

August 2023

# Green Bond Framework





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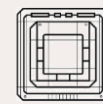
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## Divisions and end markets



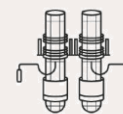
### Silicones

- Construction
- Automotive
- Chemical formulators
- Personal care
- Healthcare
- Paper and film release
- Silicone rubber
- Textile



### Silicon products

- Automotive
- Construction/industrial equipment
- Electronics
- Specialty steel
- Solar and wind turbines
- Refractories
- Oil and gas



### Carbon solutions

- Ferroalloys
- Silicon
- Aluminium
- Iron foundries

# This is Elkem

Elkem is one of the world's leading providers of advanced silicon-based materials, shaping a better and more sustainable future. The company was founded in 1904 and has today a global team of more than 7,300 people. It operates through three divisions: Silicones, Silicon Products and Carbon Solutions.

By combining natural raw materials, renewable energy and human ingenuity, Elkem's products help customers create and improve essential innovations for electric mobility, digital communications, health and personal care as well as smarter and more sustainable cities.

Elkem has a global footprint with operations throughout the value chain – from raw material sourcing to attractive end-market positions worldwide.



# Sustainability at Elkem

Elkem's products are building blocks for the low-carbon society and critical for the green transition. Examples include renewable energy, energy storage, mobility solutions, infrastructure improvements, digitalisation, and healthcare. People and safe sustainable operations, conducted responsibly and with excellence, are at the core of Elkem. The company is committed to developing its business in accordance with the UN Sustainable Development Goals and the Paris agreement.

## Climate strategy and roadmap

Elkem is committed to taking a leading industry position in reducing fossil CO<sub>2</sub> emissions by increasing renewable carbon sources and developing innovative production processes. The company has established a climate roadmap detailing its commitment to limit global warming to well below 2°C, in line with the Paris agreement. The overall aim of the roadmap is to reduce total absolute emissions by 28% during the period of 2020-2031. This, while also growing the supplies to the green transition and delivering a 39% reduction in the product carbon footprint by 2031. Elkem's target is to reach net zero emissions by 2050.

To contribute to a better climate, Elkem focuses on three key levers:

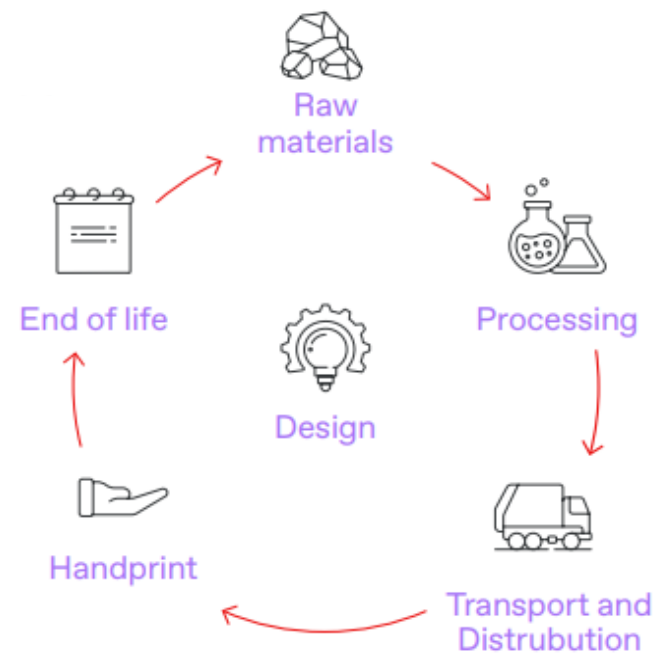
- Supplying the green transition
- Enabling circular economies
- Reducing fossil CO<sub>2</sub> emissions

## Supplying the transition

Elkem aims to continue growing the supplies of advanced materials essential to the green transition and expanding the business into new green markets. As a leader in silicone solutions for EV battery protection, the company is already supplying to a substantial share of the EVs on the road today and the market is expected to grow exponentially over the coming years. Elkem is also a founder of Vianode, a company dedicated to growth opportunities for advanced battery materials, enabling 90% reductions of emissions compared to conventional materials.

## Enabling circular economies

To reach its climate targets, Elkem also need to empower and create circular economies. This involves employing processes that repair, replenish, or revitalize their own energy and materials while wasting as little as possible. Elkem is working closely with customers and researchers to increase recycling both within its own operations and for the customers, as well as developing the eco-design of innovative products. Elkem is already supplying products based on the circular economy concept to the global market through e.g. Microsilica, a former by-product now key to some of the world's tallest buildings and longest bridges. Elkem is also currently participating in a project with the potential of reducing the carbon footprint of silicones by more than 65 percent through chemical recycling.



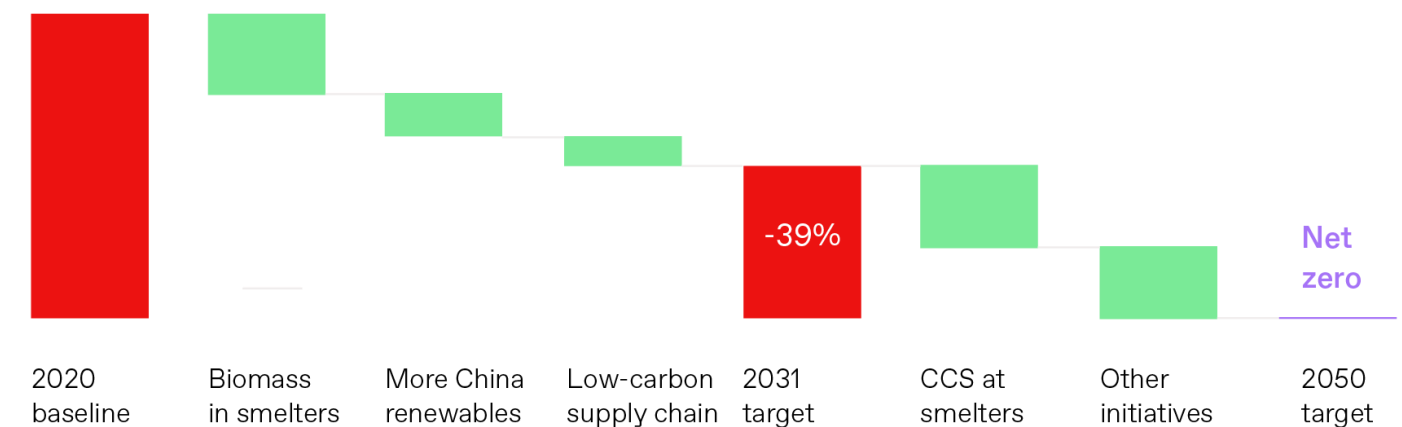
## Reducing Elkem's emissions

Elkem uses carbon sources such as coal, coke and biocarbon as a chemical component in the production of silicon and ferrosilicon, also called reductant or reduction material. The carbon sources will after the reactions result in the release of CO<sub>2</sub> emissions and other pollution. Silicon produced by Elkem in Europe has a low CO<sub>2</sub> footprint compared to silicon delivered by other producers, mainly due to its use of renewable hydropower electricity, relatively high share of bio-based reduction materials, and good operational performance with high yields, efficient capacity utilisation and limited waste/off spec volumes.

To reduce the company's carbon footprint further, in line with its climate targets, Elkem aims to further increase the use of biocarbon as reduction material in the smelting process. The company has already made significant progress on this, with a current 20% biocarbon share of the CO<sub>2</sub> emissions at the smelters and aiming for 50% by 2031.

Other key actions include increasing the sourcing of materials with lower carbon footprints and exploring the potential of more carbon capture at the smelters. Reaching climate target also relies on China's transition towards more renewable power. The key milestones on the company's trajectory towards net zero are illustrated in the graph below.

## Our roadmap to climate neutral products



## Sustainability at Elkem

### ESG governance

Elkem manages a complex value chain. All parts of the value chain, such as the supply of raw materials, access to highly competent employees, and the timely delivery of products affect its ability to reach strategic goals. The company strategy of dual-play growth and green leadership leans on a strong ESG (environmental, social and governance) governance. There is an increased expectation of companies to manage their value chain in a responsible manner and to mitigate sustainability-related impacts across ESG governance aspects.

ESG and sustainability are integrated into Elkem's overall business strategy, and the responsibility sits with the collective board. The board monitors and reviews the group's ESG strategy on an annual basis as part of the regular strategy process, and ESG-related risks and opportunities are part of board meeting agendas. The board of directors also receives information about the company's ESG performance and projects through regular reporting and board meetings. The CFO is responsible for managing the ESG steering committee, the management body responsible for ESG, which consists of members from the corporate management. The ESG steering committee reports to the CEO. Moreover, corporate management bonuses are linked to indicators related to sustainability and compliance.

### Dual-play growth

- Balanced between geographic regions (East & West)
- Balanced across the value chain (Upstream & Downstream)



### Green leadership

- Strengthening position as best in the industry on low CO<sub>2</sub>
- Growing supplies to green transition & creating green ventures

### Climate-related risks

The assessment of climate related risks and opportunities is an integrated part of Elkem's risk management processes. Elkem follows the framework from The Task Force on Climate-Related Financial Disclosures (TCFD), which includes an assessment of both transitional and physical climate risks. The risk management processes considering climate risks are not only limited to substantive risks. Risks that today are perceived to have limited financial impact or frequency could increase going forward due to climate change. In particular, such risks include acute and chronic physical risks such as extreme weather events like flooding, storms, sandstorms and high temperatures. In the past, such events have not had substantial financial impact on the company, but Elkem is monitoring such effects to evaluate the possible impact on future raw material accessibility, transportation and pricing.

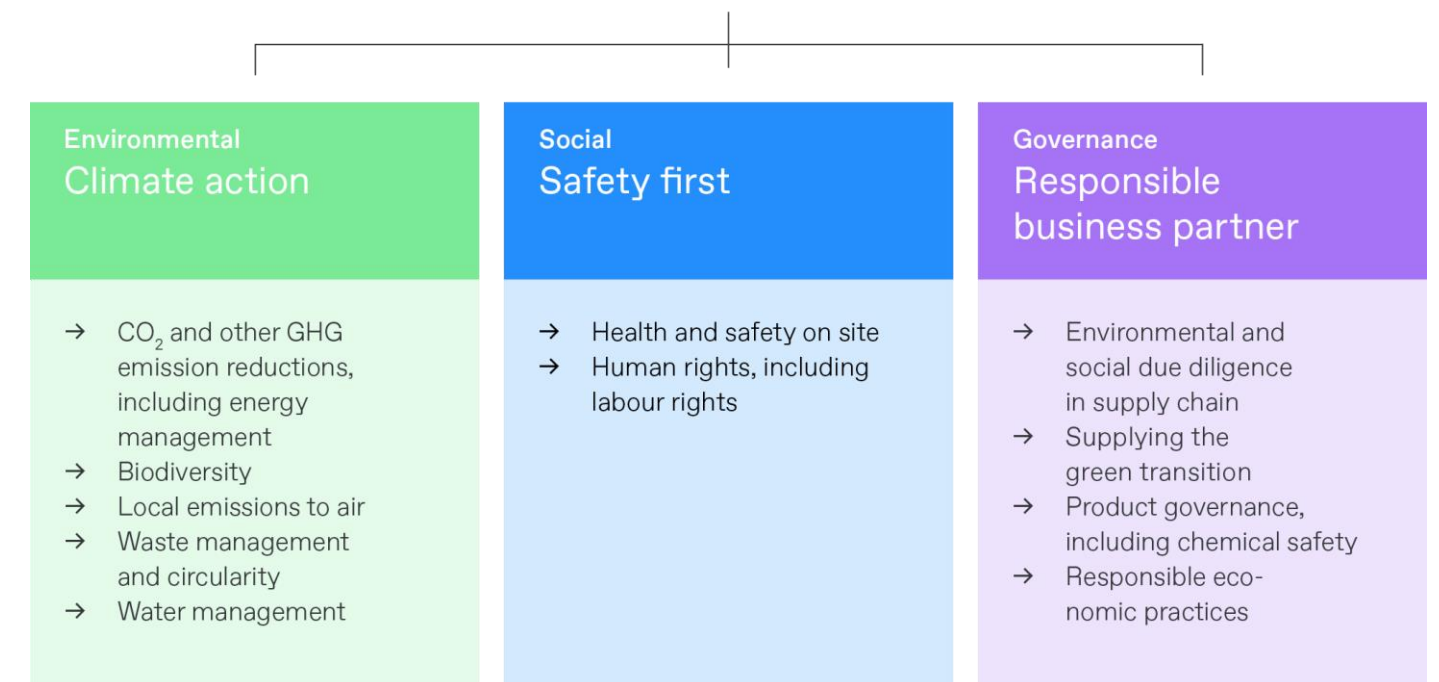
### Materiality assessment

Elkem conducts impact-based materiality assessments on a regular basis in line with the GRI framework. The identification of Elkem's most significant impacts is based on a mapping of all production locations across the three business divisions: Silicones, Silicon Products, and Carbon Solutions. Differences in the value chains between these divisions imply different potential impacts.

Guidance and input are also provided by relevant stakeholders and experts, and through independent research on sectors and locations, for the identification and ranking of impacts. The material topics deemed most significant to Elkem's global operations and value chains in the most recent materiality assessment are summarised below.

### Sustainability foundation: Material topics

Elkem follows the principles, requirements, and guidelines of the GRI 2021 Standards to identify the material sustainability topics for the group.



## Sustainability at Elkem

### Environmental governance

With a fully integrated value chain from raw materials and production of upstream silicon to downstream silicones, it is vital to manage the environmental footprint from cradle to grave. It is Elkem's target to minimise negative environmental impacts throughout the value chain. Environmental issues are managed and reported to the corporate management monthly and are managed through the HSE (Health, safety, and environment) management system. All Elkem units are required to develop and manage their own HSE management systems in line with the corporate standard. Moreover, Life Cycle Assessments (LCAs) are being conducted to quantify the environmental impact of Elkem's products. LCAs support Elkem in reducing its environmental footprint even further by providing an accurate overview of the environmental impact of the operations. Furthermore, these assessments increase product transparency to assist Elkem's customers in their sustainability transformation.

### Local emissions to air

Converting quartz to silicon is a high-temperature smelting process that consumes vast amounts of energy. The production process uses carbon sources like fossil coal, charcoal, and wood chips as reduction material in the chemical conversion, releasing emissions of CO<sub>2</sub>, NO<sub>x</sub> (Nitrogen Oxides), SO<sub>2</sub> (Sulphur Oxides) and dust. As these local emissions to air affect air quality, measures to control and reduce the emissions are priority areas of improvement for Elkem.

### Water management

In addition, processing silicon into silicones involves substantial quantities of wastewater to be treated before discharge to remove polluting substances from the process. Water also represents a critical input in many of Elkem's main production processes, and Elkem is indirectly dependent on water to operate as more than 80% of its electricity is hydropower.

It is therefore important to ensure that the company's water footprint is sustainable. Elkem's water management is mainly centred around preventing hazardous discharge but water related challenges vary strongly across its value chain.

### Waste management and circularity

Elkem's business system builds on a zero-waste philosophy focusing on the reduction of all kinds of waste throughout the value chain with a high focus on the efficient utilisation of all resources, reduced waste generation and on the reuse, recycling, or sales of residual waste. The major waste streams in Elkem's operations are associated with the company's mining, calcining, smelting and chemical processing activities. Dust and sludge are also generated from air and water treatment facilities. Elkem has several processes in place to reduce waste and increase the level of reuse and recycling in the production. Over 70% of the processed waste generated in 2022 was either reused or recycled.

### Biodiversity

The impact on nature and the management of biodiversity have become increasingly important issues for the process industry, as for the rest of the world. Elkem's value chain includes numerous process flows, including mining, high-temperature calcining and smelting processes, and chemical production. Mining and chemical processing are activities that could have significant impacts on biodiversity. Elkem solely mines quartz, which have less stress on the ecosystem compared to other forms of mining, and given that quartz is a common mineral, Elkem can source raw material from non-protected areas. Elkem's mining activities are strictly coordinated with the national mining authorities and environmental risk and impact assessments are part of the mandatory steps when applying for mining permits, including consultation with biodiversity experts and local stakeholders.

Elkem defines biodiversity as the variability among living organisms from all sources including terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems, in line with the recommendations from the Taskforce on Nature-related Financial Disclosures (TNFD). Biodiversity is an integrated part of the group's environmental management system, and closely linked to other sustainability impacts followed up within the framework of the ESG steering committee.

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### Social governance

Safe operations for all people at Elkem's sites are always first priority. Elkem believes that all incidents can and should be prevented and a zero-harm philosophy guides its everyday work. Therefore, Elkem takes responsibility for all activities on Elkem's properties and is committed to ensuring that employees and contractors working on its sites can do so without suffering any harm. Elkem is also committed to influence its suppliers and business partners to have the same focus on health and safety.

As part of the group's commitment to a safe work environment, Elkem also considers the protection and promotion of human rights, workers' rights, decent living wages, and equal opportunities as being vital to its operations. Reducing disparities and creating social prosperity are vital components of a sustainable future. Elkem is therefore committed to build a culture based on equality and respect for cultural differences.

Elkem is fully committed to avoiding complicity in human rights abuses and to respect, protect and promote human rights throughout its operations. It is committed to the UN Declaration and International Conventions on Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO Declaration on Fundamental Principles and Rights at Work, ILO's core conventions and relevant local legislations in the countries where it operates. The company also follows the United Nations Guiding Principles on Business and Human Rights.

Elkem's human rights programme describes how it operationalise the company's commitment to respect and support internationally recognised human rights. To further assess its overall exposure to human rights risks, Elkem conducted a company-wide human rights risk- and impact assessment in 2022 with support from external experts, employing methodology based on OECD due diligence guidance for responsible business conduct with a focus on risk to people. Findings and recommendations from the assessment will guide Elkem's priorities for strengthening its human rights programme going forward, and progress is reported to the ESG steering committee.





## Sustainability at Elkem

### Corporate governance

Elkem has implemented policies, procedures and training to ensure a strong compliance culture across the group and to ensure good corporate governance. As a signatory of the United Nations Global Compact, Elkem aims to ensure that the business is aligned with the ten UN Global Compact principles. Elkem seeks to obtain a satisfactory regulatory framework for all its operations, and are committed to do so in accordance with its code of conduct and with complete transparency. The company has a zero-tolerance policy towards any form of corruption and conducts its business in accordance with applicable anti-money laundering and antitrust laws.

### Product governance

There are a number of rules and regulations to comply with for products that Elkem manufactures and markets, such as safety data sheets, transport regulations, REACH registrations etc. Proactive management of the use of chemicals and the protection of the environment and human health are fundamental pre-requisites for conducting Elkem's business and securing its license to operate. Ensuring that a product fulfils all legal requirements can be described as product compliance. One level above product compliance is product stewardship. Elkem defines product stewardship as an integrated business process for managing and minimising the health, safety, environmental and regulatory risks of a product's life in the best interest of society. All aspects of product stewardship apply to the various production steps of Elkem's operations.

### Responsible value chain management

Responsible sourcing is a strategic priority for Elkem, and the company continuously strives to improve the way it sources its supplies. Elkem has policies and procedures in place to ensure and govern responsible sourcing. These include its procurement policy, outlining Elkem's procedures for prequalification and management of suppliers, and its policy for the sourcing of biocarbon. Elkem's biocarbon policy outlines its commitment to sustainable forest management and the requirements for procuring bio-based reductants in Elkem.

Contracts with suppliers ensure that risk assessments and audits can be conducted both prior to pre-qualification and at any stage of the supplier contract. Elkem also has a code of conduct for business partners, which is included in all procurement contracts. The business partner code sets out Elkem's expectations to suppliers with regards to ethics, labour rights and social and environmental issues. For high-risk suppliers and contractors, Elkem has developed detailed requirements related to health, safety, and environmental standards for operations like mining, transportation, storage, and loading, and is actively involved in the promotion and monitoring of safe and decent working conditions.

Elkem performs audits and inspections, both in connection with routine visits for quality, technical and business follow-up, and as unannounced site visits. External auditors also conduct supplier audits on Elkem's behalf. Violations of Elkem's requirements are addressed with warnings in addition to requests for improvements when necessary. Repeated violations may lead to requirements for speedy implementation of improvement plans, financial penalties, or termination of contracts.





# Rationale for Elkem's green bond framework

Sustainability is the core of Elkem's corporate strategy and the goal is to reach net zero emissions while also growing the supplies of products critical for the green transition. Setting up this Green Bond Framework (the "Framework") is a further step towards increasing Elkem's engagement and investments in a more sustainable direction. The Framework enables Elkem to mobilise debt capital via green bonds to support investments contributing to climate change mitigation and achieving the targets of the company's climate roadmap.

The Framework is aligned with the International Capital Market Association's (ICMA) Green Bond Principles (as of 2021 with June 2022 Appendix 1).

The four core components of the Principles along with its recommendation of external review form the basis of the Framework:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

The terms and conditions of the underlying documentation for each green bond issued by Elkem shall provide a reference to this Framework. S&P Global Shades of Green has provided a second-party opinion, which is publicly available at Elkem's website. This Framework may over time be updated, however new versions of the Framework shall have no implications for the Green Bonds that have been issued under this Framework.



# 1. Use of proceeds

## Allocation of net proceeds

An amount equal to the net proceeds from Green Bonds issued by Elkem will finance or refinance, in whole or in part, investments undertaken by Elkem, its subsidiaries, or partnership arrangements that are in accordance with the Green Project categories defined in the next pages (Green Projects). Green Projects may take the form of capital expenditures, operating expenditures and equity investments<sup>1</sup>, which together will form a portfolio of assets eligible for financing and refinancing with Green Bonds. The overarching goal of the Green Projects is to contribute to climate change mitigation and achieving the targets of the company's climate roadmap.

## Exclusions

Green Bond proceeds will not be directly allocated to projects for which the purpose is fossil energy production, weapons and defence, gambling, pornography, or tobacco.




## Financing and refinancing

An amount equal to the net proceeds can finance both existing and new Green Projects financed by Elkem. New financing is defined as allocated amounts to Green Projects financed within the reporting year, and refinancing is defined as allocated amounts to Green Projects financed prior to the reporting year.

The distribution between new financing and refinancing will be reported in Elkem's Green Bond Reporting. Operating expenditures qualify for refinancing with a maximum look-back period of three years prior to the issuance date of the Green Bond.

<sup>1</sup> Equity participations in entities where at least 90% of the revenues can be attributed to one or more of the Green Project categories defined in the next pages

# Green project categories

Green project category	Eligibility criteria	SDG contribution	Context
<b>Renewable energy &amp; Energy efficiency</b>	<p>Financing and refinancing of capital and operating expenditures dedicated to:</p> <ul style="list-style-type: none"> <li>• Develop, build, and operate facilities for waste heat recovery (“Energy Recovery Plants”) for the production of electricity, steam and hot water</li> <li>• Upgrading Energy Recovery Plants for the purpose of improving the efficiency</li> <li>• Repair and maintenance of Energy Recovery Plants</li> <li>• Energy efficiency improvements in targeted areas of existing facilities and equipment by at least 30%</li> <li>• R&amp;D targeting the development of new solutions for renewable energy and energy efficiency</li> </ul>	 	<p><b>Energy management</b></p> <p>Energy efficiency and sustainable sourcing of energy is of utmost importance to ensure security of supply, while at the same time reducing Elkem's global greenhouse gas (GHG) footprint. Parts of Elkem's value chain are highly energy intensive, with silicon, ferrosilicon and foundry alloys being produced in high temperature electric arc furnaces. Elkem has therefore set three objectives within energy: (a) improving the energy efficiency of existing facilities and equipment, (b) reducing the energy intensity of main products, and (c) increasing energy recovery from processes that generate surplus heat.</p> <p>As part of Elkem's energy management efforts, major Elkem sites are certified or in the process of being certified on Energy Management according to the ISO 50001 standard. One example of the practical energy efficiency actions undertaken is replacing old, inefficient electrical motors with new efficient motors with variable frequency drives.</p> <p>Moreover, Elkem has a long-term strategy to increase energy recovery as part of its climate program. Several of its major production sites have production processes that generate surplus heat with high enough temperatures to be recovered. This heat can be used to generate new electricity for the grid, as well as steam or hot water for internal or external use in production or as district heating. The latest addition of energy recovery capacity came online at the Elkem Salten plant in 2021, increasing the total recovery capacity by 270 GWh annually of electrical energy, equal to the consumption of more than 15,000 Norwegian households. Elkem considers constructing more energy recovery facilities if their business cases prove interesting.</p>
<b>Pollution prevention and control</b>	<p>Financing and refinancing of capital and operating expenditures dedicated to:</p> <ul style="list-style-type: none"> <li>• Develop, construct and operate facilities for the production of biocarbon reduction materials for which the feedstock is based on wood-based waste and/or side streams from forestry and industry, or wood-based materials from certified sources in accordance with the SFI, FSC or PEFC</li> <li>• Develop, construct and operate carbon capture facilities related to silicon smelters</li> <li>• R&amp;D targeting the development of new solutions for circular economy and to significantly improve the product carbon footprint</li> </ul>	  	<p><b>Shifting towards biocarbon-based production</b></p> <p>As the use of carbon sources are essential to the production of silicon and ferrosilicon, it is critical to increase the share of biocarbon to reduce fossil CO<sub>2</sub> emissions. Biocarbon is the carbon that is naturally absorbed and stored by plants and trees, and a high share of biocarbon is important in order to reduce the climate impact of Elkem's processes and transition towards carbon neutral production.</p> <p>Elkem's goal is to replace fossil carbon with biocarbon in its smelting processes and reach a biocarbon share of 50% of CO<sub>2</sub> emissions by 2031. Each of Elkem's six Norwegian plants has developed a roadmap to reach the goal but undersupply of biocarbon is a key challenge. The industrial pilot plant for biocarbon production in Canada is an example of Elkem's efforts to address this and secure sufficient supply.</p> <p>Elkem's biocarbon policy outlines its commitment to sustainable forest management and the requirements for procuring bio-based reductants in Elkem. The company sources over 90% of its purchases of biocarbon from suppliers certified according to the Forest Management Council (FSC), or certification schemes with equivalent requirements. The industrial plant in Canada uses biocarbon reduction materials based on residues from forests certified according to the North American Sustainable Forestry Initiative (SFI) standard.</p> <p>Elkem is also actively engaged in new technology development and industrial partnerships to promote the shift towards increased use of biocarbon from waste sources in the production.</p>



## 2. Process for evaluation and selection of green projects

Sustainability is integrated in all parts of Elkem's operations and organisational structure, from board and corporate management to all levels of the organisation and forms a core component of the decision-making processes. Elkem's ESG Steering Committee (ESG SC) has the overall responsibility to drive and monitor improvement activities within sustainability and comprise the Chief Financial Officer SVP Technology, SVP Human Resources, and VP HSE.

The process for Green Project evaluation and selection is managed by the ESG SC. This involves the responsibility to ensure that an amount equal to the Green Bond net proceeds is allocated to Green Projects that comply with the Green Bond Framework and that have been evaluated from an ESG perspective in accordance with Elkem's standards and policies.

The ESG SC is solely responsible for the decision to acknowledge potential projects as eligible in line with the Green Bond Framework. A decision to allocate proceeds will be made in consensus. Decisions made by the Committee will be documented and filed. For the avoidance of doubt, the Committee also holds the right to exclude any Green Projects already funded by Green Bond proceeds. If a Green Project is paid back or for other reasons no longer is deemed eligible by the Committee, funds will follow the procedure under Management of Proceeds until reallocated to another Green Project.

## 3. Management of proceeds

### Tracking of net proceeds

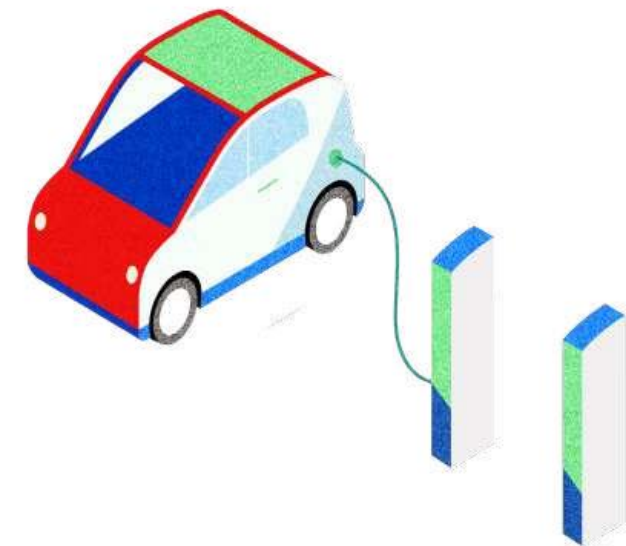
The net proceeds from issued Green Bonds will be managed according to a portfolio approach. Elkem will use a Green Register to track the allocation of net proceeds from Green Bonds to eligible Green Projects. The purpose of the Green Register is to ensure that net proceeds from Green Bonds only support the financing of Green Projects. The Green Register will form the basis for the impact and allocation reporting.

### Temporary holdings

Unallocated net proceeds may temporarily be placed in the liquidity reserve managed by Elkem's treasury department.

### Exclusions

Temporary holdings will not be placed in entities with a business plan focused on fossil energy generation, research and/or development within weapons and defence, gambling, pornography or tobacco.



# 4. Reporting

To enable the monitoring of performance and provide insight into prioritised areas, Elkem will annually, until full allocation and in the event of any material developments, provide investors with a report describing the allocation of proceeds and the environmental impact of the Green Projects. Depending on the project, the report will contain relevant descriptions of methodology, baselines and assumptions used in the impact calculations.

### Allocation reporting

The allocation report will include the following information:

- A summary of Green Bond developments
- The nominal amount of Green Bonds outstanding
- The aggregate size of the portfolio of Green Projects that have been funded by Green Bonds and the split between each project category
- Relative share of new financing versus refinancing
- The amount of temporary holdings of net proceeds awaiting allocation (if any)

### Impact reporting

The impact reporting aims to disclose the environmental impact of the Green Projects financed under this Framework, based on Elkem’s financing share of each project. As Elkem can finance a large number of smaller Green Projects in the same project category, impact reporting will, to some extent, be aggregated. The impact assessment is provided with the reservation that not all related data can be recovered and that calculations therefore will be on a best effort basis. To the right are examples of impact indicators that may be reported.

Green Project category	Impact indicators <sup>2</sup>
<b>Renewable energy &amp; Energy efficiency</b>	<ul style="list-style-type: none"> <li>• New energy recovery capacity installed (GWh/year)</li> <li>• Annual energy recovery (GWh)</li> <li>• Annual energy use reduced/avoided (GWh)</li> <li>• Estimated annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)</li> <li>• Type of R&amp;D project</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>• Biocarbon share of CO<sub>2</sub> emission (%)</li> <li>• Product carbon footprint (CO<sub>2</sub>e/kg product)</li> <li>• Estimated annual fossil GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)</li> <li>• Type of R&amp;D project</li> </ul>



<sup>2</sup>The impact indicator will be reported per project or portfolio of projects and tailored to show the impact of the specific project. The impact indicators listed in this table are examples.



## 5. External review

### Second-Party Opinion

S&P Global Shades of Green has provided a second party opinion to this Framework verifying its credibility, impact and alignment with the ICMA Green Bond Principles.

### Post-issuance verification

An independent external party, appointed by the Elkem, will on an annual basis, until full allocation of the net proceeds and in the event of any material changes, provide a review confirming that an amount equal to the Green Bond net proceeds has been allocated to eligible Green Projects.

### Publicly available documents

The Green Bond Framework and the second party opinion will be publicly available on Elkem's website, together with the post-issuance review and the annual Green Bond Report once published.

