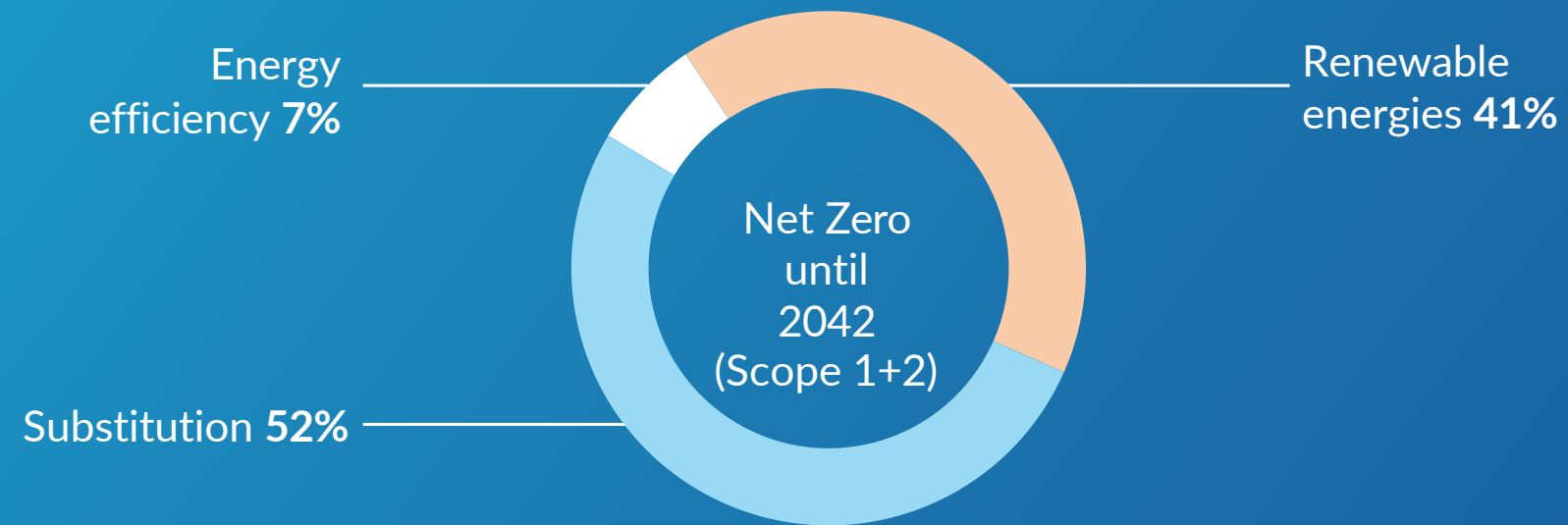


Aerial view of the planted area



**From Waste
to Circular**

Contribution of the measures to climate neutrality



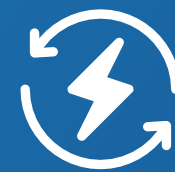
Energy efficiency

- Expansion of heat integration
- Reduction of heat losses in high-temperature processes
- Use of more efficient drives and components
- IT-supported process optimisation



Substitution

- Substitution of fossil raw materials with biogenic or CO₂-neutral raw materials
- R&D on a climate-neutral production process (in the patent application)
- CO₂ recovery by extraction from the exhaust gas stream



Renewable energies

- Conversion of the electricity supply to 100% renewable energies
- Replacing fossil fuels with renewable energies such as green electricity, CO₂-free hydrogen or eFuels

Our commitment to the environment

Roadmap for a climate-friendly future

At Kandelium, we take our social responsibility to reduce man-made greenhouse gas emissions seriously, as these are one of the main causes of ongoing climate destabilisation.

One of our first measures after Kandelium became independent in 2021 was to develop a roadmap to climate neutrality. This is based on the science-based targets and practices of the Science Based Target Initiative (SBTi), with an ambitious roadmap to net-zero emissions by 2042. As an energy-intensive medium-sized company, our focus is on the areas where we can have a direct impact: direct (Scope 1) and indirect (Scope 2) emissions.

Our roadmap is based on an energy management system

that has been established in all business processes and certified in accordance with ISO 50001 since 2012. It comprises three strategic pillars that show how we want to establish climate-friendly industrial processes and achieve climate-neutral production by 2042. This includes the insulation of our ovens and heat recovery (efficiency), the use of climate-neutral fuels (substitution) as well as the purchase and production of exclusively green electricity by 2025 (renewable energies).

We recognise that some of our products cause high emissions along the value chain, especially for end customers, such as detergents. We therefore carry out life cycle assessments to analyse the effects and actively contribute to reducing the *product carbon footprint*.



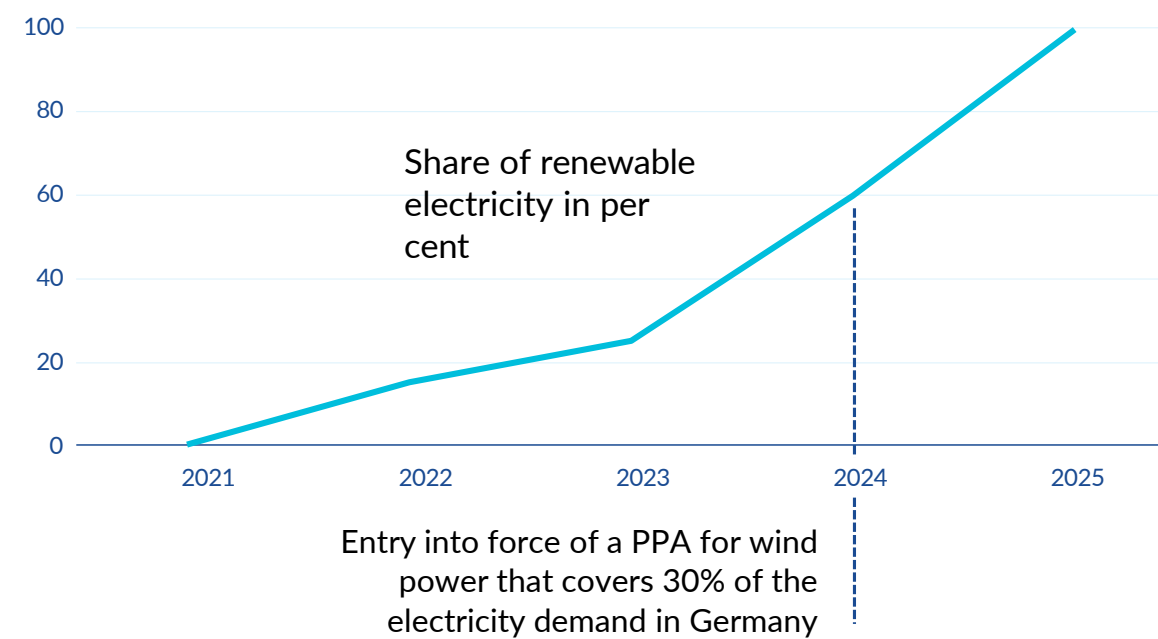
Our impact on the environment

Ecological sustainability in figures

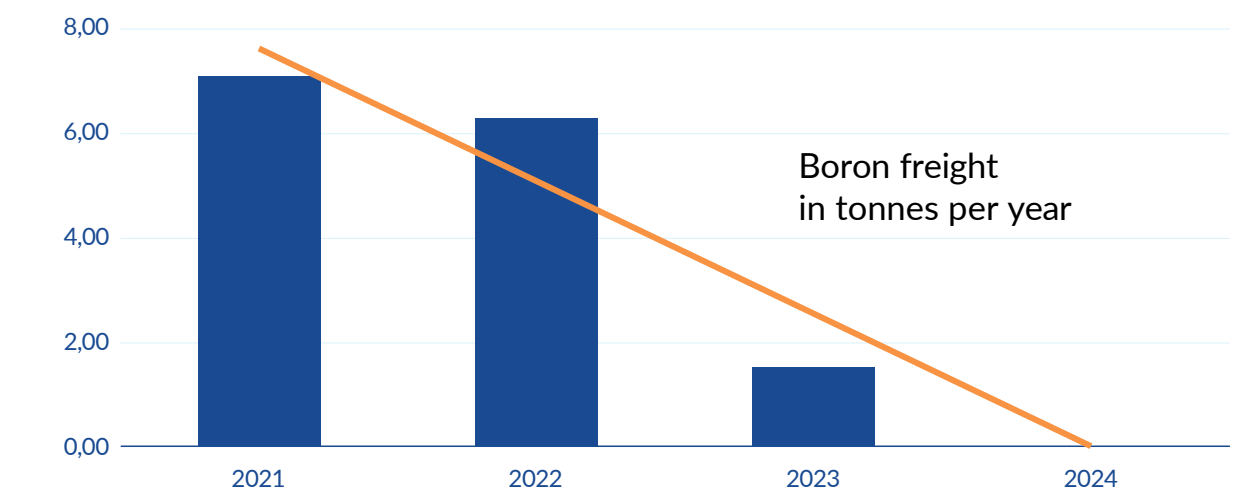
Greenhouse gas emissions since 2022 (Scope 1 + 2) and reduction target.

in 1,000 tonnes CO ₂ e	2022	2023	2030	2035	2042
Scope 1	227	194	157	92	0
Scope 2	36	23	0	0	0
Total	263	217	157	92	0

By 2025, the gradual switch to electricity from renewable sources will be fully completed for the whole of Kandelium.

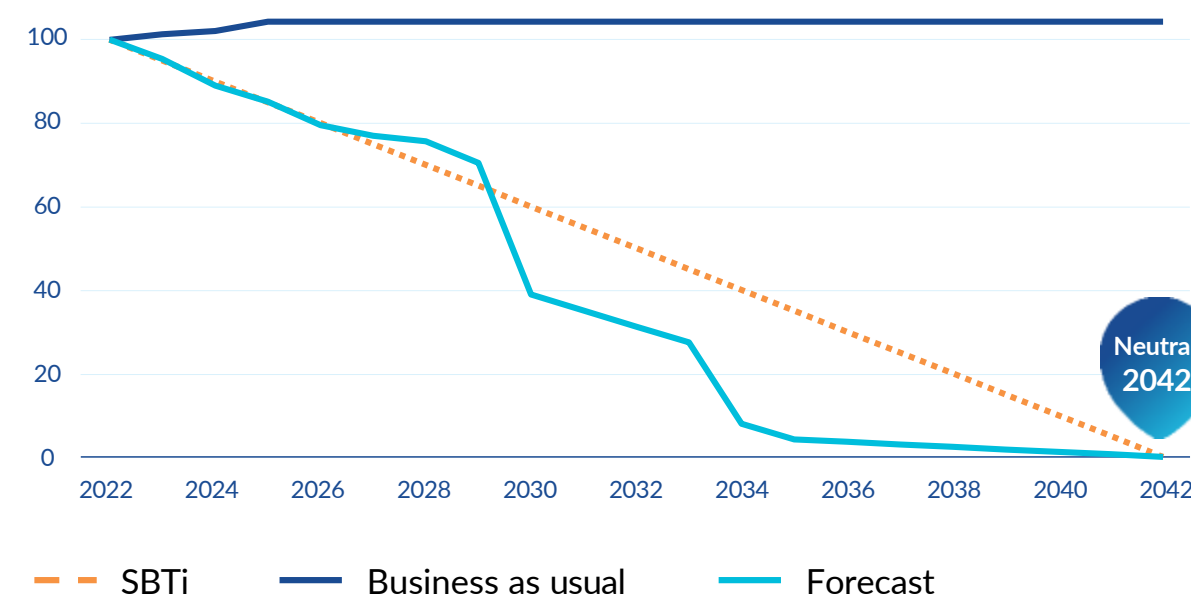


By substituting boron, a semi-metal that is toxic to reproduction, the boron content in wastewater has been drastically reduced and will reach zero this year.

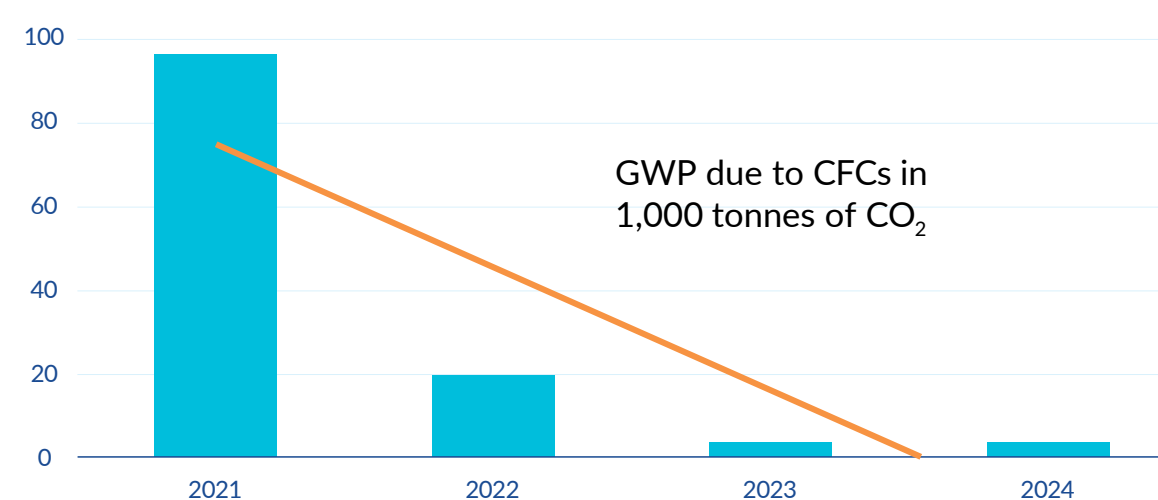


The calculations for our roadmap should be viewed in relation to the base year 2022.

Values indexed to the base year 2022; figures in per cent



The switch to refrigerants such as propane has led to a drastic reduction in emissions caused by CFCs since 2021. The conversion of the remaining systems is planned.



The key figures and targets presented here are an excerpt of those for which we can provide clear information to date. As part of a current materiality analysis, we will record and report all data points relevant to us and our stakeholders as specified by the CSRD (in particular ESRS E1 - E5).

Safety always comes first at Kandelium

Our measures to ensure accident-free operation

At Kandelium, we take our responsibility to create an environment worth living in for future generations very seriously. The concept of community, well-being and social commitment plays a central role for us - and therefore also for Kandelium. Our success as a company is demonstrated by the fact that we act according to the systemic approach and that we operate in an intact environment and a society that has the well-being of all in mind. To ensure this, safety is our top priority.

Key safety-relevant figures



LTIIR

- 2023: 1,08
- Target 2024: < 0,55



RIIR

- 2023: 1,43
- Target 2024: < 0,72



Safety Talks

- 2023: 2.599
- Target 2024: > 2.600



Safety Walks

- 2023: 366
- Target 2024: 385

LTIIR = Lost Time Injury or Illness Rate | RIIR = Recordable Injury or Illness Rate
Both ratios are calculated as the number of accidents x 200,000 hours/working hours (in accordance with ISO 45001)



Employees at a presentation during the Safety Days

Health and safety in the workplace

Occupational health and safety at Kandelium are implemented as part of the integrated management system and ISO 45001. We have set the achievement of the target values for the two key safety indicators LTIIR and RIIR as a company-wide goal. Supporting measures were already introduced in 2023 to achieve these targets:

- 1. Review and improvement of workplace safety standards:** In order to minimise accidents and injuries, our workplace safety standards were reviewed and improved.
- 2. Raising awareness of safety regulations:** Through training and educational measures, we have increased awareness of safety regulations and promoted a safety culture.
- 3. Promoting the health of the workforce:** To promote the health of our workforce, we have introduced a job bike and a salad bar in the canteen, among other things. Health programmes and resources are also available.
- 4. Global safety award:** Once a quarter, a global safety award is presented, which honours exemplary behaviour in terms of safety and health protection

and is endowed accordingly.

- 5. Hiring a safety engineer:** We have hired a safety engineer for our strontium and barium operations in order to further improve safety standards.
- 6. Safety days:** Safety days for employees and partner companies are held twice a year in Bad Hönningen and Mexico. The focus is on raising awareness of dangers in everyday life and preventive health care, e.g. spinal screening.

With the "Leading Indicators", safety indicators were introduced in 2023 that focus primarily on prevention, such as safety tours, talks and documented exemplary behaviour. The recently launched initiative "Two minutes for your safety" raises our employees' awareness of potential dangers in activities that are not carried out regularly.

Our clear goal is to further reduce the target values for 2024 in the coming years and ensure a safe working environment for everyone.

Nothing we do justifies risking our health for it.

Daniel Meyer
CEO



Impact on our employees

Social sustainability in figures

In 2023, we launched a comprehensive cultural transformation at Kandelium. Our aim was to firmly anchor the values of openness, integrity, empowerment and respect, which we developed together with our employees, in our corporate culture.

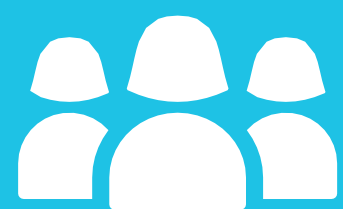
To support our employees in actively implementing these values, we introduced new management training courses in 2024. In addition, we offer individual coaching sessions to ensure that our managers support and challenge their employees in the best possible way.

This helps to increase the training rate. Another important initiative was the appointment of a new Head of Trainees to offer the industrial clerk apprenticeship at the Bad Hönningen site for the first time in 2024.

Our long-term goal is to continuously increase the satisfaction of our employees. Through comprehensive communication measures initiated by top management and the development of a feedback concept, we improve dialogue and promote a positive working environment.

We were able to increase the proportion of women in top management from 14% to 29% in 2023. This demonstrates our commitment to diversity and equality. As part of the "New Pay" project, we are also developing company-wide criteria for fair pay in order to create equal working conditions.

With the criterion "Impact & effect on innovation and future viability", we want to ensure that sustainable behaviour plays a central role in the evaluation of our employees and thus promotes social sustainability.



In top management we have increased the proportion of women in 2023 from 14% to 29%.

Selection of relevant key figures for managing the workforce



Number of trainees

- 2023: 24
- Target 2024: 28



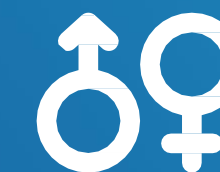
Further training rate

- 2023: 40 hours/employee
- Target 2024: \geq 40 hours/employee



Fluctuation

- 2023: 7,7%
- Target 2024: $<$ 6%



Diversity

29% share of women in top management

As part of our ongoing materiality analysis, we identify further relevant data points and will include these in our future reporting in accordance with the CSRD guidelines in order to transparently document and further improve our social sustainability.

Community and well-being

Our social commitment

At Kandelium, it is a matter close to our hearts to actively contribute to improving the social environment. We maintain close relationships with our communities and are committed to the well-being of our neighbours through various initiatives and partnerships. Here are some highlights of our social commitment:



Supporting the Youth: We work closely with the local fire brigades to ensure the safety of our communities. We actively promote the training of youth fire brigades and support their important work.



Health promotion: As part of our "Health Month", we offer our employees and their families free health checks. This measure helps to raise awareness of health issues and identify potential health risks at an early stage.



Sports sponsorship: As shirt sponsor of the local club SG Vettelschoss, we support sport and the community spirit in our region. Sporting activities not only promote physical health, but also strengthen the sense of Belonging.



Open exchange: Visit by the mayor of the municipality, Mr. Ermtraud, and the head of the building authority, Mr. Braasch, to our landfill site.



Local support: We get involved through donations and support various local projects and charitable organisations. Our aim is to make a sustainable contribution to the development and well-being of our communities.



Transparent communication: With our "Kandelium Kurier", we give our neighbours an insight into our activities and inform them about important developments. We value open and transparent communication.

These measures are part of our comprehensive commitment to a liveable environment and demonstrate our responsibility to society. We are proud to make a positive contribution and shape a better future together with our neighbours.

Ethics meets efficiency

Corporate Governance with integrity for a sustainable future

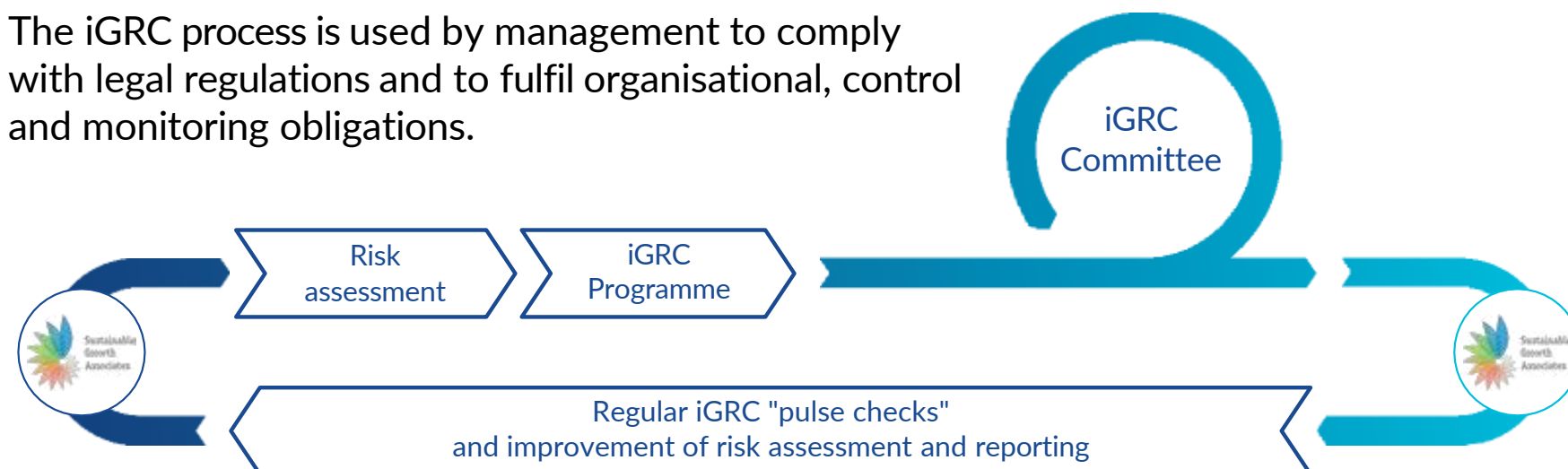
At Kandelium, we focus on improving the behavioural and legal awareness of management and employees in order to ensure a sustainable future. To this end, we have set up an integrated Governance, Risk and Compliance Committee (iGRCC). This committee defines company-wide compliance standards in order to effectively recognise, mitigate, manage, control and prevent compliance risks. Our six company-wide policies form the basis for the iGRCC's actions:

- Group Code of Conduct
- Supplier Code of Conduct
- Compliance Management Policy
- Risk Management Policy
- Whistleblower Policy
- Quality Management Policy

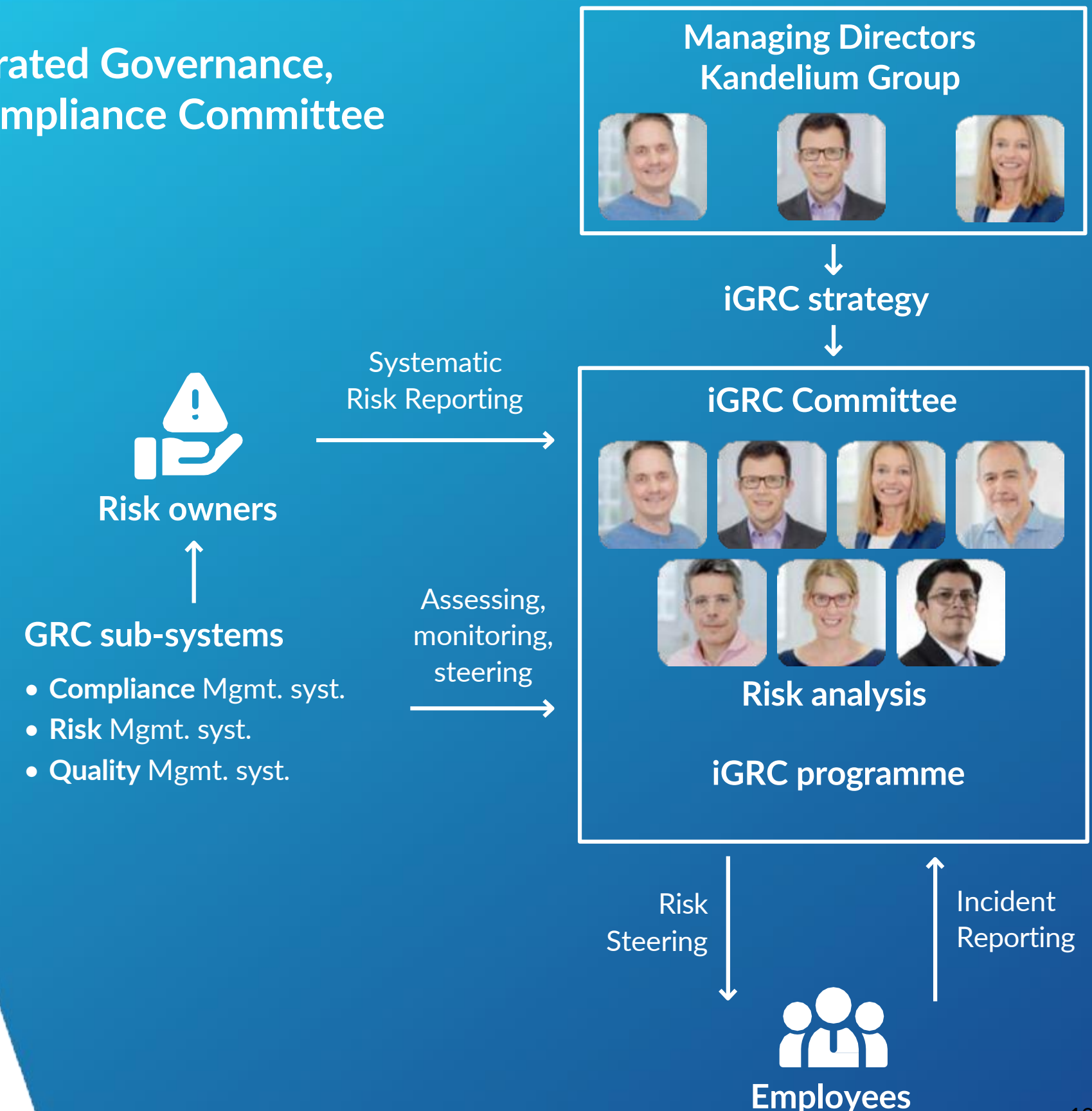
As part of the materiality assessment, sustainability impacts and sustainability-related financial risks are identified, assessed and determined. This information is then integrated into the existing risk management structures and processes. In doing so, we not only take into account the classic financially orientated financial, production and intellectual capital, but also the ecological, social and human factors. Our partner SGA supports us in the preparation and integration of these processes.

The integrated GRC Committee: how we work

The iGRCC process is used by management to comply with legal regulations and to fulfil organisational, control and monitoring obligations.



The integrated Governance, Risk & Compliance Committee



The ESG Council for the implementation and management of sustainability activities

Kandelium's ambition is to become a proactive role model for sustainability issues in its industry. To achieve this, Kandelium has established the ESG Council, which connects all companies and functional areas of the Group.

The Council aims to further integrate sustainability into Kandelium's strategy and ensure that the legal standards, particularly with regard to CSRD, are met and fulfil the increasing demands of employees, investors and society.



Effect of the iGRC Committee

Key figures for corporate management



Efficiency of risk management

- Risks with mitigating measures: 69%
- Of which measures currently being implemented: 96%
- Of which eliminated risks: 20%



Number of reports received on potential violations

- 2023: 2
- **Target 2024:** Reporting of all potential violations by employees and stakeholders



Number of compliance violations

- 2023: 0
- **Target 2024: 0**



Number of trained employees on governance

- 2023: 28
- Of which part of the GRC Committee: 9
- **Target 2024:** 150



Number of members of the GRC Committee

- 9

The iGRC Committee at Kandelium plays a central role in corporate governance and ensuring compliance and risk management. The establishment of this committee has led to the creation of key governance indicators (KPIs) that measure the effectiveness and efficiency of our governance structures and processes. Any risks relating to environmental, social, legal and other issues are recorded accordingly by our risk manager. Together with the risk owners, mitigating measures are identified and implemented where appropriate. All risks are assessed on a quarterly basis and on an ad-hoc basis as required.

The reports received in 2023 were recorded and processed in accordance with the GRC process. Ultimately, no violations of our compliance guidelines were identified. It is our declared goal to have zero tolerance for violations of any of our guidelines.

For 2024, we therefore aim to and encourage our employees and business partners to report any potential violations that arise in accordance with the whistleblower reporting procedure. To ensure that the measures are known, all employees were comprehensively informed about the procedure in 2023. For 2024, employees will be sensitised accordingly as part of a compliance training course.

The governance KPIs are regularly monitored and evaluated to ensure that our governance structures meet the highest standards and that our compliance and risk management objectives are achieved.

Further data points relating to governance are collected as part of the implementation of the CSRD.

Recognising material topics

Our roadmap for CSRD Compliance & Beyond

At Kandelium, we are currently preparing to disclose our sustainability-related activities and our impact on the environment and society. We are taking a careful approach to ensure that we cover all relevant areas of our organisation and all stakeholders. This includes the identification of material impacts, risks and opportunities as well as the further development of our sustainability guidelines, initiatives, targets and key figures.

As a first step, we mapped the value chains of our products and identified impacts. We then held workshops with representatives from various sectors at all three locations (ESRS S1 "Own Workforce") to assess the materiality of the impact of Kandelium's

activities on its own workforce. Following the ESRS approach, we will determine the materiality with further stakeholder groupings (ESRS S2 - S4) and for the sector-agnostic standards (ESRS 2, E1-E5, G1).

Once the materiality process has been completed, the fourth step identifies the remaining gaps in ESRS compliance and provides recommendations as input for the development of our roadmap. In the final fifth step, the roadmap for the transformation of our CSRD reporting towards full ESRS compliance is drawn up.

This enables us to organise our sustainability efforts efficiently for the benefit of all stakeholders and to continuously improve our impact on society and the environment.



The methodology for implementing the CSRD process is provided to us by our partner, *Sustainable Growth Associates*. SGA is also providing us with operational support, particularly in the in-depth preparation of the materiality analysis, which will serve as the starting point for subsequent reporting and the identification of relevant data points.



Stakeholder engagement as the basis for the implementation of CSRD

Materiality analysis using the example of ESRS S1 "Own Workforce"

Kandelium's employees are the most important stakeholder group for us. We attach great importance to being aware of the (potential) positive and negative effects that our company can have on them so that we can respond accordingly. In collaboration with our partner *Sustainable Growth Associates*, we have derived topics that affect our workforce from the ESRS and other international agreements on labour conditions, human rights and other employee rights.


We discussed and evaluated these topics together with employees from all areas in workshops in order to determine the materiality of the topics associated with ESRS S1. This materiality analysis forms the basis for transparent and comprehensive recording of the impact of our activities on our own employees. The next step is to determine the data points required for reporting.

In addition to ESRS S1 "Own Workforce", all other ESRS chapters that are essential for Kandelium must correspond to the process and are analysed and appropriately taken into account for reporting purposes.

- 1 Management report
 - 1.1 Analysis of the Position, Development and Performance
 - 1.2 Description of the Principal Risks and Opportunities
 - 1.3 Likely Future Developments
 - 1.4 Corporate Governance Statement
- 2 Sustainability Statement
 - 1. General
 - 2. Environment
 - 2.3 Social
 - 2.4 Governance

- 1. General
- 2. Environment
- 2.3 Social
 - 2.3.1 S1 Own Workforce
 - 2. S2 Workers in the Value Chain
 - 3. S3 Communities
 - 4. S4 Consumers & End Users
- 2.4 Governance

- 2.3.1 S1 Own Workforce
 - 2.3.1.1 S1 Own Workforce
 - 2. S2 Workers in the Value Chain
 - 3. S3 Communities
- 2.3.2 S2 Workers in the Value Chain

 Social			
ESRS	Topic	Sub-theme	Sub-sub-theme
S1	Own workforce	Working conditions	Secure employment - Working time - Decent wages - Collective bargaining - Social dialogue - Freedom of association - Employees' rights to information, consultation & participation - Work-life balance - Health and safety
		Equal treatment and equal opportunities for all	Gender equality - equal pay for work of equal value - training and skills development - inclusion of people with disabilities - Measures against violence and harassment in the workplace - Diversity
		Other labour-related rights	Child labour - Forced labour - Adequate housing - Privacy



At Kandelium, we are very aware of the challenges on the road to a sustainable future. The hurdles are high, especially for the chemical industry, and the road is often rocky. But as an independent company, we have the unique opportunity to control and shape our entire value chain.

We not only utilise this control, but it is the basis for our vision: Kandelium is to become a pioneer of sustainability in the German chemical industry.

Our commitment goes far beyond mere promises. We are actively working to continuously improve our processes, products and technologies and make them more sustainable. In doing so, we strive not only for success, but also for responsibility - responsibility for the environment, for our employees and for society.

Would you like to find out more about our approach? We are available for questions, discussions and collaborations. Contact us and let's shape a sustainable future together.

"Join us as we work with our business partners to pave the way for a new era of excellence in mining and chemicals that recognises sustainability as an integral part of business success."

Kandelium Declaration of Ambition, November 2023

This report is the first of its kind to be published by Kandelium. Due to ongoing activities, it cannot be guaranteed that the procedures, measures and key figures described here reflect the latest and therefore current status. This report will therefore be updated at regular intervals. If you have any questions or suggestions for improvement, you are welcome to contact us.