



SUSTAINABILITY
REPORT
2022

TABLE OF CONTENTS

BUSINESS AND SUSTAINABILITY

CEO's Foreword	Environmental, Social and Governance (ESG) Index	3
Key Figures		4
Business Performance in 2022		5
Forms of Recovering Waste in 2022		7
Partners and Range		8
Values and Approach		9
Accident in Kaunas		10
Sustainability Reporting Model		11

SUSTAINABILITY POLICY 2050

Building a Sustainable Business		12
Climate Change Risk Management	SDG-13	13
Sustainable Production and Consumption Promotion	SDG-12	13
Energy Efficiency and Renewable Energy	SDG-7	13
Occupational Health, Safety and Well-Being	SDG-3	14
Gender Equality, Inclusion and Empowerment	SDG-5	14
Sustainability Dialogue with Stakeholders	ESG-E9	15
Sustainability Group and its Activities	ESG-E10	15

CORPORATE GOVERNANCE

Board Diversity	ESG-G1, SDG-10	16
Board Independence	ESG-G2	16
Management Commitment to Sustainability	ESG-G3	17
Collective Bargaining	ESG-G4, SDG-8, UNGC-3	17
Code of Conduct and Ethics	ESG-G5, SDG-12, UNGC-2, 3, 4, 8, 10	18
Business Ethics and Anti-corruption	ESG-G6, SDG-16, UNGC-10	19
Data Privacy / GDPR	ESG-G7	20
Sustainability Reporting Practices	ESG-G8-10	21

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Energy Usage		23
GHG Emissions and Intensity	ESG-E1, E2, SDG-13, UNGC-7, 8	23

Energy Usage, Intensity and Mix	Environmental, Social and Governance (ESG) Index	24
Environmental Management		25
Environmental Compliance, Policies and Audits	ESG-E7, UNGC-7, 8	25
Climate Change Policy		27
Climate Change Policy and Risk Management	ESG- E8, UNGC-7, 8	27
Climate Risk Mitigation		28
Investing in Climate Change Mitigation Measures	ESG-E10, UNGC-9	28

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Work Culture and Conditions		29
Salaries and Gender Equality	ESG-S1, S2, UNGC-6	29
Employee Turnover	ESG-S3, S5, UNGC-6	31
Gender Diversity and Equal Opportunities		32
Equal Opportunities	ESG-S6, UNGC-6	32
Gender Equality	ESG-S4, SDG-5, UNGC-6	32
Occupational Health, Safety and Well-Being		33
Occupational Diseases and Injuries	ESG-S7, SDG-3	33
Occupational Health and Safety	ESG-S8, SDG-3	33
Occupational Well-Being	N/A	34
Protection of Human Rights		35
	ESG-S10, SDG-4, 10, 16, UNGC-1, 2	

COMPETENCES, INITIATIVES AND SUPPORT

Professional Growth and Development of Employees		36
Investments in Employee Training and Performance in 2022		36
Social and Environmental Initiatives of ŽALVARIS and Employees		36
Investments in Employee Initiatives and Performance in 2022		36

*

The Environmental, Social and Governance (ESG) Index indicates compliance with the sustainability commitments made by ŽALVARIS under the United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (SDGs), and the aligned KPIs (ESG G1-10, E1-10, S1-10) of the international NASDAQ ESG Reporting Guide 2.0.

**

ESG E6 'Water Usage and Recovery in Production Processes' is not reported because water is not used in production.

ESG S9 'Child and Forced Labour' is not reported as it is not relevant to the activities of ŽALVARIS.

BUSINESS AND SUSTAINABILITY

CEO'S FOREWORD

Climate change is the fundamental challenge of our time. As one of the largest waste management companies in Lithuania, we are aware of our role and responsibility for the way we conduct business, the value we create for our customers and partners through our waste management processes, and the impact our actions have on the climate and the environment. We are convinced that businesses having the will and capacity to implement sustainable solutions in their operations will demonstrate leadership and grow faster in the long term.

The first Sustainability Report of ŽALVARIS, published last year, focused on presenting the actual situation and the company's strategic objectives. Our second Sustainability Report looks at the company's performance in 2022 in achieving our strategic goals and commitments.

In 2022, we joined the United Nations Global Compact (UNGC), committing ourselves to the UN Global Compact Ten Principles and the Sustainable Development Goals (SDGs), the Paris Agreement, and other international instruments. Our strategic commitment to strive for sustainability in the economic, environmental, social and good governance areas is reflected in the company's long-term Sustainability Policy 2050, enshrining the company's core ambition to have a direct positive impact on the sustainable development field of its choice. The Sustainable Development Goals (SDGs) chosen by the company include protecting the climate and environment, promoting sustainable production and circular economy, introducing renewable energy, and creating a sustainable social environment.

Last year was marked by high volatility and turbulence in the

markets. The events that have shaken the world, the energy crisis and the resulting skyrocketing of energy prices, and the disruption of supply chains have all impacted the industry, our company being no exception. The global context in the first half of the year and the local accident at the end of August at the company's largest site in Kaunas affected the performance. They led to operating and financial results that were lower than expected.

We started 2022 while implementing several critical environmental targets. Last year, the company initiated the energy audit, resulting in related energy efficiency improvements that will help ensure a consistent transition to 100% green energy consumption. Operation-related emissions were calculated since the beginning of the year, allowing systematic monitoring and assessment of CO2 emissions and forecasting their change trends throughout the year.

In 2022, we focused mainly on social sustainability, particularly upskilling individual employees, improving workplace safety measures, and introducing employee health incentives. We are pleased that, despite the global and local organisational challenges, we achieved some of our goals for employees' healthy lifestyles and well-being last year.

By acting responsibly and thus creating a permanent positive change for the company in the focus areas of sustainable development, we aim to become climate-neutral in the long term and create value for all stakeholders in the short-, medium- and long-term by continuing to embrace circularity.



'Sustainable practices eliminate the environmental footprint of organisations, contributing to achieving the responsible operational goals of our customers, partners and other stakeholders.'

**CEO of ŽALVARIS
Vitoldas Sapožnikovas**

A handwritten signature in black ink, appearing to read 'V. Sapožnikovas', written in a cursive style.

BUSINESS AND SUSTAINABILITY

KEY FIGURES

As one of Lithuania's largest and longest-established industrial waste management companies, we hold a leading position in the sector. ŽALVARIS collects, sorts, processes and transfers hazardous and non-hazardous waste for further recycling. The handled waste is generated by the manufacturing sector and automotive repair and maintenance companies.



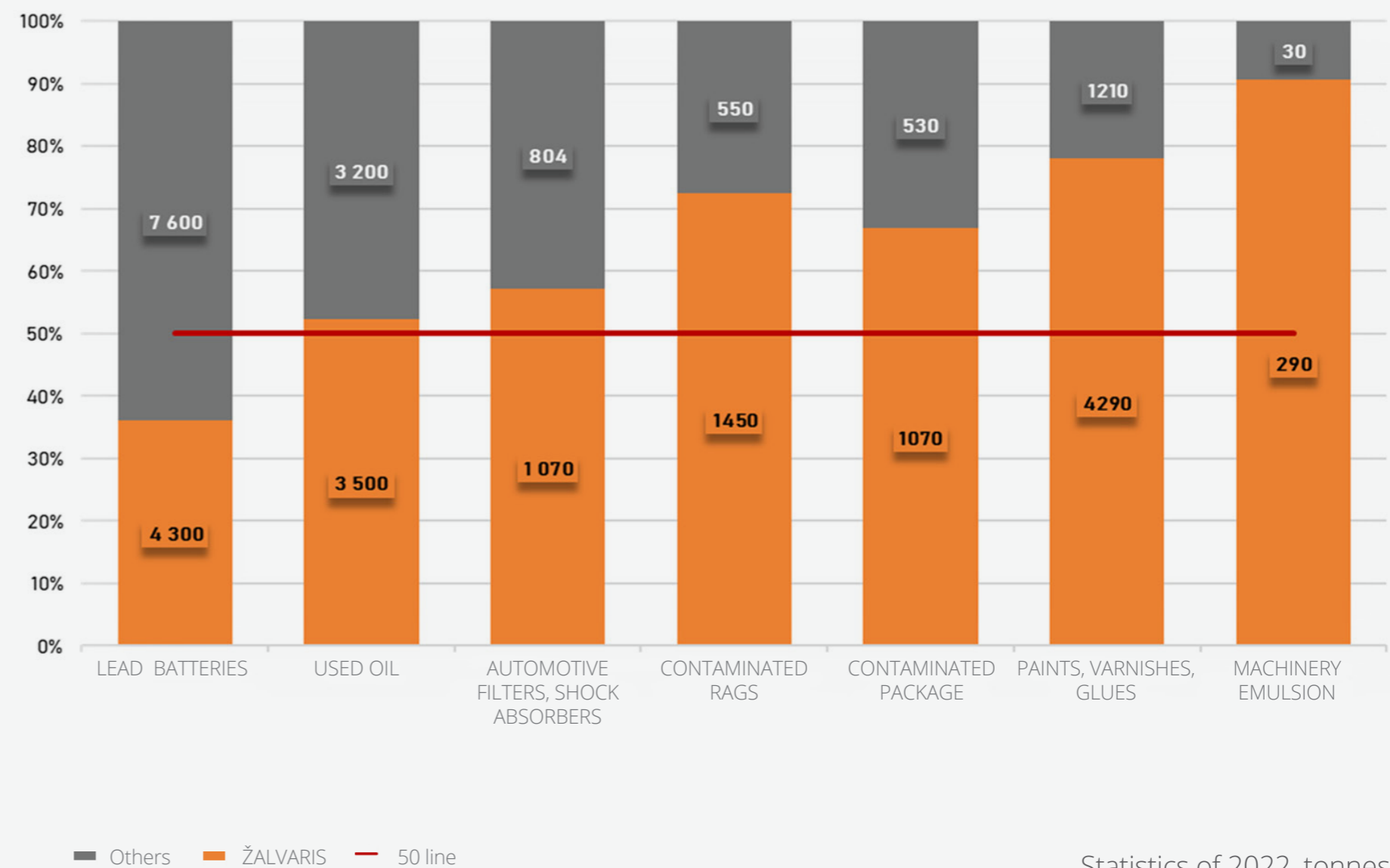
BUSINESS AND SUSTAINABILITY

Business Performance in 2022

ŽALVARIS was the first company in Lithuania to manage automotive waste: lead-acid batteries, oil, fuel, lubricant, air and cabin filters, and shock absorbers. In 2022, we collected, processed and managed 54,000 tonnes of various industrial waste, including 22% of automotive waste.

The company's product portfolio comprised of 51% hazardous waste and 49% non-hazardous waste last year.

Market share held by ŽALVARIS. Main categories of waste



BUSINESS AND SUSTAINABILITY

Business Performance in 2022

Due to global events, market volatility and internal organisational challenges, the company's business performance was slightly less than planned last year. In 2022, the company's main focus was on maintaining overall performance volume and increasing the collection of certain types of waste. Business development in the industrial waste segment remained a top priority. As in previous years, ŽALVARIS was profitable last year.

Net profit in 2022

EUR **1.066** million

Revenue in 2022

EUR **21.432** million

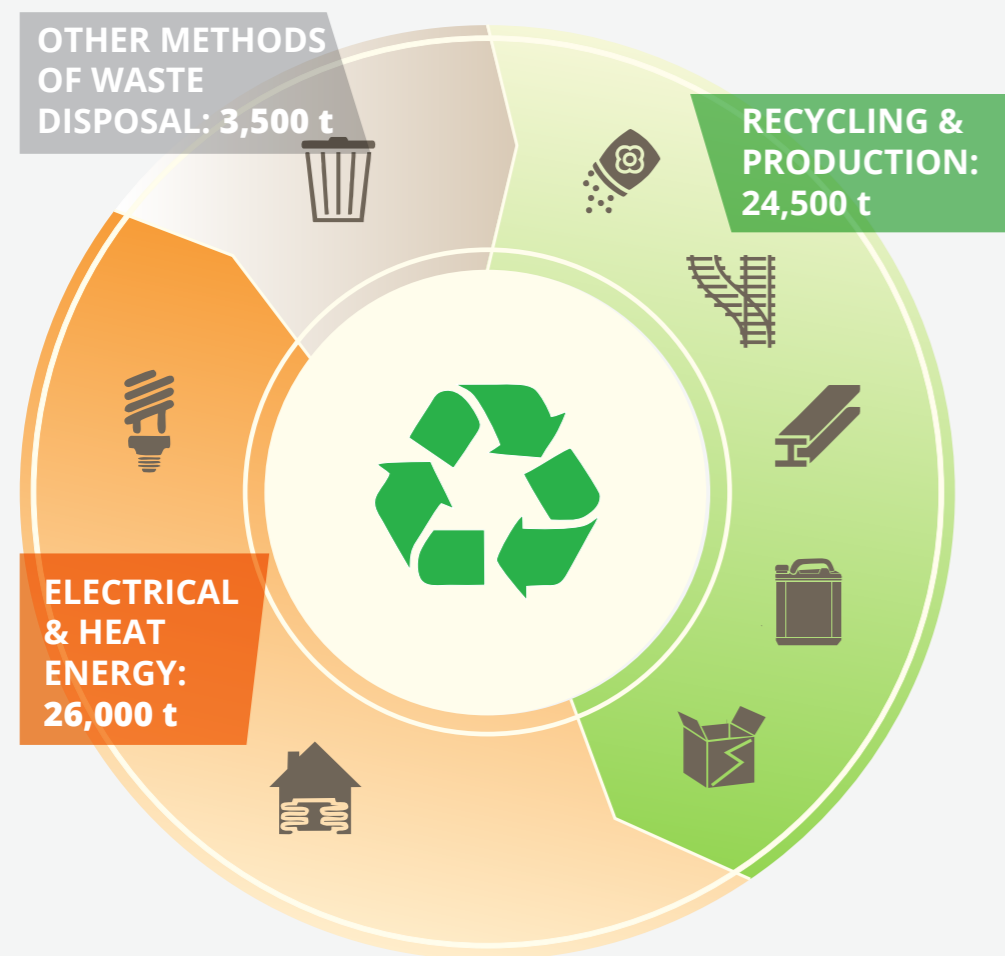
Sales and Service Provision Revenue

In 2022, the sales and service provision revenue of ŽALVARIS increased by 12.81% compared to 2021. The recovery revenue accounted for the largest share of total revenue.

Revenue, in EUR million	2022	2021
Lead scrap	6.787	4.549
Ferrous metal	0.714	0.48
Aluminium scrap	0.045	0.042
Oil	0.671	0.638
Polyethylene, paper and cardboard waste	0.548	0.502
Electronic scrap, primary cells, including collection and handling	0.608	0.58
Recovery services provided	9.884	10.702
Other metals	0.299	0.438
Other sales	1.876	1.068
TOTAL:	21.432	18.999

BUSINESS AND SUSTAINABILITY

Forms of Recovering Waste in 2022



Statistics of 2022

To eliminate the environmental footprint of organisations' activities, we use the core principles of the circular economy to manage waste by extending the useful life of products and materials, thus contributing to pollution reduction and the regeneration of natural systems.

Once hazardous or non-hazardous waste reaches the company's warehouses, it is **treated and prepared for recycling** into products ranging from fertilisers used in agriculture to motor oil for vehicles, steel beams, railway rails and packaging for various consumer products. Some of the waste is also used to generate electricity and heat.

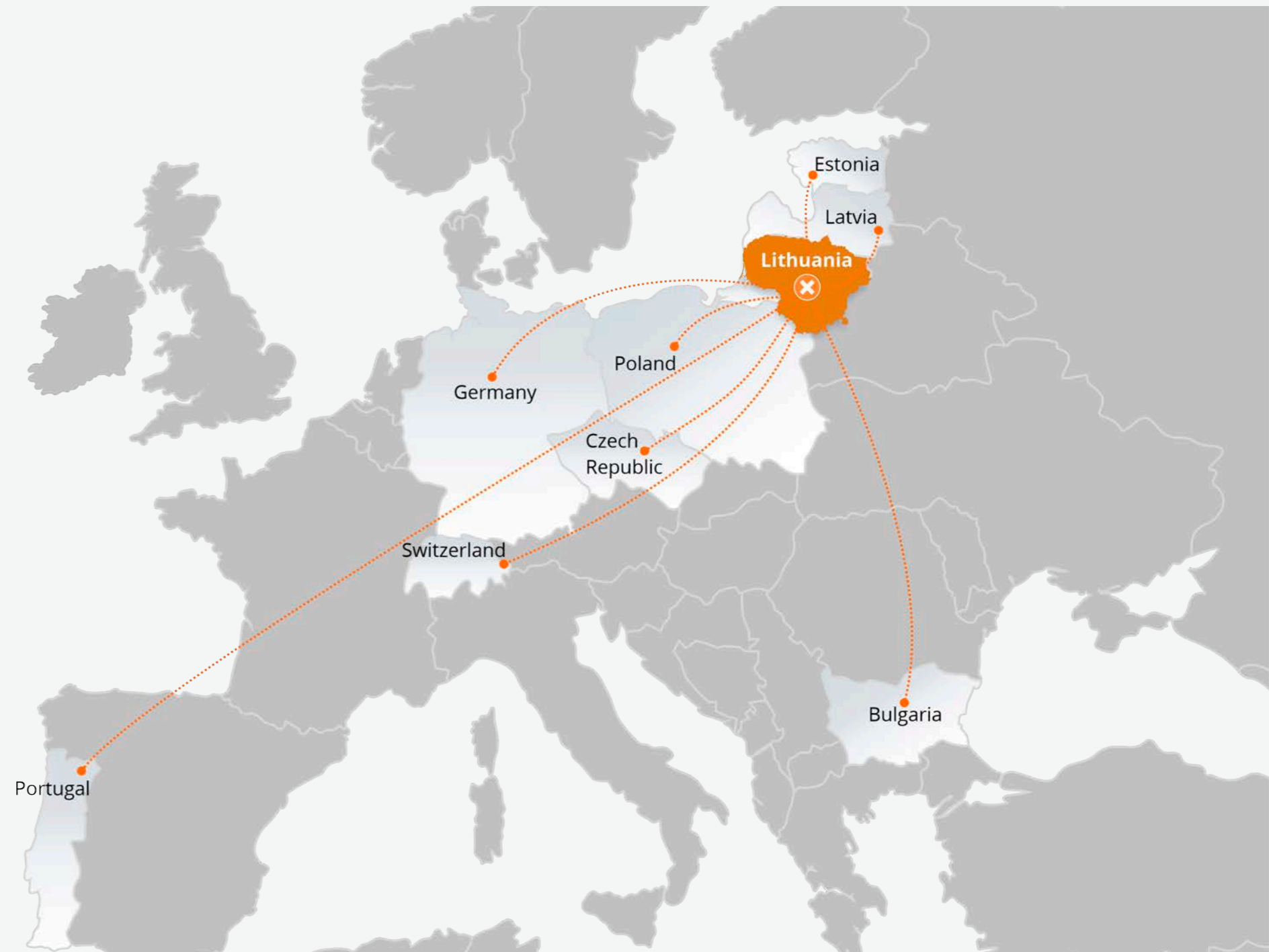
In 2022, we collected, processed and managed 54,000 tonnes of waste. **In terms of the amount of waste handled by recycling and recovery channels**, 45% of the waste was used for recycling and production, 48% – for electricity and heat production, and 6% was managed through other recovery routes.

BUSINESS AND SUSTAINABILITY

Partners and Range

As one of Lithuania's largest industrial waste management companies, we ensure convenient waste collection for our customers. We provide **single entry point** treatment for all types of industrial waste, with operations in seven major Lithuanian cities: Kaunas, Vilnius, Klaipėda, Šiauliai, Panevėžys, Utena, and Marijampolė.

We manage the collected waste ourselves or outsource the services to **certified partners** across Europe. We hold permits, licences and contracts that enable us to transport and recover waste in the Baltic States, Poland, the Czech Republic, Germany, Switzerland, and other countries.



BUSINESS AND SUSTAINABILITY

Values and Approach

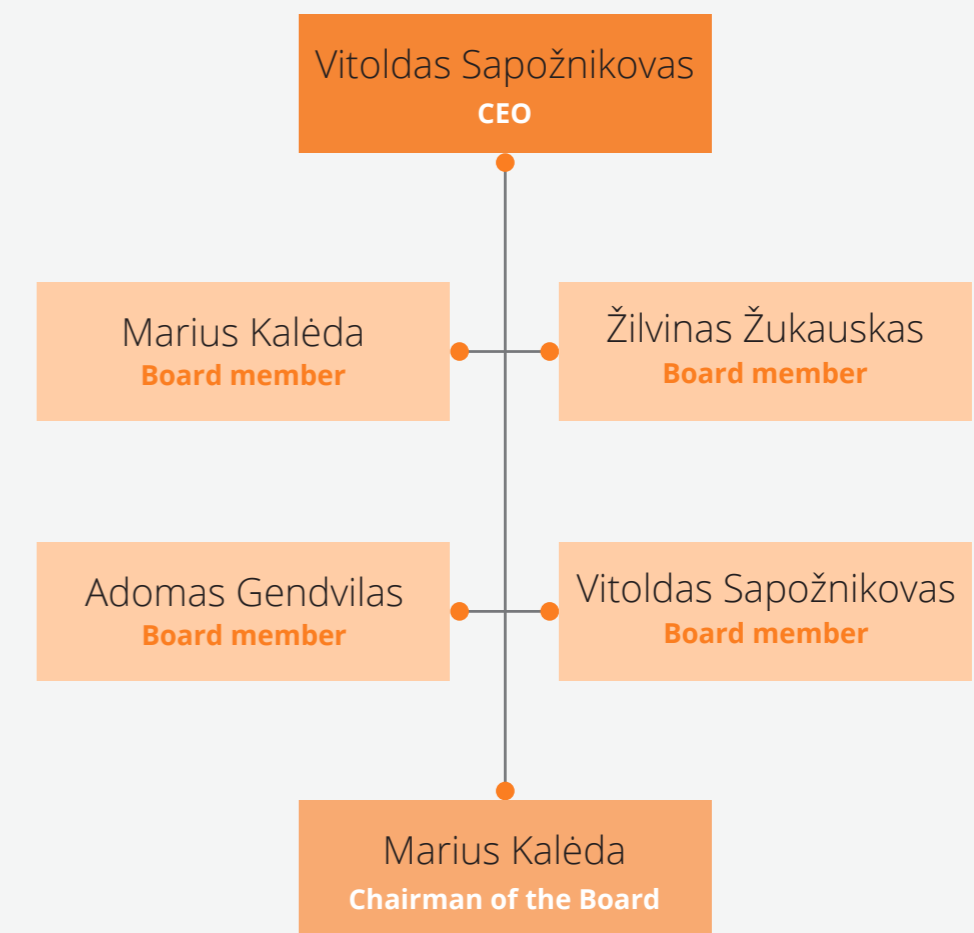
Our value-based APPROACH underpins the mindset, decision-making, and personal actions or omission of actions by the company's employees and the top management. It guides us through all the organisational levels and in any business decisions.

OUR APPROACH: *we perceive waste management as a complex process that requires a responsible approach; therefore, we aim to eliminate the environmental footprint of business operations, thus contributing to achieving individual, business and social sustainability goals.*

OUR ROLE: integrated management of waste streams produced by businesses.

OUR CORE VALUE is being responsible for the impact of our activities on the environment, people and society, and assuming leadership in the waste management sector. This serves as the basis for developing our organisational culture.

Top Management



BUSINESS AND SUSTAINABILITY

Accident in Kaunas

On 25 August 2022, an accident occurred at the company's largest site in Kaunas. Non-hazardous waste stored in one of the warehouses caught fire. The fire spread rapidly to two adjacent buildings. The Fire and Rescue Service and other authorities were informed immediately.

Although the company's buildings, stored property, equipment and facilities were completely destroyed or damaged by fire in the accident, **no people were injured**, which is the most important thing for us.



Emergency Management

Once the fire broke out, the company's **Emergency Management Plan** was activated in the Kaunas branch. Following the plan, all the necessary actions and measures were taken to stop the spread of the fire and reduce the potentially significant consequences of the disaster. Thanks to the joint efforts of the fire-fighters and the company's employees, the fire was extinguished relatively quickly, and the fire site and the surrounding area were cleaned up within seven days after the accident.

ŽALVARIS management ensured full cooperation with state and local authorities and services from when the accident was reported to ensure that its circumstances were investigated as soon as possible and the potential environmental damage was assessed correctly.

We also maintained regular and close communication with all stakeholders, providing information about the accident to employees, customers, partners, media and community representatives.

The accident did not disrupt the operations of ŽALVARIS. We ensured business continuity and fulfilled our obligations to our customers through other branches of the company in Lithuania.

Last but not least, during the investigation of the accident, we managed to maintain and successfully extend our long-term cooperation with the financial institutions—banks and insurance companies.

We are convinced that the consequences of the accident, the environmental impact and the damage to the company's assets would have been much worse if not for the quick and professional response of all services and our employees.

Prevention Measures

Safety at work and environmental security is a priority in our company. The company has a certified management system implemented according to the ISO standard, audited annually, has preventive fire safety measures in place, and provides fire, occupational safety and first aid training for employees.

During the renovation and reopening of the buildings in the Kaunas branch, special attention and investment are paid to introducing fire safety measures that go beyond the required standards, compliance with occupational safety standards, staff training and improvement of operational processes.

BUSINESS AND SUSTAINABILITY

Sustainability Reporting Approach

To develop the sustainability strategy consistently, ŽALVARIS has decided to join the United Nations Global Compact initiative and follow the international sustainability reporting approach developed by the UN Global Compact, which entails annual reporting on the UN Global Compact digital platform and the company's website.

To strengthen accountability, we use a triple-bottom-line measurement for corporate sustainability reporting:

- ▶ we prepare our sustainability reports according to the guidance of the Ten Principles of the UN Global Compact;
- ▶ we structure and measure our sustainability indicators according to the NASDAQ ESG Reporting Guide 2.0; and;
- ▶ we assess our sustainability performance according to the UN Sustainable Development Goals.

The compliance with these indicators is summarised in the Sustainability Report and outlined in the Environmental, Social and Governance (ESG) Index.

Given the rapid global growth of the sustainable investment sector and the development of the taxonomy for the classification of sustainable activities in the context of the EU Climate Change Policy and the EU sustainable finance regulatory framework, ŽALVARIS has adopted the ESG rating guide developed by the international NASDAQ stock exchange, relying on the international taxonomy expertise, which is standardised and periodically updated by private equity investors and sustainability experts.

Sustainability Reporting Period

ŽALVARIS submits its Sustainability Report covering the company's activities from **1 January 2022 to 31 December 2022**.

Scope of the Sustainability Report

The Sustainability Report is submitted within the scope of activities of the company ŽALVARIS UAB.

SUSTAINABILITY POLICY 2050

Building a Sustainable Business

Our commitment to sustainable business development is enshrined in the long-term **Sustainability Policy 2050** of ŽALVARIS, approved by the company's Board and launched in 2021.

The Sustainability Policy 2050 establishes the long-term strategic directions for sustainable development. It **sets the company's core ambition** to have a direct positive impact on the area of sustainable development of its choice.

The Sustainable Development Goals (SDGs) integrate the company's preferred UN SDGs priorities, including protecting climate and environment, promoting sustainable production and circular economy, introducing renewable energy, and creating a sustainable social environment.



SUSTAINABILITY POLICY 2050

ŽALVARIS has identified five strategic actions for sustainable business:



Climate Change Risk Management by 2050

- ▶ Since 2022, we have reduced greenhouse gas (GHG) emissions.
- ▶ We invest in greenhouse gas (GHG) mitigation projects.
- ▶ We invest in offsetting projects to compensate for the negative environmental impact.
- ▶ We promote climate change mitigation in our supply and value chains.



Sustainable Production and Consumption Promotion by 2050

- ▶ We provide sustainable services in managing hazardous and non-hazardous waste responsibly.
- ▶ We ensure the implementation of the principles of recycling and circularity in the waste management sector.
- ▶ We develop a green procurement system to create sustainable supply and value chains.
- ▶ We communicate our sustainability projects and their results to stakeholders.
- ▶ Since 2022, we have submitted public annual Sustainability Reports.
- ▶ We promote sustainability dialogue in our supply and value chains.



Energy Efficiency and Renewable Energy by 2050

- ▶ We invest in renewable energy in our production and administrative activities.
- ▶ We invest in increasing our electric vehicles fleet.
- ▶ We aim to make our waste transportation system more effective and energy-efficient.
- ▶ We promote using renewable energy sources in our supply and value chains.

SUSTAINABILITY POLICY 2050

ŽALVARIS has identified five strategic actions for sustainable business:



Good Health, Safety and Well-Being of Employees by 2050

- ▶ We ensure the safety and healthy working conditions for our employees.
- ▶ We actively promote the occupational health and psychological and emotional well-being of our employees.
- ▶ We develop the internal well-being programme for the employees.
- ▶ We provide and encourage employees to take advantage of health care insurance.
- ▶ We promote occupational safety, health and well-being in our supply and value chains.



Gender Equality, Inclusion and Empowerment by 2050

- ▶ We integrate the principles of women's empowerment, ensuring a comprehensive approach to gender equality.
- ▶ We invest in programmes to support the development of female employees' competencies.
- ▶ We aim to balance the number of male and female employees in the top management positions and on the Board.
- ▶ We promote the implementation of the principles of gender equality in our supply and value chains.

SUSTAINABILITY POLICY 2050

Sustainability Dialogue with Stakeholders

The sustainable business strategy of ŽALVARIS is based on the pursuit of an effective sustainability dialogue with all stakeholders; therefore, the following aspects are of particular importance to us:

- ▶ Sustainability awareness and competencies of our employees and the top management;
- ▶ Embedding sustainability in our organisational culture;
- ▶ Sustainability communication with our customers, suppliers, partners, and society;
- ▶ Sustainability requirements for our new business partners and suppliers.

Sustainability Group and its Activities

To ensure the effective implementation and continuity of the sustainability strategy, the integrated **Sustainability Group** has been established and active since 2021, bringing together employees of five expert fields and responsibilities. The Group is accountable for making recommendations for the company's sustainable development, engaging employees in sustainability actions and initiatives, training employees, preparing annual sustainability reports, and maintaining proactive internal and external communication.

The Sustainability Group of ŽALVARIS is an advisory body to the company's top management and reports directly to the CEO.

CORPORATE GOVERNANCE

Corporate governance is at the heart of developing the organisational culture we are building. As one of the largest and longest-established waste management companies in Lithuania, ŽALVARIS applies ambitious standards of business ethics in its operations. We are responsible, transparent, ethical, honest and open in all our activities, and we comply with national laws and international standards of corporate governance. In doing so, we strive to create maximum value for our customers, partners, employees, and all stakeholders.

Board Diversity ESG-G1

Research on effective corporate governance shows that more women on the Board are directly linked to higher business performance, including better financial results. It impacts the Board's effectiveness and the company's ability to attract and retain talents and create innovations.

By 2024, we are committed to balancing the number of Board members, ensuring gender equality. In 2022, there were four members on the Board of ŽALVARIS, including one woman in the first half of the year. Due to changes in the company, one Board member was replaced by another, and by the end of 2022, all the Board members were male.

Board Diversity	Members total	Female members	Female members, %
Share of women on the Board	4	0	0

As part of SDG 5 'Gender equality', the aim is to balance the number of Board members by 2024, ensuring an equal number of men and women.

Board Independence ESG-G2

The independent or quasi-independent structure of the Board ensures the effectiveness of the company's governance and its approach towards corporate governance. Responsible companies can introduce two measures: separating the positions of the CEO and the Chairman of the Board or appointing one or more independent members to the Board.

In 2022, the principle of independence was maintained in the Board of ŽALVARIS by separating the positions of the CEO and the Chairman of the Board.

Board Independence	Yes/No
The CEO also acts as the Chairman of the Board	No
The Board has one or more independent members	No



CORPORATE GOVERNANCE

Management Commitment to Sustainability ESG-G3

Companies implementing a sustainable business strategy should assess the need for new environmental, social and governance (ESG) competencies and skills and ensure their commitment. In this respect, a highly effective management tool is to incentivise the staff for achieving effective ESG performance.

In line with the company's strategic commitment to sustainable business development, the company actively applies the bottom-up team empowerment principle, which means that ŽALVARIS top management encourages and supports the employees' sustainability initiatives. In addition, individual sustainability targets are set for the top managers and members of the Sustainability Group. Implementing this principle is one of the company's priorities for sustainable corporate governance.

Collective Bargaining ESG-G4

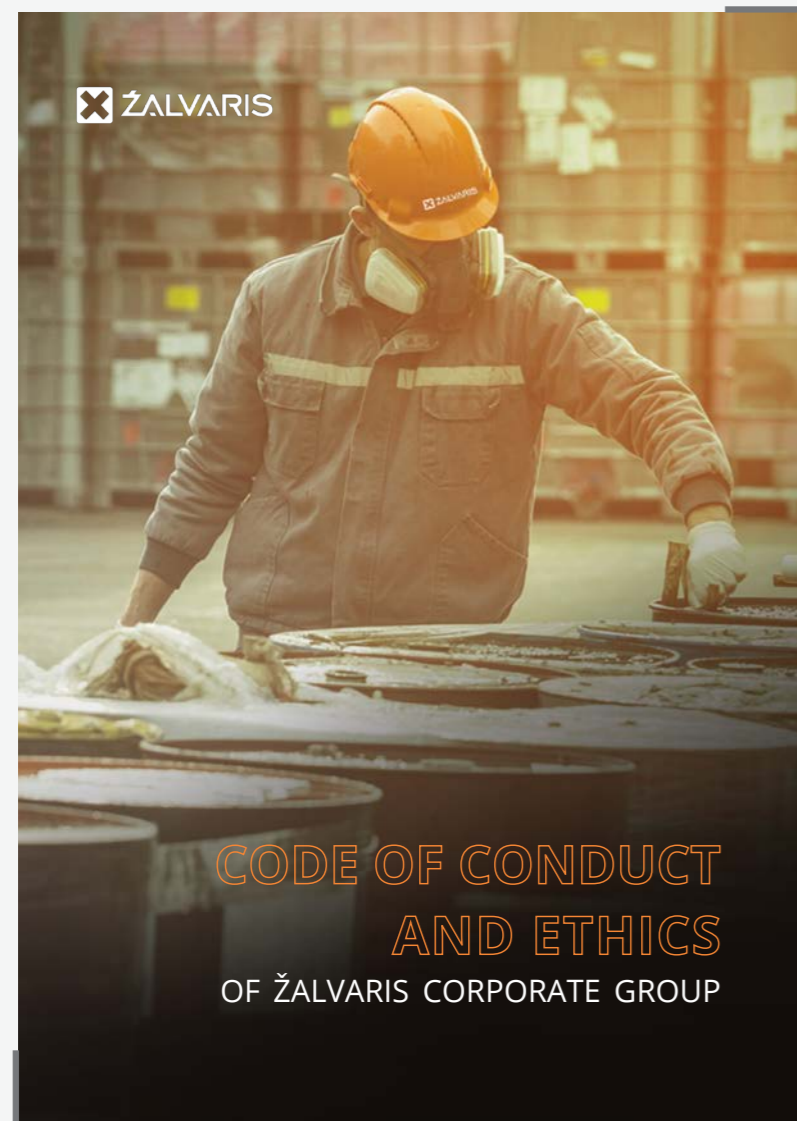
Good corporate governance practices reveal that effective collective bargaining facilitates the inclusion and engagement of employees in the business decision-making processes that affect their working environment. ŽALVARIS enables employees to defend their rights and represent their legitimate interests in the Labour Council that has been in place since 2017.

In 2022, a **new election of the Labour Council was held**, and the employees elected their representatives. Five members of the Labour Council were elected: one woman and four men, 80% of whom are production-line employees, in terms of their work type. The newly elected Labour Council will be empowered to defend the employees' occupational, economic and social rights and represent their interests in the company.



CORPORATE GOVERNANCE

Code of Conduct and Ethics ESG-G5



One of the key indicators defining the company's approach to sustainability is the **Code of Conduct and Ethics** applicable directly to all employees, customers, partners and suppliers. In 2021, ŽALVARIS adopted the Code of Conduct and Ethics at the level of the ŽALVARIS Corporate Group, which is overall applied to the company's employees, customers, partners and suppliers.

In 2022, the company made suppliers and business partners in Lithuania and abroad aware of the company's conduct and ethics requirements to ensure that the same standards are applied and adhered to in all business decisions.

Our Code of Conduct and Ethics is available on the company's website under

Responsible Activities > Policies: https://www.zalvaris.lt/en/responsible-activity/policies#block_2.

The company's Code of Conduct and Ethics sets out the following value-based **business principles**:

- ▶ **We act responsibly** by being a fair market player, abiding by legal regulations and established procedures, and demonstrating zero tolerance for unfair competition practices. We manage legal and financial risks effectively.
- ▶ **We act transparently** by applying a zero-tolerance anti-corruption policy, being accountable to our shareholders and stakeholders, and publishing reports on our business and sustainability performance.
- ▶ **We act ethically** by protecting data privacy, intellectual property, and confidential business information, preventing direct and indirect conflicts of interest, and ensuring appropriate and ethical conduct of our employees in the market.

CORPORATE GOVERNANCE

Business Ethics and Anti-corruption ESG-G6

ŽALVARIS is committed to the highest standards of business ethics and conduct that is responsible, transparent, ethical, honest and open. Our business transparency is based on compliance with all national legal requirements and regulations applicable to accountable and transparent businesses, as well as a continuous internal control of anti-corruption risks and employees' competence development.

Each employee and manager of the company is personally bound by the company's **Anti-Corruption Policy** when making business decisions and is responsible for being aware of, understanding and complying with the anti-corruption requirements.

To ensure complete confidence and the ability to make an anonymous report where appropriate, the company will review its current whistleblowing procedures by 2024 to make sure that the whistleblowers' interests are appropriately represented.

As part of the company's commitment to transparent, ethical and responsible business practices, new employees, clients, suppliers and partners are introduced to the current Anti-Corruption Policy. ŽALVARIS intends to periodically organise internal employee training to raise awareness of the company's business ethics and anti-corruption regulations.

The company has an **anonymous e-mail whistleblowing hotline:** pasitikėjimolinija@zalvaris.lt that is available on the company's website under *Responsible Activities > Policies* - https://www.zalvaris.lt/en/responsible-activity/policies#block_2.

No anonymous reports were received in 2022.

CORPORATE GOVERNANCE

Data Privacy/GDPR ESG-G7

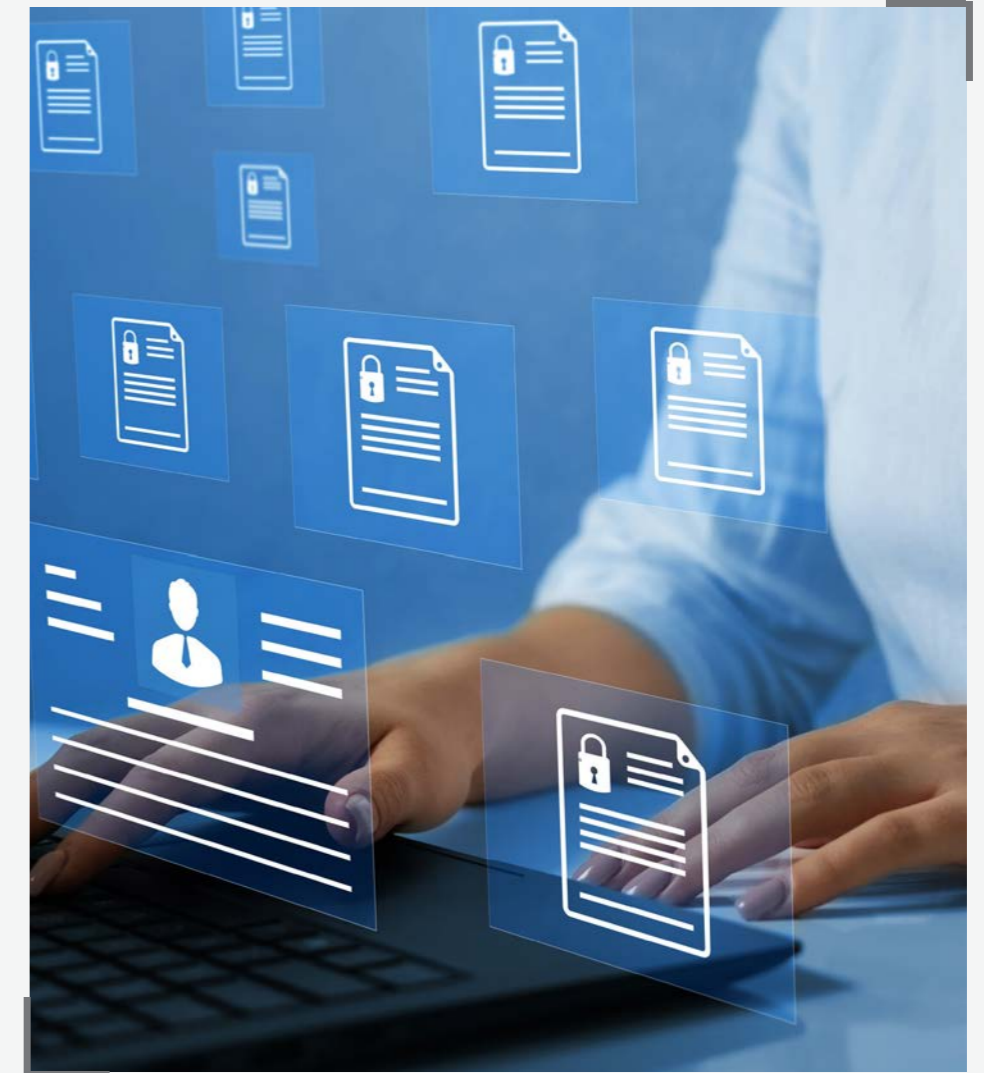
The EU General Data Protection Regulation (GDPR) and its provisions, as transposed into the national legislation of the EU Member States, help businesses to manage the risks associated with protecting the privacy of personal data and its reliable processing. The GDPR risk management tools and their proper management are relevant for all business actors, including sustainable investors.

Since 2017, the company has had the **Employee Personal Data Protection Policy and the Procedure for its Implementation Measures** and the **Procedure for the Use of Information and Communication Technologies and Monitoring and Control of Employees in the Workplace** in place. In 2018, the company adopted the **Personal Data Processing Rules**. These documents contain the methods and objectives of processing personal data, the data collection procedure, the appropriate transfer of data to the recipients, the rights of data subjects, and confidentiality and storage provisions.

Under the adopted procedures, employee training has been provided based on their assigned responsibilities following the GDPR guidelines.

The company's partners, responsible for the information system maintenance, ensure the reliability of the IT system, and carry out system updates and maintenance tasks.

By 2024, the company plans to conduct a GDPR audit with external partners to assess the compliance of the company's personal data protection documents with the legal requirements of the GDPR, as well as the effectiveness of the company's management of the legal risks related to data protection.



CORPORATE GOVERNANCE

Sustainability Reporting Practices ESG-G8-10

We are committed to doing business in a sustainable way by strategically integrating social, economic and environmental impact criteria into our operations, with a commitment to systematically reducing the unavoidable negative impacts of our activities, finding practical solutions, sustainable investments and long-term partnerships to achieve these goals.

To consistently develop our sustainability strategy, we promote sustainable business principles in every employee's activities, maintain a sustainability dialogue with stakeholders, and engage in public sustainability reporting.

On 13 January 2022, ŽALVARIS became a member of the UN Global Compact and chose to follow the international model for sustainable business reporting developed by the organisation. We are the **first and so far the only waste management company in Lithuania** to join the UN Global Compact. Currently, 31 businesses registered in Lithuania have signed up to the initiative.

As part of the UN Global Compact, ŽALVARIS has also committed to annual reporting on the UN Global Compact digital platform and the company's website. This report, covering the period from 1 January 2022 to 31 December 2022, is the second public Sustainability Report prepared by the company.



ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Climate change is the essential challenge of our time. As one of the largest waste management companies in Lithuania, we are aware of our role and responsibility for the way we conduct business, the value we create for our customers and partners through our waste management processes, and the impact our actions have on the climate and the environment.

Our approach to environmental protection is based on the core values of non-compromising compliance with environmental requirements, and mitigating the negative impact of climate change, with the ultimate aim of becoming a **climate-neutral** company.

The mission of ŽALVARIS is to manage waste responsibly, based on the principles of the **circular economy**, through the professional **processing of hazardous and non-hazardous waste**, which is used to produce new products for the agricultural, transport, recyclable packaging, electrical and heat energy sectors.

We follow the four environmental principles in our operations:

- ▶ preventive measurement and implementation of activities;
- ▶ minimising negative environmental impact;
- ▶ employment of circular economy solutions; and
- ▶ consistent reduction of GHG emissions and environmental footprint.

To achieve these goals, we:

- ▶ strictly comply with the national legislation governing environmental protection in the waste management sector;
- ▶ manage the waste generated by companies and organisations in a genuine, certified, transparent, and verifiable way;
- ▶ report on waste management to private customers and public authorities;
- ▶ follow international principles and standards for accounting for GHG emissions and offsetting negative environmental impact;
- ▶ provide environmental and sustainability training for employees, customers, and other stakeholders;
- ▶ openly communicate the environmental and climate change challenges and our solutions;
- ▶ publicly promote the principles of sustainable consumption and waste reduction, reduce the use of natural resources, and minimise negative environmental impact; and
- ▶ support environmental initiatives, public and private projects.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Energy Usage

GHG Emissions and Intensity ESG-E1/E2

Greenhouse gas (GHG) emissions are an important indicator of climate change and the global environment, helping to demonstrate the actual situation and set climate change targets. To measure our environmental impact, since 2021, ŽALVARIS monitors and accounts for actual GHG emissions to the atmosphere, measured in CO₂e.

The consistent calculations of operation-related emissions have enabled systematic monitoring and assessment of CO₂ emissions and forecasting of their change trends throughout the year.

Taking into account the direct emissions generated by the company (Scope 1) and the indirect emissions resulting from the company's purchases of heat and electrical energy (Scope 2), in 2022, the business activities of ŽALVARIS resulted in a total of

1,105 tonnes of CO₂e emissions.

Compared to 2021, the figure for 2022 is **223 tonnes of CO₂e lower.**

In terms of a climate change impact, considering the volumes of hazardous and non-hazardous waste managed by ŽALVARIS, the total GHG emission intensity for 2022 was:

0.021 tCO₂/tonne of hazardous and non-hazardous waste managed*

**(1,070.07+34.86)/52723 = 0.021 tCO₂/t*

*Since 2022, ŽALVARIS has strived to become a **'climate neutral'** company and intends to **offset its accumulated GHG emissions annually** by investing in the selected climate change mitigation projects. Long-term investments in the company's renewable energy sources and electric vehicle fleet are also included in the strategic plans.*



From 2023 onwards, the company will also measure GHG emissions from third-party activities (Scope 3) that affect the total emissions generated by the company.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Energy Usage, Intensity and Mix ESG-E3/E4/E5

In terms of climate change management, the power and heat energy sources, their efficiency and availability directly impact effective and sustainable business operations. Energy intensity is an important indicator of the company's cost-effectiveness, as well as sustainability risk management.

In 2022, the company initiated the **energy audit**, resulting in related energy efficiency improvements that will help ensure a consistent transition to 100% green energy consumption.



By 2024, the total **electrical energy** used at the company is expected to be generated from **100% renewable sources**.

ŽALVARIS monitors and measures its activities in terms of the type and intensity of energy consumed. In 2022, the **heat energy** used by the company originated from the following sources:

- Gas in **Kaunas**;
- Electric power in **Vilnius**;
- Electric power in **Klaipėda**;
- Electric power in **Šiauliai**;
- Gas in **Panevėžys**; and
- Electric power in **Utena**.

*The company's **Sustainability Policy 2050** sets a strategic goal of improving energy efficiency for the period 2022–2050. This goal is to be achieved by 2024 by implementing the requirements of the international standard **ISO 50001 – Energy Management Systems**. Integrating the ISO 50001 will ensure systematic monitoring and auditing of energy efficiency. This measure will contribute to our environmental commitments under the UN Global Compact and the UN Sustainable Development Goal of sustainable and affordable energy through the conservation of electrical and heat energy resources.*

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

ENVIRONMENTAL MANAGEMENT

Environmental Compliance, Policies and Audits ESG-E7

Waste management is subject to rigorous environmental requirements. Businesses operating in this area must report to stakeholders following the environmental legal regulations of the EU and the Republic of Lithuania, as well as the international environmental and quality management standards implemented by the company.

ŽALVARIS operates in the following areas:

- ▶ collection, pre-processing and transfer for further processing (including export) of used batteries, shock absorbers, lubricants, fuel, air filters, tyres, oil and other automotive waste;
- ▶ collection, pre-processing and transfer for further processing (including export) of used galvanic cells, electrical and electronic equipment;
- ▶ collection, pre-processing and transfer for further processing (including export) of contaminated and non-contaminated packaging;
- ▶ collection, sorting, pre-processing and transfer for further processing of non-ferrous and ferrous scrap and waste;
- ▶ collection, pre-processing and transfer for further processing (including export) of a wide range of other hazardous and non-hazardous waste;
- ▶ collection and transfer for further processing of wood waste;
- ▶ consultancy on waste management and accounting; and
- ▶ educating the public on waste management issues.

The company is registered in the State Register of Waste Management Companies. ŽALVARIS operates under special **Integrated Pollution Prevention and Control (IPPC) permits** regulated by the Republic of Lithuania.

The company's **Sustainability Policy 2050** sets out strategic environmental priorities for the period 2022–2050, including:

- ▶ accounting for and reducing GHG emissions;
- ▶ mechanisms for mitigating climate change;
- ▶ investments to offset negative environmental impact;
- ▶ implementation of the energy management system;
- ▶ investments in the development of renewable energy sources;
- ▶ investments in the development of the electric vehicle fleet;
- ▶ monitoring of environmental performance and reporting to stakeholders;
- ▶ environmental and sustainability dialogue in the supply and value chains.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

ISO and Other Standards

Since 2003, the company has implemented the management system according to the requirements of the standard **LST EN ISO 14001:2015 – Environmental Management Systems**, for the scope of the management of waste batteries (galvanic cells) and accumulators, waste oils, waste electrical and electronic equipment, waste vehicle filters (fuel or lubricant filters for internal combustion engines, intake air filters for internal combustion engines) and hydraulic (lubricant) shock absorbers, tyres, ferrous and non-ferrous waste and scrap, and other hazardous and non-hazardous waste.

Since 2003, the company has also implemented the management system according to the requirements of the standard **LST EN ISO 9001:2015 – Quality Management Systems**, for the scope of the management of waste batteries (galvanic cells) and accumulators, waste oils, waste electrical and electronic equipment, waste vehicle filters (fuel or lubricant filters for internal combustion engines, intake air filters for internal combustion engines) and hydraulic (lubricant) shock absorbers, tyres, ferrous and non-ferrous waste and scrap, and other hazardous and non-hazardous waste.

Since 2018, ŽALVARIS applies the standard **WEEELABEX (EN 50625-1:2014)** in its operations, thus proving the compliance of the technological process of processing of electrical and electronic equipment with the European Standard EN 50625-1:2014 Collection, Logistics & Treatment requirements for WEEE – Part 1: General treatment requirements.



ISO 9001:2015/LST



ISO 14001:2015/LST



ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

Climate Change Policy ESG-E8/E9

Our strategic commitment to strive for sustainability in the economic, environmental, social and good governance areas is reflected in the company's long-term **Sustainability Policy 2050**, enshrining the company's core ambition to directly impact the sustainable development field of its choice.

Climate change is an integral and strategic part of business development, the success and performance of which depends on the approach and vision of the top management. Sustainability Policy 2050 of ŽALVARIS states that, at a strategic level, responsibility for sustainable business development and climate change performance lies with the CEO of the company.

On 13 January 2022, ŽALVARIS officially became a member of the UN Global Compact and committed to responsibly developing a targeted sustainability policy in compliance with the four sustainability pillars:

- ▶ respect for human rights;
- ▶ ensuring labour standards;
- ▶ environmental protection;
- ▶ combating corruption.

Based on the **Sustainability Policy 2050**, the company established the **Sustainability Group** in 2021, which is in place on an ongoing basis and responsible for making recommendations on sustainability to the CEO, engaging employees in sustainability actions and initiatives, training employees, preparing annual sustainability reports, and promoting internal and external sustainability communication.

ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

CLIMATE RISK MITIGATION

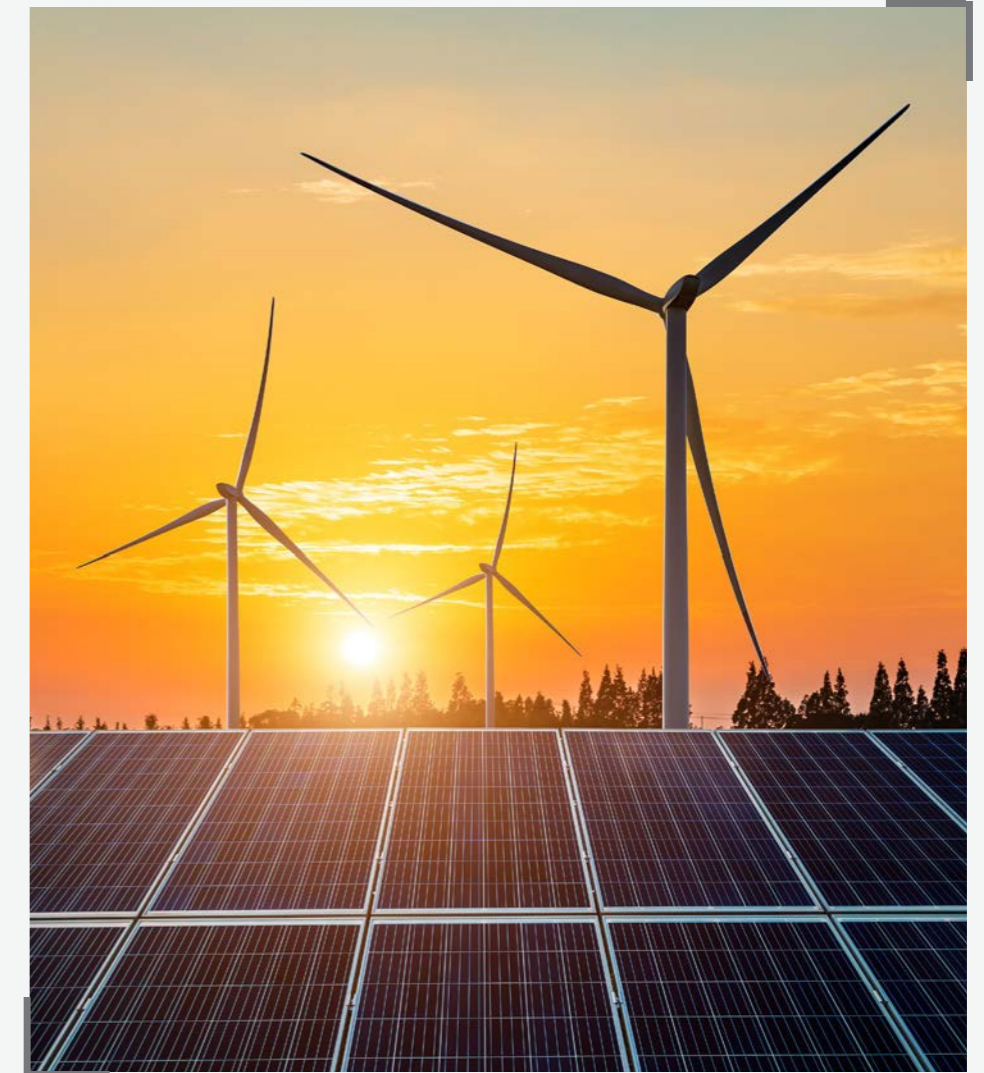
Investing in Climate Change Mitigation Measures ESG-E10

As part of our commitment to sustainable business development, we aim to use advanced technologies in our operations; therefore, the environmental impact of an investment and the creation of long-term value for the business and stakeholders are vital considerations when making strategic investment decisions.

We also strive to ensure that the company's acquisitions of machinery, equipment and other assets support the more effective implementation of circular economy principles in waste management, are state-of-the-art, and contribute to the company's strategic objectives of mitigating climate change risks.

The **Sustainability Policy 2050** of ŽALVARIS provides for strategic investments into renewable energy sources in the company's supply and value chains and the technologies that reduce the climate footprint.

In line with the Sustainable Development Goal (SDG7) 'Ensure access to affordable, reliable, sustainable and modern energy for all', ŽALVARIS is planning long-term investments in the instalment of solar panels and other renewable energy sources in the company's premises and production processes, as well as the development of the electric vehicle fleet.



OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

WORKING CULTURE AND CONDITIONS

Our social sustainability goal is to create a work culture based on sincerity and trust. We respect human rights, and we want all our employees to be and feel respected, heard and supported, be able to use their talents and abilities at work and stay motivated to develop their competencies further.

In its operations, ŽALVARIS follows the principles of fair work, respecting and protecting the rights of our employees. The company's **social sustainability** is underpinned by the Equal Opportunities Policy and the Code of Conduct and Ethics, which enshrine our responsibility for the impact of business activities on people and society.

Salaries and Gender Equality ESG-S1/S2

The remuneration system for the managers and employees at ŽALVARIS is based on the company's **Remuneration System**, according to which the remuneration of employees relies on:

- ▶ the competencies required and held for the position concerned;
- ▶ the complexity of the work and the responsibilities of the position concerned;
- ▶ personal achievements and contribution to the company's operations; and
- ▶ the level of remuneration of the position concerned in the market.

The Board approves the company's remuneration hierarchy, the salaries, and incentives.



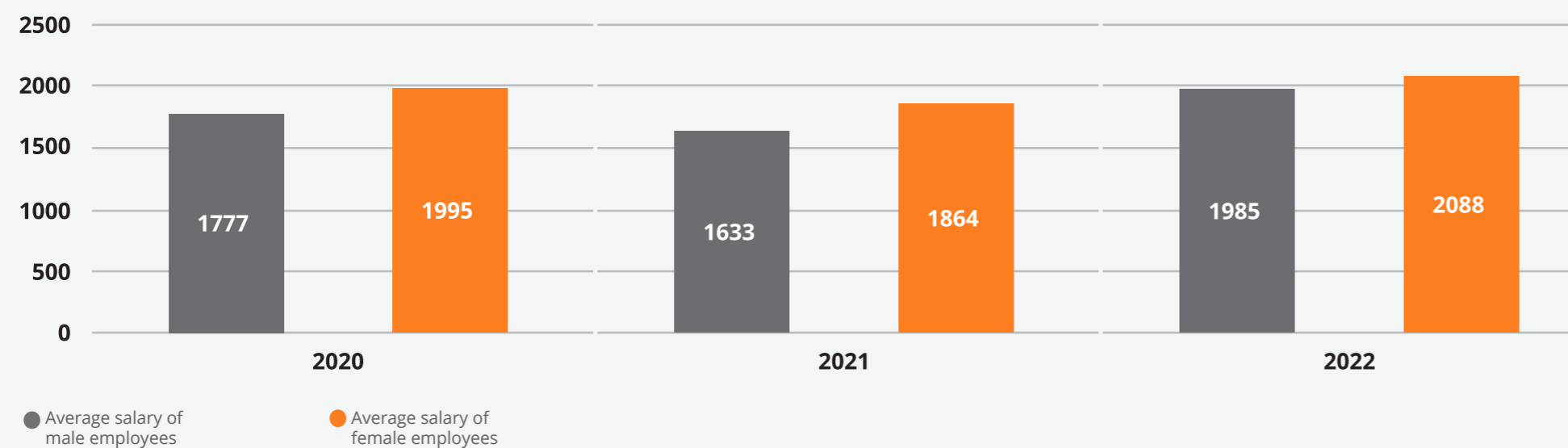
OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Gender equality is one of the priority targets of the sustainability strategy of ŽALVARIS; therefore, the company aims to ensure the principle of equal pay for equal work. We are convinced that the principle of equal pay is a crucial factor in retaining qualified employees in the company. At the same time, it helps to attract new talents and enhances the excellent reputation of our business.

Between 2020 and 2022, the average salary of female employees in the company was relatively higher than that of male employees. Compared to the average salaries paid by other Lithuanian waste management companies, ŽALVARIS has been the market leader in this area for several years in a row.

Salary and gender equality	2021, EUR	2022, EUR
Average salary of male employees	1,633	1,985
Average salary of female employees	1,864	2,088

Average staff salaries, 2020–2022



We value the knowledge and expertise of our employees and strive to attract and retain talents and professionals in a wide range of fields. Employees' well-being is our long-term social sustainability goal.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Employee Turnover ESG-S3/S5

High employee turnover directly impacts the company's financial performance and market reputation. It can indicate the level of employee uncertainty or dissatisfaction with the company and lead to changes in its operational structure, a critical area of business risk management.

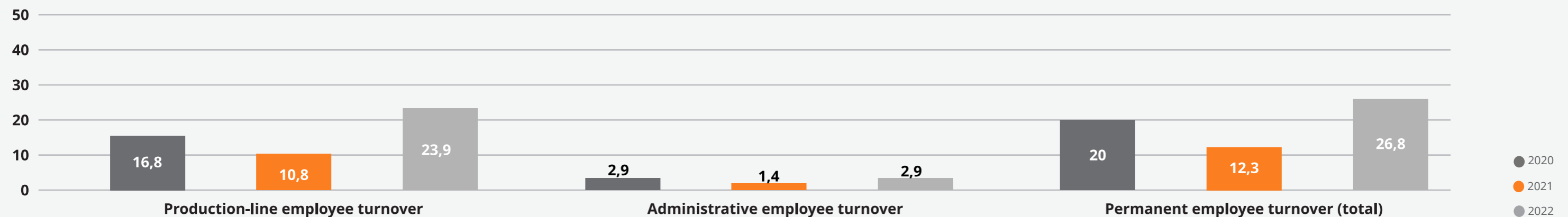
In 2022, the employee turnover rate at ŽALVARIS increased from 12.3% in 2021 to 26.8% in 2022. The increase in the overall turnover rate was due to the following reasons:

- ▶ employees reached retirement pension age;
- ▶ employees decided to leave their jobs.

For the purposes of measuring employee turnover rates for the period 2020–2022, the turnover of convicts employed under the company's social project 'Social Integration of Convicts in the Labour Market' was not considered due to the volatility of employability and employment conditions.

Employee turnover	2021, %	2022, %
Permanent employee turnover (total)	12.3	26.8
Administrative employee turnover	1.4	2.9
Production-line employee turnover	10.8	23.9

Staff turnover, 2020–2022



OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

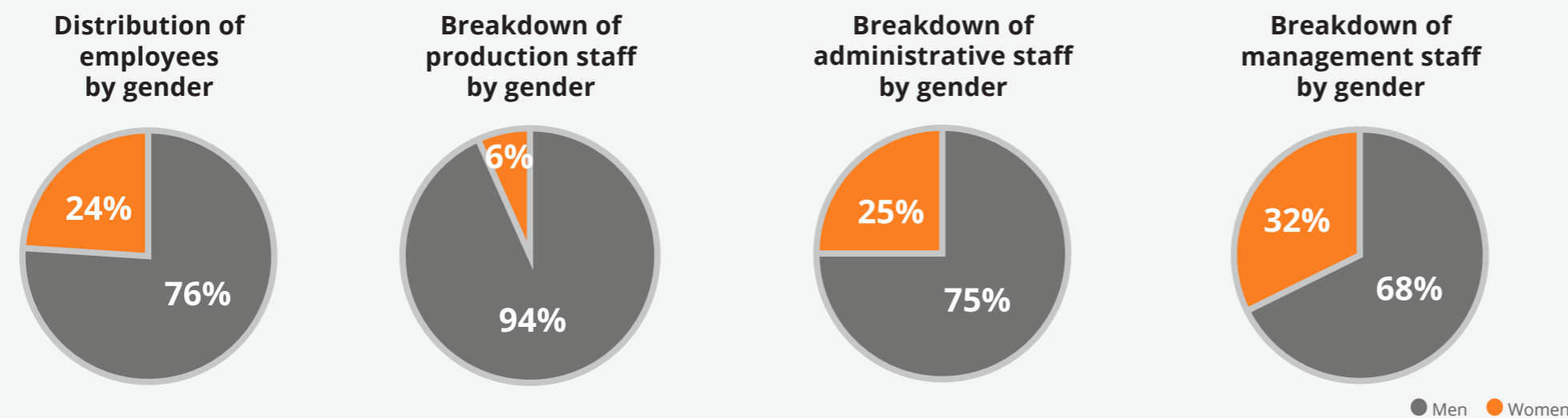
Gender Diversity and Equal Opportunities ESG-S4/S5

ŽALVARIS strives to create a sustainable organisational culture based on the principles of equal opportunities and gender diversity. We do this in accordance with the **Equal Opportunities Policy** adopted in 2017, which provides for equal rights for all employees of our company regardless of their gender, race, nationality, language, origin, social status, religion, beliefs or opinions, age, sexual orientation, disability, ethnicity, or other personality traits.

We respect the uniqueness of all employees; we listen and respond to their needs. At the same time, we encourage the behaviour of mutual understanding and respect.

Gender Equality

In 2022, the company employed significantly more men than women, including the top management positions. This is mainly due to the specific nature of the company's activities.



We openly express and ensure:

- ▶ respect for human rights and freedoms;
- ▶ zero tolerance of any discrimination;
- ▶ zero tolerance for any harassment and bullying;
- ▶ equal access to employment;
- ▶ equal opportunities for equal pay for equivalent competencies and work;
- ▶ equal opportunities for competence development.

In 2022, the company did not record a single case of discrimination.

In 2022, the company received no complaints about equal opportunity violations.

Gender diversity and equal opportunities	Men, %	Women, %
Overall employee ratio	76	24
Production-lines employees	94	6
Administrative employees	75	25
Employees at the management level	68	32

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Occupational Health, Safety and Well-Being ESG-S7/S8

The company considers occupational safety and environmental security a top priority. Good health and safety performance is a key measure of corporate social responsibility. Our long-term goal is **zero work-related injuries and fatal accidents**.

Since 2018, the company has had the **Occupational Safety and Health Management System** in place compliant with the standard **LST EN ISO 45001:2018**, which ensures the safety and health of the company's employees by reducing the likelihood of accidents at work and the morbidity of employees.

The system provides for the following fundamental principles:

- ▶ improving operational efficiency and thus reducing accidents;
- ▶ ensuring the safety of the organisation's employees, property, and equipment;
- ▶ demonstrating compliance with the law and improving the organisation's reputation in the area of occupational safety and health; and
- ▶ improving internal and external communication and safety culture within the company.



ISO 45001:2018

Looking back to 2022, despite the company's efforts and employee training, the target of zero work-related injuries and fatal accidents at work was not achieved.

Last year, three employees had an accident at work, including accidents on the way to or from work, which caused physical injuries.

Physical injuries at work resulted in 29 sick leave days. Compared to 2021, this indicator was reduced by three days.

Employees' total number of sick leave days due to immune and chronic diseases increased by 19.7% compared to 2021. On average, one ŽALVARIS employee took 8.7 sick leave days per year.

With this regard, by 2024, we have planned more training and additional sets of information for our production-line employees on safety and responsible behaviour in the workplace, first aid, and the need to use workplace safety equipment.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Occupational Well-Being

Occupational well-being, like health and safety, is one of the company's top priorities.

The employees of ŽALVARIS earn the highest average salary in the Lithuanian waste management sector. We also introduced the **employee healthcare incentives programme** several years ago. Under this programme, production-lines employees of hazardous waste management facilities undergo preventive health checks twice a year; they get the impact of lead on their bodies monitored; and the cost of necessary food supplements is reimbursed.

As part of its commitment to employee health and performance, the company organises an annual **voluntary** seasonal flu **vaccination**. On average, 6.3% of the company's employees take advantage of this opportunity.



By 2024, production-line employees will be vaccinated against tetanus and other dangerous diseases that are likely to be contracted during their work in production.

To ensure the availability of health services and quality healthcare for the company's employees, since 2022, all administrative employees of ŽALVARIS are covered by employer-provided **occupational health insurance**, and production-lines employees are provided with **comprehensive health check-ups** and diagnostic tests once a year.

In 2022, 78% of insurance-covered administrative staff had access to health insurance, and 62% of production-line employees had received a comprehensive health check-up.

The scope of healthcare measures for employees was extended in 2022 to provide equal access to well-being and healthcare measures for all employees without exception.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

Protection Of Human Rights ESG - S10

Protecting human rights is an international obligation and a key indicator of social sustainability. A consistent human rights policy helps to build a better management model. It increases productivity by ensuring a respectful and dignified working environment, attracting and retaining more talent and long-term employees.

ŽALVARIS's responsibility in this respect is underpinned by our business values relating to ethics, equality and diversity of employees, and protection of human rights and freedoms.

In defending human rights, we focus on the following fundamental principle that the protection of the rights and freedoms of a certain person should not infringe the other person's rights and freedoms. This requires a very balanced activity by the top management.

All ŽALVARIS's employees may directly contact their line manager or the CEO or use the whistleblowing hotline at pasitikėjimolinija@zalvaris. It should they feel or believe that their rights are violated at the workplace or suspect that the rights of other employees may be violated.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

COMPETENCES, INITIATIVES AND SUPPORT

Professional Growth and Development of Employees

All ŽALVARIS's employees are encouraged to learn, improve and develop, strengthen their knowledge, and acquire new competencies, individually and as a part of the company's contribution. Continuous learning is encouraged at all levels of the management and other staff.

The company's employees and managers participate in annual business conferences and seminars based on their position and nature of work. Consistent with the demand and bottom-up initiative, managers can expand their knowledge by studying at higher business educational institutions in Lithuania and participating in associations joining professionals in specific fields.

In 2022, 27 employees from different company areas took advantage of the opportunity to further their professional knowledge and skills. All employees have also received mandatory first aid recap and awareness training on violence and internal sustainability training.

In 2022, the investment in employee training and competence development amounted to EUR 15 thous.

By 2024, training on tax changes, waste management regulations, personal data management for the responsible staff, mandatory fire safety training, first aid and other training is planned as part of the annual staff training and competence development plan.

Social and Environmental Initiatives of ŽALVARIS and Employees

The surrounding environment is essential to us as humans and businesses. The company and its employees encourage and support environmental and social initiatives that reflect areas of impact that are directly linked to our priority sustainable development goals. By fostering long-term partnerships with social partners and charity organisations, we aim to create and grow the prosperity of our country and society.

In 2022, the company's support for social and environmental initiatives amounted to around EUR 35 thous.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

INITIATIVES AND SUPPORT

Support for Ukraine



When the aggressor country attacked our neighbour Ukraine on 24 February 2022, we were deeply shocked, as was the entire civilised world. However, we knew we would stand and remain united by supporting and helping Ukraine and its people with all our might. On 28 February 2022, ŽALVARIS donated EUR 25 thous. to support Ukraine through the organisation Blue/Yellow for Ukraine. Many of the company's employees are still as active today as they were at the start of the war, providing ongoing support to Ukraine with funds, goods, volunteering and other means.

Support for the Mothers' Union Foundation



Mothers' Union, a Lithuanian charity foundation, cares for children with oncological diseases. ŽALVARIS and its employees have supported the Foundation's activities and charitable initiatives since 2019. The company's financial support and employees' donations contributed to the implementation of the social enterprise 'Family Home' in 2020, the organisation of awareness camps for bereaved parents, and other activities of this Foundation in 2021 and 2022.

OCCUPATIONAL HEALTH, SAFETY AND HUMAN RIGHTS

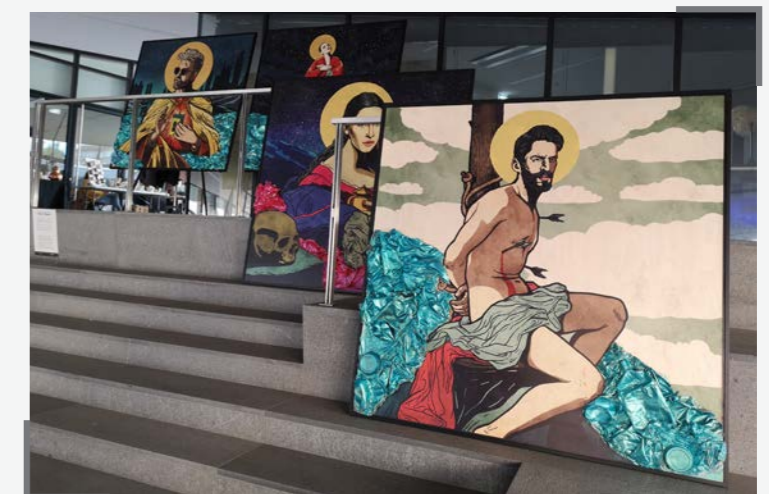
INITIATIVES AND SUPPORT

Support for the Student Robotics Team 'Lituanica X'



ŽALVARIS strives to encourage and support the promising ideas, development and improvement of the younger generation. This is why the company supported the Student Robotics Team last year, which brought together ten students from different national schools who formed a robotics team in 2017. The young people build robots, participate in international robotics tournaments and use their skills and victories to promote Lithuania. ŽALVARIS's grant was used to support the purchase of technical parts for the robots and the organisation of a trip for ten team members to an international competition in the Netherlands.

Environmental Project 'Holly Trash'



Contemporary artists Rolandas Žigonis and Algis Kriščiūnas created four exclusive paintings of famous Lithuanian entertainers, decorated with waste found in nature. The idea of the paintings is to draw attention to pollution and climate change, make people think and encourage them to urgently change their irresponsible consumer behaviour. The art project 'Holly Trash' is part of the initiative by 'Trash Hero', an international organisation that organises plastic collection campaigns on the coasts of Asia. As a project patron, ŽALVARIS helps the paintings and their message to travel around Lithuania, exhibiting them in traditional and startling spaces: museums, libraries, arenas, shopping centres, etc.



The Sustainability Report has not been audited.
The Sustainability Report is not printed. It is available in an electronic version on the company's website at www.zalvaris.lt and the UN Global Compact website.
The Sustainability Report is available in Lithuanian and English.

ŽALVARIS, UAB
www.zalvaris.lt