

# SUSTAINABILITY REPORT

2021-2022

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Energy market



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# CHAIRPERSON'S STATEMENT

Founded in 2019, Elementum Energy (Elementum) is a renewable energy company committed to supporting Ukraine on its journey towards a greener, energy independent future.

Over the past five years, Elementum has invested in and built 28 solar farms and 1 wind park across seven regions of Ukraine, allowing a reduction in  $CO_2$  emissions by over 578 kilotons annually – the equivalent of removing 7,200 diesel buses from roads. As our renewable energy assets grow, so, too, will our contributions to a cleaner more sustainable environment.

#### **Our Vision, Mission, and Strategy**

At Elementum, we envision a brighter, prosperous future powered by clean, renewable energy. Our mission is to spearhead Ukraine's green transformation, minimize our carbon footprint, and fuel economic growth with clean energy solutions. Our strategy emphasizes renewable infrastructure development across Ukraine, coupled with responsible business practices.

#### The Role of Sustainability in our Strategy

Sustainability is at the heart of our business strategy and we strongly believe that business can prosper while maintaining a strong focus on community involvement and social responsibility.

#### **Our environment**

We promote access to affordable, reliable, sustainable energy and actively contribute to combating climate change. We attempt to limit our own  $CO_2$  emissions and through effective resource management, we strive to mitigate the environmental impact at every operational stage.

#### Our social responsibility

The safety, health, and wellbeing of our employees and communities are foundational principles of our company. We are committed to fair wages, safe working conditions, work-life balance, non-discrimination and protection from harassment and violence at work.

Elementum is committed to being a responsible neighbour and an active partner to local communities. To date, we have generated nearly 5,000 local construction jobs and over 300 permanent operational positions. Beyond job creation, we collaborate with local districts on education, environmental awareness, individual wellbeing, and other grassroots initiatives. Alongside local communities, we foster economic prosperity through clean energy.



### **RICHARD DEITZ**

Chairman of the Board Elementum Energy

#### **Our business commitment**

We take a stand against all forms of corruption, including bribery, and prioritize partnerships with entities sharing our commitment to improving resource management, pollution prevention, and working conditions.

We believe that the taxes we pay is our contribution to the funding of social well-being and we are committed to the application of good tax practices and ensuring compliance with applicable tax laws and regulations in jurisdiction where we operate.

#### **Broader Trends Affecting our Strategy**

The world around us is changing rapidly, with macroeconomic, social, and political factors playing significant roles. Climate change, global energy transition, Europe's decoupling from its multi-decade dependence on russian fossil fuels and evolving consumer expectations for cleaner, more sustainable energy are some of the trends that impact our strategy.

We believe that we can address these by staying agile and innovative while seeking opportunities within the industry to further our sustainability goals.

#### **Strategic Priorities and Goals**

We aim to continue to operate our existing solar farms and wind parks to provide clean and affordable energy to Ukrainian consumers. Elementum is in the process of building expertise in trading electricity in the free market to reduce our reliance on receiving the feed-in tariff from SE Guaranteed Buyer.

Our business development team is actively working on assembling a portfolio of new ready-to-build renewable projects in Ukraine.

#### **Challenges and Support for Ukraine**

We realise that our employees operate in an incredibly challenging environment due to the ongoing full-scale russian invasion, and we remain resolute in our support for Ukraine.

We are committed to ESG development, our vision for a sustainable future, and our dedication to Ukraine.

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# MANAGING DIRECTOR INTERVIEW



# **OLGA RYBACHUK**

Elementum Energy Managing Director

# What is your view on the company's performance for 2021-2022, specifically in the sustainability area?

Our mission and purpose are to provide low-carbon energy from sustainable and renewable sources to Ukrainian households and businesses. As such, ethical attitude to environment and responsible business practices are at the heart of Elementum Energy's day-to-day operations.

# "

We are focused on global climate change, people's awareness of adverse environmental impacts exerted by high-carbon productions, including power-generating ones, and promotion of best practices in energy production and environmental and social responsibility across Ukraine.

Since the first days of its establishment, the company is built up on principles of a fair partnership, open dialogue with communities and government authorities, equal treatment of and provision of the best opportunities to its employees including their continuous professional development and training. As a young company, we have only embarked on our sustainability journey, by joining the UN Global Compact, building the dedicated leadership team, adopting key policies, making a comprehensive effort to engage with communities for the corporate and social responsibility purposes, approving governance fundamentals, etc. With the beginning of the fullscale invasion of Ukraine, most of sustainability-focused initiatives were suspended. We have prioritize on the three key areas: safety and support of our employees, protection of our assets and maintenance of uninterrupted generation to support the national grid and independence, and completion of Phase 2 of WPP construction intended to supply electricity and heat, at least, to 59 thousand households. Our special focus is on humanitarian activities by supporting communities, museums, nature reserves, volunteer organisations, etc.



# What do you value most in the sustainability area?

Knowing that our activity makes the world a better place every day is important to me. Our product is aimed not only to meet the consumer needs, but also to do so in a sustainable, responsible and value-driven way. We know that the environment has a direct impact on the quality of life. We also understand that affordable electricity is one of the key drivers towards social well-being and national economic development. Therefore, it is an excellent opportunity for me to be part of a major change in the relationship between humans and the environment for the critical product purposes. Furthermore, I am delighted to be part of a powerful team of diverse but equal professionals. Our people and their commitment, team spirit, engagement and willingness to learn and develop inspire me very much.

What are the effects of global pandemic and fullscale invasion on the company and what problems are encountered by Elementum Energy during wartime?

A few months before the beginning of the pandemic, our company decided to construct the first wind farm. It took us about three months to redesign the process, to develop the security protocols and to continue delivering on the project. The full-scale invasion has caught us at final stages of the second wind power project. It then took us approximately six months to have resumed the construction activity. Consequently, we have proved to be resilient and able to respond to adverse events. However, there are a lot of challenges and difficulties – from large-scale damages to energy infrastructure, a significant decrease in demand due to business closures and the migration of people to persistent government debts to manufacturers, poor regulatory decisions and a loss of qualified staff. Is it important for the company to engage its employees in implementation of the sustainability strategy? What is the best way to do so?

# "

It is impossible to implement any corporate strategy without employee engagement and desire to deliver on it.

As such, the sustainability strategy is not only a reflection of the vision of the company's Board of Directors, but also crystallization of the values and vision consolidating the whole team. We engage our people in different ways including sustainability initiatives, cooperation with contractors and communities, training courses or topical games, communications about the importance of ESG principles in social media, etc.

In 2022, certain regulatory changes were introduced to make the energy market transparent and more self-regulated. Do you see any resulting positive signal for future development of your company and the overall effect on the renewable energy sector?

We treat all government decisions and initiatives facilitating the energy market liberalisation, transparency and accountability of public energy institutions, integration of the Ukrainian energy system into the European one and international capital raisings as a very positive signals for manufacturers and investors. However, it is definitely important to implement those decisions and to turn intentions into real steps and actions based on tailored approaches and an open dialogue amongst all industry players. 6

### What challenges do you anticipate for Elementum Energy in the future and where does the company's greatest development potential lie?

A key challenge of the Ukrainian energy sector remains a physical preservation of generating capacities and energy distribution systems, as well as full technical and commercial synchronization with the European countries. However, development of the energy recovery strategy and seeking for models of substantially better innovative decentralized system as opposed to inefficient out-dated current one are equally important. We are confident that the decentralised energy system with a focus on renewables generation and open competitive market is a path to energy independence, better security and solving of persistent liquidity problems.

What is your vision for Elementum Energy's role to be played in post-war recovery of the country and in subsequent development of the Ukrainian energy sector?

During the full-scale invasion, we continued investing into new capacities, developing our team and expertize, searching for new technologies and risks-mitigating solutions. Likewise, our company will actively be involved in recovery after the victory.

# "

Our outstanding experience, practical knowledge and professional expertise shall be important contribution to the Ukrainian rebuild.

**OUR PEOPLE** 

# ESG HIGHLIGHTS 2021-2022

ENVIRONMENT



Communities financial support and humanitarian aid, EUR



<sup>1</sup> The main factors in the reduction of electricity produced and avoided emissions were interruptions in the operation of power plants in connection with hostilities and damage to the energy infrastructure of Ukraine as a result of russian missile attacks

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# MEE ELEMENTUM ENERGY

### IN THIS SECTION

Sustainability as an integral part of our business Corporate governance Sustainable Development Goals War impact Energy market overview

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# SUSTAINABILITY AS **AN INTEGRAL PART OF OUR BUSINESS**

# STRATEGIC PRIORITIES



# 🖹 2019

- Elementum Energy Limited established
- 28 photovoltaic power plants commissioned in Ukraine with the total capacity of 536 MW

# **🛧 2021**

- · Phase 1 of the Dnistrovska Wind Power Plant launched with the capacity of 40 MW and construction of Phase 2 commenced
- Office opened in Odesa
- · UN Global Compact joined and the ESG Strategy approved
- Environmental matters and social indicators included in a supplier evaluation
- · First Sustainability Policies approved
- · New wind projects with the total capacity of over 200 MW acquired in the development sector

### **# 2020**

- · Construction of the first wind project launched in Ukraine
- · Office opened in Kyiv
- · First audited international financial statements issued

### 🗳 2022

- · Phase 2 of construction of the Dnistrovska WPP with the total capacity of 60 MW resumed
- · Sustainability Policies approved
- ESG Committee established
- · Elementum Energy team comprising 50 employees in the London, Kyiv and Odesa offices

# UKRAINIAN BUSINESS WITH BRITISH ROOTS



Elementum Energy is engaged in production of electricity from renewable energy sources and development of the renewable generation projects in Central and Eastern Europe. The company is headquartered in London, the UK. The business geography covers the UK, Ukraine, Georgia and Cyprus. The Company's operational office is located in Kyiv, Ukraine. Elementum Energy is a subsidiary undertaking of VR Global Partners, L.P. Global Investment Fund.

In Ukraine, Elementum Energy is the largest foreign renewable energy investor with the total portfolio of generating assets and projects of nearly 850 MW. Since its establishment in 2019, Elementum Energy has commissioned 536 MW of PVPPs and 100 MW of WPPs and continues investing in new energy projects extensively in pursuing its mission – to deliver clean energy from renewable and sustainable sources for a better future.

# SOLAR AND WIND POWER – FROM GENERATION TO CUSTOMERS

### GRI 2-6

The company's business model and operations are built in a manner enabling value creation and risk management, prompt and quality adaptation to developments in the external environment towards implementation of strategic goals and satisfaction of the investors' expectations.

### Elementum Energy's value chain



#### **Business model**





## **PROJECT GEOGRAPHY**



Plant name / Region	Technology	Installed capacity / MW	Commissioning date
Kherson region			
Kherson	PV	35	Dec-18
Khmelnytsky region			
Kamyanets-Podilsky	PV	64	Dec-18
Kirovohrad region			
Morozivka	PV	91	Dec-19
Inhulo-Kamyanka	PV	18	Nov-19
Novoseyitsa	PV	16	Apr-19
Mogylne	PV	13	Nov-19
Novoukrainka	PV	13	Apr-19
Zavallia	PV	12	May-19
Mala Vyska	PV	11	Oct-19
Mykolaiv region			
Taborivka-1	PV	17	Dec-18
Yavkyne	PV	17	Jun-19
Kostychi	PV	16	Jun-19
Taborivka-2	PV	15	Nov-19
Yelanets	PV	15	Apr-19
Kazanka	PV	13	Apr-19
Novohryhorivka	PV	13	May-19
Doroshivka	PV	12	May-19
Maryivka	PV	12	Jun-19
Kandybine	PV	10	May-19
Veselynove	PV	9	Jun-19
Buzke	PV	8	Jun-19
Pryvilne	PV	8	May-19
Shcherbany	PV	8	Apr-19
Odesa region			
Dnistrovska, phase 1	Wind	40	Mar-21
Dnistrovska, phase 2	Wind	60	Apr-23
Poltava region			
Romodan	PV	20	Sep-19
Lelyukhivka	PV	10	Oct-19
Vinnytsia region			
Pavlivka-1	PV	20	Dec-19
Pavlivka-2	PV	20	Dec-19
Vapniarka	PV	20	Dec-19
Total installed capacity		636	

The company manages 29 renewable power generation plants located in seven regions of Ukraine with the highest levels of insolation and wind potential.

PVPPs are built in the regions with the most favourable conditions for solar power development: the Mykolayiv, Kirovohrad, Khmelnytskyi, Kherson, Poltava and Vinnytsia Regions.

In 2020, Elementum Energy launched a project on construction of the Dnistrovska Wind Power Plant located in the Odesa Region with the planned total capacity of 100 MW. The construction was split into two phases. WPP Phase I with the capacity of 40 MW started selling electricity in May 2021. Construction activities at Phase II with the capacity of 60 MW commenced in 2021 and were suspended due to the full-scale invasion across Ukraine. With the efforts of the Elementum Energy's team, the construction of the Dnistrovska WPP Phase II was resumed over the next few months. In the 2nd and 3rd quarters of 2023, all eleven wind turbines successfully underwent manufacturer's warranty testings and reached the nominal capacity.

Other wind projects at a development stage with the planned capacity of 200 MW are located in the south of the Odesa Region.



### **RESPONSIBLE INVESTMENT**

Renewable energy production has an impact on the environment and society.

Key sustainability impacts that can be caused by the activities of Elementum Energy include:

- Occupational Health and Safety
- Jobs creation
- Waste generation
- Avoided greenhouse gas emissions
- Greenhouse gas emissions at the construction stage of projects
- Biodiversity
- Support of local communities
- Environmental and social impacts along the value chain
- · Integration to the infrastructure
- Business ethics

Being aware of potential impacts that may result from the company's operations, Elementum Energy has approved Sustainability Policies and takes measures to prevent, mitigate or eliminate adverse impacts.

### SUSTAINABILITY POLICIES

### GRI 2-23

Elementum Energy Group complies with consistent approaches, principles and obligations in all territories of operation at all levels: from head office to subsidiary companies. For comprehensive sustainability management purposes, Elementum Energy has adopted nine policies outlining the key environmental, social and governance principles:

**Ecology Policies:** Environmental Policy, Sustainability Policy, Climate Action Policy, and Biodiversity Policy.

**Social Policies:** Human Resource Policy and Occupational Health and Safety Policy.

Governance Policies: Anti-bribery Policy, Antimoney Laundering Policy and Tax Policy. Business that meets requirements of the future, realises environmental and social risks embedded in its business model and undertakes appropriate efforts to mitigate them in an efficient manner and to do no harm to the planet or the society.

The Policies are approved by the Board of Directors and are made publicly available on the Elementum Energy website.

The Policies are equally applied to all activities and business relations of Elementum Energy and are binding.

Employees are instructed about content of Policies relevant to their job assignment upon employment and in case of approval of new documents or an update of existing documents. To ensure appropriate compliance with the requirements, Elementum Energy includes provisions of the Sustainability Policies in supplement agreements with counterparties and uses formal and informal communication channels (meetings, discussions, etc.).

Read more about Elementum Energy Policies

### **GRIEVANCE MECHANISM**

### GRI 2-26

The company cooperates with its stakeholders and has implemented the grievance mechanism. The stakeholders can make complaints or proposals using the following communication channels:

- E-mail <u>CSR@elementumenergy.com</u> for social development requests from local communities.
- E-mail <u>office@elementumenergy.com</u> for all other requests, complaints, and proposals.
- Community consultations.

Citizen requests are processed in accordance with the Law of Ukraine on Citizen's Requests.

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Author:

# CORPORATE GOVERNANCE

### GOVERNANCE STRUCTURE AND COMPOSITION

### GRI 2-9:2-15

The Elementum Energy governance structure meets its strategic goals, development stage and size and is built in manner so that the sustainability-related significant risks and opportunities are identified and managed effectively and efficiently.

The company's governing bodies are the Board of Directors and the Executive Management Committee. The company does not have the Supervisory Board. As the highest governing body of the company, the Board of Directors performs the Supervisory Board's functions.

Sustainability-related matters are considered at all governance levels depending on the nature of their origin. The Board of Directors approves the ESG Strategy and the Sustainability Policies and defines goals and priorities of the company's activities. As a member and chairperson of the Executive Management Committee, the Managing Director is responsible for sustainability oversight, coordination and management. The Sustainability Unit involved in implementation of the Policies and significant risk management processes and dealing with environmental and social issues in addition to those within the competence of the Executive Management Committee. Elementum Energy has assigned the responsible employees for environment, Occupational Health and Safety and fire safety.

The Board of Directors and the Executive Management Committee are responsible for consideration and approval of the information presented in this Report including the company's material topics.

The key selection criteria applied to the **Board of Directors** include expert knowledge, skills and experience of a nominee. At present, the members of the Board of Directors are also the VR Capital Group employees. VR Capital oversees and controls the risk of the conflict of interests, specifically it performs the information check for companies where the nominee occupies a senior position, is a shareholder or has a significant material influence.

Below is the composition of the Board of Directors as at 31 December 2022. The information contains important career milestones and background of each member.



#### Corporate governance structure

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# RICHARD DEITZ

Citizenship status: the UK Year of appointment to the BoD: 2019



# EMILE DU TOIT

Citizenship status: the UK Year of appointment to the BoD: 2019



# MARTIN MOJŽIŠ

Citizenship status: the UK Year of appointment to the BoD: 2022

<sup>1</sup> With honours Sustainability report 2021-2022 Richard Deitz is the Founder and President of VR Capital Group. Mr. Deitz is based in London and leads the investment activities of the firm. As a seasoned investor with solid experience in emerging markets, Richard is a member of the advisory board of the Yale Jackson School of Global Affairs.

### Experience and background:

- 1998 the Founder of VR Capital Group
- 1995 a co-founder and Partner of Renaissance Capital Investment Bank where Mr. Deitz served as Head of Fixed Income Trading
- 1990-1995 a Managing Director of Credit Suisse Finance Products where he was in charge of the structured business of the fixed income financial derivatives in North America and for development of the financial derivative business in Eastern Europe
- 1987 opening of a career with the First Boston Corporation (now Credit Suisse) focusing on fixed income securities and financial derivatives
- 1987 graduated from the Yale University, magna cum laude, earning a Dual Bachelor's Degree in History and Economics

Emile du Toit is the Chief Financial Officer of VR Capital Group which he joined in June 2007. Mr. du Toit leads VR's accounting, finance and audit functions.

### Experience and background:

- 2014 Chief Financial Officer of VR Capital Group
- 2005-2014 Finance and Dedicated Account Manager of VR Capital Group
- 2006 CPA (Certified Public Accountant) gained
- 2003-2005 a Nedbank Financial Accountant in South Africa
- 1998-2002 a PricewaterhouseCoopers auditor
- 2005 earned a Bachelor of Commerce (Honours) in Accounting from the University of South Africa

Martin Mojžiš is a Managing Director and Head Investment Counsel. He joined the Elementum Energy Board of Directors in 2022 instead of Sergey Makhin. Mr. Mojžiš primarily focuses on investment-related legal and transactional matters.

### Experience and background:

- White & Case senior associate in London Capital Markets Group engaged in debt and equity capital markets transactions and restructuring and liability management transactions
- 2012 earned a M.Sc. in Law and Accounting from the London School of Economics and Political Science
- 2011 earned a LL.B. (Honours) from the University of London
- Completed undergraduate and graduate degrees in Law at Comenius University in his native Slovakia.

The Executive Management Committee (the "EMC") is in charge of the oversight, coordination and management of the Elementum Energy daily operations and implementation of strategic decisions made by the Board of Directors. The Executive Management Committee comprises key management personnel of Elementum Energy: Managing Director, CFO, CTO, General Counsel and CBDO.

The Executive Management Committee is responsible for:

- Implementing the Elementum Energy strategy, mission and goals at all levels – from senior management to employees directly involved in operational processes
- · Implementing the ESG Strategy of the company
- Reporting on the company's performance and progress against the targets to the Board of Directors including the sustainability targets
- Performing daily operational management of the company

- Defining key strategic development directions and opportunities to present them to the Board of Directors
- Delivering on financial plans and performance indicators
- Managing staff and employee satisfaction level
- Setting up processes designed to identify and manage the economic, environmental and social impacts of the organisation
- Maintaining the assets in operation
- Ensuring occupational safety and health protection of employees in the process of their activities
- Managing regulatory and public relations
- · Developing the brand and communications

The Executive Management Committee members as at 31 December 2022 are listed below.



### OLGA RYBACHUK MD and CFO

Citizenship status: Ukraine Year of appointment to the EMC: 2021 Olga has over 14 years of experience in managing corporate risks and banking relationships.

She joined Elementum Energy as the CFO and was in charge of finance management, financial reporting and process building.

Olga earned a Master's Degree in Finance from Kyiv National University of Trade and Economics.



OLEKSANDR MAKHLAICHUK

Citizenship status: Ukraine Year of appointment to the EMC: 2021 Oleksandr has more than 20 years of experience in the energy sector. He started his career as a certified electric engineer.

He is responsible for technical maintenance and operational management of power plants, occupational safety and health protection and engineering support of new projects.

Oleksandr earned a Specialist Degree in Power Economy from Tavria State Agrotechnological Academy in 2005 and gained an electrical technician qualification in 2001.



MAKSYM ARTEMENKO

Citizenship status: Ukraine Year of appointment t

Year of appointment to the EMC: 2022

Maksym joined Elementum Energy in June 2022. Maxim has 14 years of experience in investment management and corporate finance. Mr. Artemenko is responsible for the corporate strategy design and the company development. He coordinates new projects and development of the business model and explores advanced technologies and products in the renewable energy sector.

Maksym earned a Master's Degree in Economic Cybernetics from Taras Shevchenko National University of Kyiv.



VICTORIA Pysmenna

General Counsel Citizenship status:

Ukraine Year of appointment to the EMC: 2022 Victoria has over 8 years of experience as a legal practitioner and Corporation Counsel. As a General Counsel, she is responsible for the corporate legal function, compliance and regulatory matters.

Victoria earned a Bachelor's Degree and a Master's Degree in Law from Odesa Legal Academy National University and a Master's Degree in Commercial and International Law from the University of Buckingham (the UK).

# SENIOR MANAGEMENT EXPERIENCE

Below are described skills and experience within the Elementum Energy senior management team as of the end of 2022.

#### Experience<sup>3</sup>

Sustainability	-	-	-	-	-	-	•
HR management	•	•	-	-	-	-	•
Finance and investments	•	-	•	•	•	•	•
Renewable energy	•	-	-	•		•	•
Law	•	•	-	•		•	
Audit	•	•	•	•	•	•	
IT technology and innovations	•	•	•	•	•	•	•
Occupational safety and health	•	•	•	•	•	•	
Engineering	•	•	•	•	•	•	•

### COMMITTEES

In 2022, the company established the special committees:

- Crisis Committee. The Crisis Committee was established for rapid response in the event of military aggression and was responsible for development of security protocols for the company's employees, processes and assets. The Committee comprised heads of the business units and other employees who were actively involved in discussions of security issues and potential threat response plans (more than 13 employees were involved). Later, in June 2022, the Committee's functions were assigned to the Executive Management Committee and the Crisis Committee ceased to exist in its original composition.
- ESG Committee. The ESG Committee is designed to promote the sustainability culture, to develop standards and to implement the ESG Strategy based on best practices. The Committee consists of the energetic employees, the EMC members and the Head of the Sustainability Unit.

# PERFORMANCE EVALUATION AND REMUNERATION

### GRI 2-16 – 2-20

The Executive Management Committee regularly reports to the Board of Directors on all significant aspects of the company's activities including the actual generation output, project implementation status, principal regulatory and operating developments, key financial indicators, and strategic initiatives. The Board of Directors holds quarterly meetings with the Elementum Energy senior management team to discuss, among other things, critical matters related to management of the company's economic, environmental and social impacts. Those matters include changes in the financial position, tax issues, regulatory innovations, significant legal transactions and contracts, policies and processes that have a considerable impact, etc.

In addition, the Executive Management Committee members conduct individual meetings and calls with the members of the Board of Directors as per the area of the director's responsibility.

The Board of Directors performs an ongoing analysis of market best practices and approaches to ensure a high level of the company-wide sustainability knowledge and skills. Management of the entities regularly informs the Board of Directors on sustainability initiatives, significant environmental and social impacts, and cooperation with communities and suppliers.

The Board of Directors members do not receive remuneration from the company for their work. The Executive Management Committee members have the bonus and reward systems approved depending on their performance results. The management remuneration level depends on the company's performance and attainment of individual management goals defined by the Board of Directors annually. The goals and performance metrics include promotion of compliance with the corporate policies, development of the corporate governance system, tax administration and prompt payment, proper cooperation with counterparties, development of effective and efficient internal processes, etc. Team collaboration, renewable energy capacity growth and partnership with contractors and financial institutions are the underlying strategic principles of the company development. After the end of the reporting period, the Board of Directors conducts the annual performance evaluation of the management team and defines the remuneration amount.

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# SUSTAINABLE DEVELOPMENT GOALS

Elementum Energy adheres Principles and Goals of Sustainable Development which include human rights, labour relations, environmental protection, and anticorruption compliance. The company's sustainable development approach is outlined in the Sustainability Policy approved by the Board of Directors. The Elementum Energy ESG Strategy is focused on the two interdependent priority goals to which it can make the strongest contribution: Goal 7 (Affordable and clean energy) and Goal 13 (Climate action).



Ensure access to affordable, reliable, sustainable and modern energy for all

As a renewable energy producer, Elementum Energy directly contributes to an achievement of Goal 7 by increasing the renewable energy share in the energy mix of Ukraine. As of the end of 2022, the total portfolio capacity of the Elementum Energy PVPPs and WPPs reached 636 MW. This enabled the company to produce 1 276 GWh of green electricity in 2021-2022.

The company continues implementing the existing RE projects and preparing for the delivery of the RE projects in the future. To enhance affordability of renewable energy sources, Elementum Energy considers investing in the energy storage systems to improve their performance through energy transfer over time.



Take urgent action to combat climate change and its impacts

Elementum Energy generates electricity from renewables, such as wind and solar power. This replaces the electricity generated from fossil fuels and allows avoiding greenhouse gas emissions. Our activities meet the Paris Agreement goals and effectively contribute to decarbonisation of the Ukrainian economy. This limits an increase in the temperature to 1.5° C above the pre-industrial level.

For 2021-2022, Elementum Energy's efforts resulted in the avoidance of 980 thousand tonnes of CO2 eq

Elementum Energy promotes the renewable energy sector and raises climate change awareness of internal and external stakeholders by implementing educational projects, delivering internal training courses, and arranging visits to the PVPP and WPP locations.

#### In addition to the priority goals, Elementum Energy contributes to the following Sustainable Development Goals:



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Elementum Energy provides equal professional and personal development opportunities for its employees. Our contribution is made through operation of the talent development system, encouragement of participation in webinars and industry conferences, and the delivery of corporate sustainable development training programme.

In 2021 and 2022, the company's employees were regularly trained on occupational health and safety, waste management, sustainable use of resources and combating corruption.



### Ensure sustainable consumption and production patterns

The Elementum Energy Sustainability Policies aim at sustainable consumption of natural resources and minimisation and responsible handling of waste. The company's employees are regularly trained on waste sorting rules and take part in Plastic free July, an international initiative designed to build environmentally friendly skills in day-to-day lives.

All waste generated from our operations are sent to licensed providers for subsequent recycling or disposal.

Environment

people Soc



# Achieve gender equality and empower all women and girls

Elementum Energy creates the working environment offering equal opportunities for women and men. As of the end of 2022, women accounted for 42% of the total number of employees, and the ratio of remuneration between women and men in senior management category was 0.99 and in the category of administrative and managerial personnel - 0.69.



### Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

The Elementum Energy's activity promotes the economic growth and reduction of unemployment. Our people are our greatest value. As such, we create a safe working environment, pay respectable salaries, and provide medical insurance and other social protection benefits for all employees.

Our occupational safety and health system is based on ISO 45001:2018 requirements and covers not only the company's employees but also its contractors engaged in the PVPP and WPP construction and development.

Make cities and human settlements

inclusive, safe, resilient and sustainable

Elementum Energy invests in the renewable projects that are

part of the human settlements' sustainable infrastructure. We

strive to create long-term positive impacts on communities in

the regions of the company's presence. During 2021-2022, we signed 27 Memoranda of Cooperation with communities and invested EUR 403 thousand in social projects and initiatives that have the greatest value for the local population.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Elementum Energy carries out its activities taking a clear position against corruption, bribery and money laundering. We comply not only with the national anti-corruption legislation, but also with regulations of other jurisdictions, such as U.K. Bribery Act 2010, Foreign Corrupt Practices Act (FCPA), the UN Convention against Corruption, and the Convention of the Council of Europe on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and Terrorism Financing. To avoid potential risks, the Elementum Energy's employees undergo relevant training courses annually and all counterparties are subject to the Know Your Client mandatory procedure for identification, screening and acceptance purposes prior to starting the cooperation.

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# Strengthen the means of implementation and realise the Global Partnership for Sustainable Development

Elementum Energy is one of the largest investors in the renewables sector in Ukraine. Our reliable partner reputation allows us to raise financing from international financial organisations to develop the renewable energy projects. For 2021-2022, Elementum Energy invested **EUR 79.7 million** in the renewable energy projects in Ukraine.

We continue developing partnership relations in sustainable development with a range of associations and organisations and communicate sustainable development principles to all our partners.



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# WAR IN UKRAINE

On 24 February 2022, russia started the full-scale military invasion of Ukraine with occupation of a significant part of its territory including the Kyiv Region. During 2022, all central and northern regions were liberated from russian troops including Kharkiv, Mykolaiv and part of the Kherson Regions. As of 31 December 2022, the Autonomous Republic of Crimea and most territories of Donetsk, Luhansk, Kherson and Zaporizhzhia Regions are still under occupation and active hostilities are ongoing there. Mass missile strikes have caused serious damage to important energy infrastructure facilities including a disruption in operations of certain heating, pumped storage and Zaporizhzhya Nuclear Power Plant, backbone transmission lines, distribution networks and high-voltage substations. This has resulted in an emergency situation in the power system of Ukraine which became especially noticeable from October 2022 due to targeted damage to the energy infrastructure.

Below are described increasingly severe consequences including social, environmental and economic impacts:

- Civilian casualty toll continues to increase due to ongoing hostile shelling of civilian and military infrastructure facilities across Ukraine.
- Mass migration of Ukrainians to safer regions at home and abroad, as well as mobilisation into the Armed Forces of Ukraine have resulted in closures or relocations of enterprises, a decline in the level of consumption and manufacturing, a drop in gross national product, and a loss of qualified professionals.

According to the Office of the United Nations High Commissioner for Refugees, 8.1 million Ukrainians fled to European countries as of February 2023.



As of 23 January 2023, the International Organisation for Migration estimates 5.4 million internally displaced persons are displaced across Ukraine.<sup>4</sup>

### Based on the World Bank's estimate



Ukraine's GDP decreased by 29.2% in 2022 Poverty measure increased from 5.5% to 24.1% for 2022

- The energy sector has suffered the highest losses in the generation segment in the amount of USD 3.9 billion.
   Losses inflicted on the electricity distribution sector are estimated at USD 404 million (excluding assets located in the territories temporarily not controlled by the Ukrainian Government)<sup>4</sup>.
- Ukrainian environment and ecosystems suffered ongoing hostilities causing contamination of air and waters and destruction of flora and fauna. It is currently impossible to quantify the environmental damage and long-term effects due to the lack of accurate information and continued combat activities.

### EFFECTS OF THE WAR ON ELEMENTUM ENERGY BUSINESS

On 24 February 2022, the start day of the full-scale invasion, the Elementum Energy team ceased its operations in the Kyiv office, evacuated its employees and promptly relocated its critical business processes to the temporary office in the City of Kamianets-Podilskyi located in Western Ukraine. During the COVID-19 pandemic, the company organised remote work and, therefore, relocation of the office has caused no disruption to Elementum Energy operations. The Dispatch Division remained in Odesa and operated under the security protocols. After stabilisation of the situation in Kyiv, management and other employees returned to the Kyiv office in June 2022.

<sup>4</sup> Ukraine Rapid Damage and Needs Assessment February 24, 2022 – February 24, 2023 (RDNA2) prepared by the World Bank Group, the Government of Ukraine, the European Union services, and the United Nations.

In November 2022, after liberation of Kherson, the only solar plant of Elementum Energy, which was occupied from February, was brought back under physical control of the company. In the period of occupation, the Kherson Photovoltaic Power Plant remained connected to the energy system of Ukraine, produced electricity and generated income from the SE Guaranteed Buyer. Mass shelling of the areas in Kherson and Mykolaiv Regions and other infrastructure facilities by russian troops has caused damage to solar modules and other equipment totalling up to 7% of the installed capacity of the plants.

At the time of issue of this Report, all plants of Elementum Energy are in operation, are under control of Ukrainian system operators and continue supplying electricity into the grid. All assets are connected to the dispatching and monitoring systems by Elementum Energy and are regularly inspected by external security and engineering agencies.

Since the beginning of the war, domestic institutions and enterprises encountered continuous cyberattacks by the enemy. No damage was caused to the company's IT systems given the Elementum Energy well-managed technical infrastructure and professional IT team.



Key generation underperformance drivers include damage caused to the Ukrainian energy infrastructure by russian missile strikes and a decline in the energy consumption level resulting in failures in operation and emergency outages of power generating equipment.

With the continued support from its shareholder VR Global Partners, Elementum Energy has sufficient financial resources to manage risks associated with the current economic environment of the company.

### **RESPONSE PLAN**

The senior management team of Elementum Energy maintained ongoing monitoring of the increasing risk exposure to the russian invasion and established the Crisis Committee. The Committee developed safety protocols and guidelines to protect life and health of the company's employees, including facilitation of remote work, provision of financial assistance and dedicated medical and evacuation training courses. In addition, the protocols include business continuity and office infrastructure preparation measures to ensure sustainability of Elementum Energy despite external infrastructure failures. The protocols were implemented immediately after the commencement of the invasion and underpinned the continuity of the company's business. The Crisis Committee continued monitoring the security-related situation daily till its liquidation.

# TAKING CARE OF THE PERSONNEL

The company's greatest effort has been focused on ensuring safety and well-being of its employees and providing financial, operational and information support to them.

Despite the high level of turbulence in the first months of the war, Elementum Energy provided extensive support to its employees. The company continued paying salaries and additionally provided the one-off monetary aid to all employees in the total amount of EUR 135 thousand. Despite the company's financial underperformance due to military activities, it paid bonuses to its employees in the total amount of more than EUR 500 thousand for their personal contribution and commitment to working in extremely difficult circumstances during 2022.

Many employees had to leave to other regions in Ukraine and to relocate their families abroad. The company helped with the relocation and covered housing rent abroad for its 8 employees. Elementum Energy has not encountered staff loss-related difficulties, nor has it discontinued the recruitment process.

Elementum Energy informs employees about the action plan in case of missile strikes. Dedicated training courses, such as "Emergency Response and Action Plan", "Emergency Response and Fire Safety" and "Premedical Aid", were delivered for the company's employees.

### **HUMANITARIAN AND OTHER AID**

In 2022, charitable assistance provided by Elementum Energy exceeded EUR 121 thousand applied towards purchases of humanitarian goods, replenishment of water and medical supplies for healthcare facilities, and purchases of protective clothing and equipment.

The company's employees made voluntary charitable donations of EUR 12 425 to support the Ukrainian defence forces.

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# **ENERGY MARKET OVERVIEW**

DEVELOPMENT OF THE MODERN ELECTRICITY MARKET MODEL

The Unified Energy System (UES) representing a combination of electricity power plants and cogeneration plants, as well as main and distribution electricity grids, operates in Ukraine. Ukrenergo NJSC, a state-owned enterprise, provides centralised dispatching of the energy system. Ukrenergo's principal role is to provide real-time balancing of the generation and consumption of electricity and capacity available in the energy system; to operate and develop main and distribution electricity grids (electricity transmission); to ensure concurrent operation of the Ukrainian energy system with those of the adjacent countries and enable the export/import of electricity.

The electricity market in Ukraine is regulated by the National Commission for Regulation of Energy and Utilities (NCREU). Besides NCREU, the activities of the market players are regulated by other state authorities, in particular, the Parliament of Ukraine, the Cabinet of Ministers of Ukraine and the Ministry of Energy of Ukraine.

After the reform enacted in 2019, the overall design of Ukraine's electricity market closely resembles power markets in the European Union, which makes a clear distinction between competitive and noncompetitive activities. Electricity generation and supply are recognised as competitive activities, whilst electricity transmission and distribution fall into the noncompetitive category, which is justifiable by their natural monopoly characteristics and in line with international practice.<sup>6</sup>

Distribution system operators (DSOs) – independent entities established as a result of the unbundling of the oblenergos in 2018 (regional energy companies combining the distribution and supply role) – are responsible for distribution of electricity in the regional grids.

As a result of the retail electricity market reform, starting from 2019, the distribution and supply roles were segregated between separate entities in order to liberalise the market, enable competition among suppliers, and retain the restrictions for natural monopolies such as distribution companies.

Up until 2019, all the electricity generated was sold by producers to Energorynok, a state-owned company, at tariffs set by the regulator separately for different types of generation. Following the market reform effective since the second half of 2019, the state monopoly on the purchase of the entire volume of electricity generated was eliminated and, similar to European countries, a modern wholesale market was created with four segments priced based on the demand and supply, namely: the bilateral contracts market, the day-ahead market, the intraday market and the balancing market. Renewable energy producers began selling the electricity to SE Guaranteed Buyer, which is the state enterprise responsible for purchasing the electricity at the beneficial feedin tariff.

In April 2023, renewable energy companies obtained an option to suspend, temporarily and at its own discretion, the feed-in tariff offered by a SE Guaranteed Buyer, to leave its balancing group and sell electricity through the bilateral contracts market, the day-ahead market, the intraday market or the balancing market.

Despite the recent liberalisation of the electricity market, the state has a continuing influence on the market through the price floor and price ceiling prices imposed in organised wholesale market segments, regulation of electricity tariff for household consumers, export and import restrictions, additional charges for exporters, **public service obligations imposed on market players**, etc.

<sup>6</sup> OECD (2023), Competition Market Study of Ukraine's Electricity Sector, OECD Publishing, Paris.

#### The new model of the electricity market - wholesale segment



# PUBLIC SERVICE OBLIGATION MODEL ("PSO")

Ukraine guaranteed the beneficial 'green' tariff for renewable energy companies. In order to fulfil this guarantee and to maintain the electricity tariff for the population at a level significantly below market, the public service obligation model was introduced.

# **PSO FOR HOUSEHOLDS**

Ukrainian Government imposed on Universal Service Suppliers (USSs) an obligation to supply electricity to residential consumers at a regulated price, which is significantly below the wholesale market price.

To maintain a low electricity price for households, special public service obligations were imposed on Energoatom and Ukrhydroenergo by mandating these producers to sell a portion of the energy generated to SE Guaranteed Buyer in order to meet household needs at prices significantly below market. In its turn, SE Guaranteed Buyer sold this electricity through USSs at prices allowing the latter to charge an insignificant fixed markup on electricity supplied to residential consumers.

The share of households in total consumption of electricity during 2021 was 30.8%<sup>7</sup>, i.e. about one third of total electricity consumed is sold in the market at significantly lower prices imposed by the government that do not fully cover related costs for Energoatom and Ukrhydroenergo, leading to significant financial hardship and mounting debt.

Starting from October 2021, the PSO model was changed from the commodity PSO mechanism to the financial PSO mechanism. Under the financial PSO model, Energoatom and Ukrhydroenergo sell 100% electricity on market conditions and use the revenue generated to compensate universal service suppliers for the difference between the tariffs for domestic consumers and the market electricity price (through SE Guaranteed Buyer).

Following the implementation of the new PSO model, regulated prices for households were revised but still remained below market. For comparison, the higher price of UAH 1.68 per kW\*h (approximately 5.4 Eurocents) for Ukrainian households represents less than quarter of the average electricity price for EU households in the second half 2021 (23.7 Eurocents) and about half of the lowest EU price, being in Hungary.<sup>8</sup>

<sup>7</sup> OECD (2023), Competition Market Study of Ukraine's Electricity Sector, OECD Publishing, Paris,

<sup>8</sup> Eurostat (2022), <u>Electricity prices for household consumers – bi-annual data</u>, NRG\_PC\_204.

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At the same time, the electricity price for households includes: the cost of generation, transmission, distribution and VAT at 20%.

In 2022, the average market cost of electricity at the meter amounted to UAH 4,58 per kW\*h, which is significantly above the regulated price for households and confirms the non-market nature of that price.



Based on the experience of European countries, electricity prices for domestic consumers are objectively 40-50% higher than those for industrial consumers.12

The growth trend for the electricity tariffs approved for Ukrainian domestic consumers is presented below.

The combat and demolished industrial facilities have changed the consumption structure between industrial and household consumers to increase the share of households, which combined with the low prices for households - contributed to the poor operation of the cross-subsidising mechanism introduced as part of the PSO.

Despite the numerous changes to the PSO model, the financial system in the electricity market could not be fully balanced. Introduction of market prices for domestic consumers will become an important step to solve the financial issues prevalent in the electricity market and develop a fullyfledged electricity market driven by European rules as it is capable of eliminating any non-market factors and bridging the gaps caused by pricing and financial distortions, as well as supply and demand disproportions.

# **PSO TO SUPPORT RENEWABLE ENERGY GENERATION**

As the wholesale market price at which SE Guaranteed Buyer can sell the electricity purchased from the renewable energy companies is, on average, below the feed-in tariff, this gives rise to losses for SE Guaranteed Buyer. To cover these losses, PSO have been imposed on Ukrenergo to compensate SE Guaranteed Buyer for the difference between the feed-in tariff and the selling price of electricity using income from electricity transmission tariffs.

### Electricity tariffs for domestic consumers In kopecks per kW\*h (incl. VAT)

Source: prepared based on NCREU regulations



<sup>9</sup> Data reported by Market Operator

<sup>10</sup> Data reported by NCREU

<sup>11</sup> Data reported by NCREU Using the tariff for DTEK KYIV ELECTRIC GRIDS, 1st voltage grade, as an example.

<sup>12</sup> Research prepared by DIXI GROUP NGO and supported by USAID as part of the Energy Sector Transparency project, 2021.

Market without PSO: what would the electricity prices be like for households.

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At the same time, the transmission tariff is not sufficient to meet PSO and only covers Ukrenergo's operating costs, making SE Guaranteed Buyer unable to settle its liabilities to renewable energy companies on a timely basis. As an example, the National Commission for Regulation of Energy and Utilities (NCREU), approved the 2022 transmission tariff for Ukrenergo NJSC at UAH 345.64 per MW\*h (net of VAT), which is 17.6% higher than the 2021 tariff (UAH 293.93 per MW\*h); at the same time, Ukrenergo NJSC initiative the revision of the 2022 tariff by increasing the electricity transmission tariff by 29.1% to UAH 446.24 per MW\*h starting from 1 April 2022. Due to the mutual indebtedness problem prevalent in the electricity market, funding of the PSO for renewables remains unstable.

# UKRAINE'S ENERGY STRUCTURE BEFORE THE FULL-SCALE INVASION

Ukraine's generating capabilities mostly comprise the power plants constructed during the Soviet Union era with no dramatic changes since Ukrainian independence other than an increase in the renewable energy generation capabilities.

Nuclear power plants (NPPs) account for the biggest share (51.2-55.1% during 2016–2021) in the overall power generation in Ukraine. The role of 13.8 GW installed capacity nuclear power plants is to cover the base demand (even voltage throughout the day).<sup>13</sup>

The majority of nuclear reactors, commissioned during the period from 1977 to 1989, are nearing the end of their useful lives.

International experience demonstrates that it is technically possible for nuclear power units to extend their service life, subject to compliance with nuclear and radiation safety standards. Energoatom has already extended the service life of 12 nuclear reactors.

Installed capacity of nuclear power units, GW	Expected end of service life, years
3	2023-2025
5	2026-2029
2,8	2030-2033
3	2034-2037

In case of inability to prolong the operation of nuclear power units, during the next 15 years, the Ukrainian energy system will either require a significantly bigger number of new generation facilities to replace 100% of nuclear generation, or will import electricity.

Thermal power plants (TPPs), whose share gradually declined from 32.2% to 23.8%, came second in the overall power generation structure during 2016–2021. The majority of heat generation plants in Ukraine are designed to cover the base demand, yet they are used in peak or semi-peak modes due to the shortage of power cycling capabilities. The share of cogeneration plants (CGPs) in the overall electricity generation structure declined from 8.6% to 5.5% during the period from 2016 to 2021, respectively.

Despite the insignificant share in the overall power generation structure -5.1%-7.5% during 2016–2021 – hydro-electrical power plants and pumped storage plants (HEPPs and PSPs) have an important role in operation of Ukraine's energy system by covering the peak demand and offsetting night-time drops in electricity consumption.

Renewable generation, represented by photovoltaic power stations (solar farms), wind farms, biofuel power plants and mini HEPPs demonstrated a strong growth trend during recent years (growth from 1% to 8% in the overall electricity generation structure in Ukraine from 2016 to 2021).

Although, on paper, the total available installed capacity exceeds the overall demand for electricity, Ukraine has a shortage of power cycling capabilities required for quick and frequent changes in operating modes. In addition, a number of facilities capable of changing the operating modes (mostly concentrated at TPPs) have exhausted their economic lives and require replacement in the foreseeable future.

<sup>13</sup> No official data on electricity generation for 2022 was available at the time of writing this report, therefore the information presented below is before 2022.

Key changes in installed capacity in Ukraine's UES in recent years were due to the elimination of the power plants located in the temporarily occupied territories in the Donetsk and Luhansk Regions and Crimea. Ukraine has lost close to 4.2 GW of generating capacity, mostly coal-fuelled TPPs, as well as CGPs, solar and wind farms. At the same time, the green energy has demonstrated a significant hike in installed capacity and growth of the generated output. However, such a rapid growth of the share in the overall capacity with a poorly forecastable generation schedule requires addressing the issue of the shortage of power cycling capabilities and/or demand management measures.

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# RAPID GROWTH AND CHALLENGES OF RENEWABLE ENERGY SECTOR

The renewable energy sector has demonstrated a strong growth trend over the recent years. The number of commissioned renewable energy power plants and the share of renewable energy in overall electricity generation in Ukraine continue to grow. However, the pace of commissioning in 2021-2022 has significantly decreased compared to the previous two-year period due to a retrospective change in the government support system.

As of early 2022, the share of renewable energy in overall generation was 8% (excluding HEPPs and PSPs).<sup>15</sup> The total renewable energy output generated during 2021 (at feed-in tariff) was 11.4 million MW\*h (2016: 1.8 million MW\*h).

Photovoltaic energy has the top install capacity (6,381 MW\*h at the end of 2021; +287 MW\*h for 2021) in renewable energy, which is explained by more affordable technology of constructing the generating facilities. The installed capacity of wind farms at the end of 2021 reached 1,673 MW\*h (+359 MW\*h for 2021). Other types of renewables (biofuel stations and mini HEPPs) as of the end of 2021 accounted for 447 MW\*h of installed capacity (+118 MW\*h for 2021).

The rapid growth of renewables is similarly observed at the household level: at the end of 2021, the installed capacity of photovoltaic power stations operated by households totalled 1,200 MW\*h (+400 MW\*h for 2021).

Despite the significant domination of PV stations in total installed capacity of the renewable energy sector (75% for PV farms, 20% for wind farms, 5% for other at the end of 2021), this domination is less pronounced in the overall structure of output in the renewables sector (56% for PV farms, 33% for wind farms, 10% for other in 2021).

The introduction of the Feed-in-Tariff (FiT) in 2009 was one of the most important drivers behind the growth of the renewable energy sector. The initial FiT for renewable energy companies was attractive to investors, allowing Ukraine to achieve a significant growth of its renewable energy sector. FiT is determined on a project-by-project basis based on the source of renewable energy, installed capacity and the period of commissioning, and is fixed in EUR (updated by NCREU on a quarterly basis based on the up-to-date UAH/EUR exchange rate).

A significant growth of the share of renewable energy in the total output exacerbated some of the issues in the market, in particular, SE Guaranteed Buyer's ability to settle the balances payable to generating companies eligible for FiT. On top of the mounting guaranteed buyer's debt, other factors adversely affecting the development of this sector included the operating constraints imposed on renewable electricity generation by Ukrenergo acting as a UES operator due to the shortage of balancing capacity in the energy system.

During 2020, the "green" tariff for both future and previously built renewable energy projects changed significantly, in particular: FiT was reduced (from 2.5% to 60%) with decreasing coefficient based on the energy source, commissioning date and installed capacity of a renewable energy facility; the renewable energy company's liability for imbalances was increased (to 100% starting from 1 January 2022); and the mechanism for offsetting the output cap for renewable energy companies was introduced.

Cutting the "green" tariff did not solve the problem of insufficient tariff for transmission and for households, but the costs of renewable energy producers increased significantly due to a change in the balancing responsibility.

In 2021, in order to settle the accumulated debt for the renewable energy, Ukrenergo issued USD 825 million of green bonds and used the proceeds to settle the payable to SE Guaranteed Buyer in order to enable the latter to settle its respective debt to renewable energy companies.

# THE IMPACT OF THE WAR, **REFORMS AND POST-WAR PROSPECTS FOR THE RENEWABLE ENERGY**

Russia's full-scale invasion of Ukraine brought colossal problem's for the country's energy sector. Circa 35% generating facilities remained in the temporarily occupied territories, the domestic demand dropped by 30-35% compared to 2021 and a significant part of energy infrastructure was damaged or demolished. Nevertheless, the Ukrainian energy system has demonstrated strong resilience under the wartime conditions.

Starting from October 2022, russia has started numerous large-scale attacks targeting the Ukrainian energy system, which created an imbalance in the energy system and regular power outages. Damage to infrastructure lines, shunting and generating capacities caused shortages in the system, scheduled and emergency power cuts became daily and longterm. In February 2023, the system was relatively balanced; however, the energy structure remains vulnerable to such attacks.

As of March 2023, the World Bank estimated direct losses of the Ukrainian energy sector, including public utilities and the district heating sectors, at USD 10.6 billion.<sup>16</sup>

Overall, circa 30% of photovoltaic generating facilities and over 90% wind power facilities are demolished or located in occupied territories.17

During the initial 4 months of the martial law, the level of guaranteed buyer's payments to renewable energy companies dropped to 15-16% of monthly electricity sales, with 0% payment for most days in March due to the orders of specialised ministry, eventually increasing to 40-50%. In addition, as a result of the russian invasion, there is a high level of system restrictions on generation from renewable sources, the sources of related compensations are yet to be determined, and the available sources are insufficient.

On 5 July 2022, a new cash distribution scheme for renewable energy companies was approved by the Ministry of Energy and came into effect. The minimum level of settlements has been set at 35% of actual monthly sales and the cash balance remaining after the allocation of the minimum payments is paid by SE Guaranteed Buyer towards further settlement of the balance due to renewable energy companies pro rata to their electricity output supplied. Over the period March-December 2022, the actual level of settlement increased from 17% in March 2022 to 84% in December 2022, with the average annual level of 64% a month.

On 19 August 2022, Ukrainian Parliament passed amendments to the Law on Electricity Market, permitting Ukrenergo to use any proceeds from the sales of access to cross-border crossings to settle the accumulated outstanding balance due to the renewable energy companies.

On 25 April 2023, NCREU provided an option for renewable energy companies to temporarily switch from the SE Guaranteed Buyer's feed-in tariff to sales of electricity in the free market. Starting from 1 July 2023, price caps in organised wholesale market segments were increased (by 25% in daytime, 50% in night-time and 80% in the peak period between 7pm and 11pm) to make the potential entry of the free market by renewable energy companies even more attractive. As soon as July-August 2023, the price prevalent in the wholesale market could be more attractive to renewable energy companies than the feed-in tariff. The easing of wholesale price caps should also have a positive effect on SE Guaranteed Buyer's solvency, increasing the level of settlements of the balance due to renewable energy companies.

On 30 June 2023, the Law on Amendment of Certain Laws of Ukraine on Recovery and Green Transformation of the Energy System of Ukraine was signed, intended to improve the conditions of support to the renewable energy sector. The law provides an option for the renewable energy companies that have suspended selling under the feed-in tariff to receive a feed-in premium from February 2024 as a difference between the market price and the feed-in tariff. This change will encourage renewable energy companies to sell their electricity output to buyers other than SE Guaranteed Buyer, allowing the former to become full-fledged market players.

<sup>&</sup>lt;sup>16</sup> Ukraine Rapid Damage and Needs Assessment February 24, 2022 – February 24, 2023 (RDNA2) prepared by the World Bank Group, the Government of Ukraine, the European Union services, and the United Nations. <sup>17</sup> Draft Ukraine Recovery Plan. Materials of the Energy Security working group, the National Ukraine Recovery Council

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Additionally, the law introduces a system for issuing Renewable Energy Guarantees of Origin certificates, opening for renewable energy companies and SE Guaranteed Buyer an opportunity to export the green energy.

The reforms completed during the full-scale war represent steps towards implementation of Ukraine's Energy Strategy to 2050, which sets a vision for recovery of the energy sector using the state-of-the-art technologies, strengthening the system's resilience and enhancing the overall energy security of both Ukraine and Europe as a whole. The key objective of the strategy is to transform Ukraine into a European energy hub, helping the continent finally overcome the dependence on russian fossil fuel thanks to the clean energy generated in Ukraine.

In March 2022, the UES of Ukraine disconnected from concurrent operation with energy systems of Russia and Belarus and connected to ENTSO-E, the united energy system of continental Europe a year earlier than planned. The technical synchronisation enhances Ukrainian energy system's reliability thanks to an option to receive emergency assistance from Europe and to import electricity, whereas Ukraine can provide emergency assistance to European countries and export electricity as appropriate and should the country have excessive generation capacities.

The technical synchronisation with ENTSO-E is the first and the most important step towards the launch of the market coupling process that represents commercial synchronisation, i.e. the connection between the trading zones of spot markets in European countries. This will enable market players to freely trade electricity with other countries within the cross-border capacities. This will help improve competition, develop market mechanisms and strengthen the stability of both Ukrainian and European markets. The technical and market coupling of the energy systems will provide benefits for both Ukraine (that will obtain access to infrastructure and generating capacities of the European energy system to further growth the renewable energy sector) and Europe (that will obtain access to the vast potential of clean energy sources in Ukraine needed for the European energy transition).

According to the Ukrainian Academy of Science's Renewable Industry Institute, the cumulative potential capacity of renewable energy in Ukraine is as high as 874 GW, including circa 250 GW of capacity related to offshore wind farms. According to the minister of energy, Ukraine is potentially capable of growing its wind generation capacity to 140 GW, solar generation capacity to 94 GW and the energy storage capacity to 38 GW by 2050.

At the same time, the need to significantly increase the power cycling capabilities of the energy system remains among the most pressing challenges the Ukrainian energy system is facing. These capabilities, already insufficient before, will only face even more severe shortages during the rapid growth of renewable energy capacities (unless adequate integration support technologies are adopted).



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# ENVIRONMENT

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# **CLIMATE CHANGE**

GRI 3-3; 302-1; 302-4

Our approach to environmental impact management involves an ongoing identification and assessment of risks and opportunities related to climate change.

We believe that energy efficiency is one of the cornerstones of the sustainable global energy system. It enables to get more from existing resources, underpins the economic growth, decreases energy costs and reduces greenhouse gas emissions.

Elementum Energy consumption of energy resources largely represents electricity consumption for own needs of the electric power plants.

#### Electricity consumption in 2020-2022



In 2022, the electricity consumption level has not changed significantly as compared to 2021, with only a 0.3% increase.

Our energy efficiency priorities are, among other things, to decrease energy consumption by using energy-efficient technologies both at the electric power plants and in the offices.

In particular, the Elementum Energy Kyiv office is located in the UNIT.City Business Campus awarded by a LEED v.4 Core & Shell Silver Certificate to confirm that the building is energyefficient and environmentally friendly. The office premises are equipped with the state-of-the-art engineering solutions enabling to reduce annual energy and water consumption. Two-stage air purification technology ensures high indoor air quality, and household waste is collected separately and sent for recycling subsequently. Fuel consumption is attributable to corporate motor vehicles used in the company's operating activities.

#### Fuel consumption in 2020-2022



The 2022 fuel consumption volume was lower by 30% vs. 2021 resulting primarily from reduced use of motor vehicles by the company's employees caused by the full-scale invasion of Ukraine.

### GRI 305-1; 305-2; 305-5

Consumption of non-renewable energy resources emits greenhouse gas emissions. Therefore, our environmental management system encompasses, among other things, the ongoing monitoring and control of greenhouse gas emissions.

Calculations of Scope 1 and Scope 2 greenhouse gas emissions were based on the information consolidated under the financial control approach. All companies covered by this Report were included in the calculations.

In 2021, Scope 1 direct GHG emissions amounted to 29,9 tonnes of CO2 eq – a 31% decrease vs. 2021. As mentioned above, such change in the quantity of GHG emissions is driven by a very reduced use of motor vehicles by the company's employees amid martial law.

The calculation of Scope 2 emissions was performed in accordance with the GHG Protocol methodology using the location-based approach.<sup>20</sup>

<sup>18</sup> 1 kWh = 0.0036 GJ

<sup>&</sup>lt;sup>19</sup> The Intergovernmental Panel on Climate Change (the IPCC) standard conversion factors were used to convert fuel measurement units from litres to joules: the density of diesel fuel: 834 kg/thousand litres, petroleum: 756 kg/thousand litres; a factor of the lower heating value for diesel fuel: 43 MJ/kg, for petroleum: 44.3 MJ/kg.

<sup>&</sup>lt;sup>20</sup> The location-based approach is based on data on the entire emissions intensity of grids of Ukraine's unified energy system.

Scope 2 emissions for the 2021-2022 reporting years did not differ materially. These emissions resulted from PVPP and WPP electricity consumption from the unified energy system of Ukraine. No practical mechanism is adopted in Ukraine to allow consumers to buy and consume electricity specifically from renewable sources.

In 2022, total GHG missions amounted to 3 992,9 tonnes of CO2 eq, which corresponds to the 2021 emissions.

### GHG emissions in CO2 eq in 2020-2022, tonnes



Based on the GHG emissions estimated, Elementum Energy is not a significant GHG emitter. We intend to explore future opportunities for calculating and estimating the share of GHG emissions generated in the supply chain, which relate to production and transportation of PVPP and WPP equipment.

# Production of renewable electricity and avoided emissions in 2020-2022.



Overall, the Elementum Energy operations result in a direct positive impact on a reduction in greenhouse gas emissions through electricity production with net zero emissions. Our contribution to the green energy transition in Ukraine grows as the number of our renewable energy facilities and their installed capacity continue to increase.

### **GOALS AND AMBITIONS**

Elementum Energy strives to reduce its current adverse impacts on the climate by developing the appropriate targets and taking the following steps in the future:



Consider Scope 3 GHG emissions calculation and accounting



Ensure a staged reduction of fossil fuel consumption by our motor vehicles through vehicle fleet modernisation towards eco-friendly motor vehicles

<sup>21</sup> The fuel consumption data on motor vehicles and conversion factors of the Intergovernmental Panel on Climate Change (the IPCC) were used to calculate direct GHG emissions from mobile sources: the density of diesel fuel: 834 kg/thousand litres, petroleum: 756 kg/thousand litres; a factor of the lower heating value for diesel fuel: 43 MJ/kg, for petroleum: 44.3 MJ/kg; a CO<sub>2</sub> emission factor for petroleum: 69,300 kg/TJ, for diesel fuel: 74,100 kg/TJ; a CH<sub>4</sub> emission factor for petroleum: 3.9 kg/TJ, for diesel fuel: 28.6 kg/TJ. The global warming conversion factors from the IPCC Sixth Assessment Report were used to convert emissions to CO<sub>2</sub> equivalent: for methane – 29.8, for nitrogen oxide – 273.

<sup>22</sup> Indirect GHG emissions (Scope 2) were calculated based on the factors of emissions per unit of electricity for the unified energy system of Ukraine as a whole, as defined according to the harmonised IFI approach to GHG Accounting for Renewable Energy Projects Connected to the Grid (the calculations of the emission factors are described in detail in <u>Methodological Approach for the Common Default Grid Emission Factor Dataset (2022)</u>
<sup>23</sup> Avoided emissions are estimated in accordance with the harmonised IFI approach to GHG Accounting for Renewable Energy Projects Connected to the Grid (the calculations of the emission factors are described in detail in: <u>Methodological Approach for the Common Default Grid Emission Factor Dataset (2022)</u>
Description: <u>Methodological Approach for the Common Default Grid Emission Factor Dataset (2022)</u>

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# BIODIVERSITY

### GRI 3-3

Elementum Energy operates in seven regions in Ukraine, which are inhabited by diverse flora and fauna species and form part of a large ecosystem. We understand that our business can lead to the ecosystem disruption. As such, considerable attention is given to this material topic.

Elementum Energy developed and approved the Biodiversity Conservation and Sustainable Natural Resources Management Policy. The Policy underlies the principles to ensure that the Elementum Energy operations are conducted in adherence to the sustainability principles. The Policy is designed to avoid and, if impracticable, to mitigate adverse impacts on biodiversity, ecosystems and ecosystem services associated with our business activities.

Elementum Energy strives to early identify potential adverse risks for and impacts on biodiversity and ecosystems at an intimal stage of project development. This approach requires:

- a) measures to be taken to mitigate the impacts;
- b) an analysis of a set of alternatives to the potential adverse impacts identified;
- c) public involvement in approval of decisions.

2 Read more about the Policy

### **PROTECTED AREAS**

### GRI 304-1

Elementum Energy has analysed the PVPP and WPP locations in relation to the protected areas, such as the Environmental Protection Fund of Ukraine, Emerald Networks under the Bern Convention, wetlands under the Ramsar Convention, and protected areas under International Union for Conservation of Nature. <u>IBAT</u> was used for the analysis purposes.

Based on the findings, four facilities located within or adjacent to (within 1 km) to the protected areas have been identified:

- Kamianets-Podilska PVPP located within an economic zone of the Podilski Tovtry National Nature Park;
- Three PVPPs located within 1 kilometre from the protected areas.

The full list of the production sites controlled by Elementum Energy and located within or adjacent to the protected areas is presented in *Appendix 1*.



### SIGNIFICANT IMPACTS ON BIODIVERSITY

#### GRI 304-2

Elementum Energy engages external advisors and experts to perform the Environmental Impact Assessment. The assessment enables to identify adverse impacts and to develop mitigation measures at the project development stage. In assessing the impacts of our new projects, we always strive to follow the mitigation hierarchy, which means that our first steps are taken to avoid and mitigate the impacts. Most impacts are localised, short-term in nature and reversible. Elementum Energy implements the ecosystem approach in accordance with the Biodiversity Conservation Policy and takes mitigation actions to minimise the above potential impacts.



# SPECIES ON THE IUCN RED LIST AND RED BOOK OF UKRAINE

### GRI 304-4

Elementum Energy power plants are built in the anthropogenically changed areas – former farmland or wasteland, which minimises a discovery of rare species.

Biodiversity impact assessments show that the PVPP and WPP construction and operation do not change the composition of flora and fauna, species biodiversity, populations of dominant, high value or protected species, their physiological state and productivity significantly. Whilst being present at the construction stage, the impact is limited, moderate and temporary in nature. In 2021, the bird population monitoring of the Dnistrovska WPP territory and surrounding areas was performed. In addition to an identification of avifauna representatives, their numbers and distribution over the area, they were ranked against conservation lists:

Annexes

Distribution of bird species during the spring migration period and the nesting period in 2021 by conservation list category<sup>24</sup>



7 Red Book species and 70 species on the IUCN Red List were registered during the spring migration period and the nesting period.

Based on the analysts' conclusions, the chance of meeting rare species from the national conservation lists within the Dnistrovska WPP area was very small due to the wind farm located along a motor road and the high number of residential settlements. The WPP adverse impact is ranked as low.

The avifauna analysis has enabled Elementum Energy to understand the potential adverse impact on birds and to make sure that in most cases, birds are able to fly over the wind turbine site and complete the flight safely.

<sup>24</sup> Notes: Conservation status of the Red Book of Ukraine: EN – Endangered; VU – Vulnerable; RR – Rare; NE – Not Evaluated. IUCN – conservation status of the International Union for Conservation of Nature: EN – Endangered; NT – Near Threatened; VU – Vulnerable; LC – Least Concern. Conservation status of the European Red List: VU – (Vulnerable) species which can be, in the nearest future, referred to endangered category if the factors affecting their status will continue to act; EN – (Endangered) species which are under danger of vanishing; their conservation is hardly possible, and reproduction is impossible with special actions and measures.

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Author: Pawel Czerwinski

# WASTE

#### GRI 3-3 GRI 306-1: 306-5

Elementum Energy's waste management approach and key practices are set out in the Environmental Policy and the Sustainability Policy, which declare the commitment to minimise and responsibly handle waste, and use resources in a rational manner.

Waste is generated during the construction and operation of power plants, as well as day-to-day activities of our offices.

Elementum Energy is committed to raising environmental awareness among its people by running environmental awareness campaigns and webinars focussing on sorting rules and sustainable use of resources. In particular, on an annual basis, employees take part in Plastic Free July, an international initiative designed to educate society on ways to live without single-use plastic and build environmentally friendly skills in day-to-day lives.

We have also implemented digital waste records to enable adequate collection and monitoring of waste-related data.

Elementum Energy complies with the principles of the EU waste management hierarchy, which prioritises prevention of waste generation, and if prevention is impossible, effort is made to reuse, before finally sending waste for recycling if reusing is impossible. Non-recyclable waste is sent for disposal or depositing (waste burial in specially designated landfills). Elementum Energy engages licensed providers for disposal and depositing of waste.

### >90%

of total waste is used or damaged solar panels, which is about 10 tonnes for the period 2020-2021. All waste was properly disposed of To prevent non-compliance with contractors, Elementum Energy conducts due diligence prior to working with the contractor, signs an Agreement on endorsement of sustainability principles and compliance with occupational health, fire safety, environmental protection requirements with contractors or includes clauses on waste handling in agreements with contractors, oversees contractors to ensure appropriate recycling and disposal of waste generated at Elementum sites.

### WASTE GENERATED AND ITS MANAGEMENT

GRI 306-3 GRI 306-4

GRI 306-5

Starting from 2022, as a result of russian shelling, damages to solar panels at a photovoltaic power plants (PVPPs) in the Kherson Region are being recorded. As attending the location remains unsafe, we do not have any accurate information about the number of damaged panels and it is likely to increase in the future. Should safe workplace conditions resume at the solar farm, Elementum Energy will be able to collect waste data and include it in the overall statistics in future Reports.

Other waste comprises: paper, plastic, glass, domestic waste, used non-rechargeable electric batteries, car tyres, car batteries and waste generated during the construction of power plants. The total volume of other waste, excluding construction waste, for 2022 totalled 0.21 tonnes.

### 1%

in total waste generated represents hazardous waste (non-rechargeable electric batteries and car batteries)

### 100%

Waste classified as Other was sent to licensed providers for recycling or disposal

### **GOALS AND AMBITIONS**

1

Compliance of the waste management system with the new Law of Ukraine on Waste Management Oversight over compliance with waste sorting practices by employees and contractor staff on Elementum Energy production sites

2

3

Raised awareness among employees on waste handling and circular economy principles by delivering internal training

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# OUR PEOPLE

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# TEAM MANAGEMENT, MOTIVATION AND ENGAGEMENT

#### **GRI 3-3**

The pillars of Elementum Energy's HR model are: respect for diversity, open dialogue, and equal opportunities for all.

# The areas of focus in human capital management are:

- Active involvement of the team in processes and decisions
- · Equal opportunities and effective communications
- Fair remuneration
- The culture enabling our people to fulfil their personal and professional growth potential

Elementum Energy has a set of HR policies and internal regulations in place that set out the key operating principles, internal rules of conduct, hiring, termination and transfer policies, health insurance, remote working policies and other human capital management policies. Elementum Energy signs employment contracts with all employees.

Our approach to human capital management continuously adapts to the company's operating environment. We increasingly focus on improving the hybrid work processes combining attendance of the office and remote work.

Elementum Energy's number of employees increased by 2% in 2022 compared to 2021, reflecting the company's growth. As of the year-end 2022, Elementum Energy's total headcount was 50 employees.<sup>25</sup>

Employees are generally employed full-time under a permanent employment contract.

#### Read more about the HR Policy

Breakdown by type of employment contract



### Breakdown by type of employment



# **DIVERSITY AND HUMAN RIGHTS**

#### GRI 405-1

We commit to providing a safe and professional workplace environment that helps eliminate barriers, promotes inclusion and prevents harassment. Elementum Energy does not tolerate any form of discrimination of people because of their race, colour, gender, language, religion, political or other believes, national or social origin, property, sexual orientation, age, disability or other differences.

<sup>25</sup> The headcount is reported based on the actual recorded number of employees as of the end of the calendar year. This figure includes all effectively employed members of staff, including employees on parental leave and the individuals mobilised to the military. Individuals replacing employees on parental leave are not double counted.

Our diversity and human rights principles are set out in the HR Policy. As of the year-end 2022, Elementum Energy employs 4 people with disabilities.

In 2022, senior management personnel of the Group comprised 5 individuals or 10% of total personnel, with the remaining 45<sup>26</sup> employees comprised of administrative and operating staff. The share of women was 42% of total personnel and 40% – among the senior management. In 2021, there were 67% women amongst senior management and 42% amongst other personnel.

The personnel structure by age has remained relatively stable over the last three years, with the majority of employees represented by the 30-50 age group and a significant share of employees in the under 30 age group.

### GRI 401-3, 405-2

We support young parents guaranteeing them a right to parental leave in accordance with Ukrainian law. In 2021-2022, there were 2 women on maternity leave. Elementum Energy commits to fair pay and decent, safe and transparent working conditions regardless of sex and gender. In 2022, the ratio of average total compensation (being the sum of base salary and additional remuneration) of women to the total compensation of men was 0,99 for senior management and 0,69 for administrative and managerial personnel. In 2021, these ratios were 0,81 and 0,66, respectively.

An important principle in managing the team is promoting involvement of employees in decision making, developing their leadership skills, as well as responsible and innovative approaches to tackling tasks. The company strives to implement management practices when leadership powers are granted to employees regardless of their formal position but based on their aspirations, competences and responsibilities.

# "

*I am inspired to be part of a powerful team of diverse but equal professionals* Olga Rybachuk Managing Director

To build trust, we continuously work on improving internal communications. Starting from May 2021, we launched a staff satisfaction survey (subsequently renamed PULSE) as an important managerial tool to identify and measure any changes in team morale. The survey is conducted every three to six months amongst all employees. The Company has conducted four PULSE surveys. As a result, we have purchased new equipment for our office, updated the current software and implemented some ideas suggested by employees to streamline working processes and promote team building.

Over the next few years, Elementum Energy aims to continue developing internal communications within the company and maintaining high people engagement level relevant to sustainability.



<sup>26</sup> The headcount is reported based on the actual number of employees as of the end of the calendar year.

# HIRING AND RECRUITMENT PRACTICES

#### GRI 401-1

Elementum Energy strives to recruit, hire and retain the right talent for its team. We create an environment that attracts the best talent in the market aiming to be part of our culture of continuous growth, improvement and professionalism. The company treats all candidates fairly and justly, with respect and dignity.

Transparency of recruitment practices and corporate values are important elements of bringing trust into relationships with our people. We acknowledge the importance of quality induction of new team members and have implemented a Buddy system in the company for this purpose. Each new joiner is assigned a buddy in the team, who is an experienced colleague (working more than 12 months) and can help the new employee adapt in their new role.

During 2022, had 9 new joiners (66% being women) and 8 leavers (75% being women). The staff turnover ratio was  $10\%.^{27}$ 

#### The number of hired and departed employees:



<sup>27</sup> The staff turnover ratio is calculated as a ratio of voluntary leavers, those fired by management, retired or deceased whilst employed by the organisation to the average headcount in a given reporting period. All new joiners and leavers relate to Ukraine
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# LEARNING AND DEVELOPMENT

#### GRI 3-3

Professional and personal development of Elementum Energy employees has a direct impact on the Group's overall growth. With this in mind, we build a system of staff training that can make learning programmes accessible to employees and promote ongoing career development.

We have set a goal to develop and implement a corporate academy system for our people, and approved key rules and approaches, as well as related targets and KPIs. In accordance with our strategy, the learning and development policy will be based on the following principles:

- Identification of key competencies for staff performance appraisal, learning and development
- Development of core professional skills, as well as soft skills depending on competencies and performance assessment findings
- Allocation of learning and development programmes between functional, company-wide and individual
- Focus on company-wide and functional learning programmes
- L&D metrics such as learning hours per annum and L&D budget costs per business unit / employee
- A fair and equal treatment of learning metrics across employee groups, namely, administrative staff, operating staff and senior management

# LEARNING AND DEVELOPMENT PROGRAMMES

#### GRI 404-2

During 2021 and 2022, Elementum Energy focused on staff learning and development across the most material topics of the company's business.

During this period, our employees attended various training events, earned professional qualifications and attended specialised conferences, in particular:

- Training events on anti-corruption and sustainable business practices
- Occupational health and safety training
- Workshops to improve management and analysis of wind power plants
- Specialised training delivered by wind turbine producers
- Working panels, industry meetups and discussions focussing on regulatory practices in the energy sector
- Industry conferences providing the overview of new developments in the renewable energy sector
- Conferences focussing on the recovery of ukraine's energy sector and infrastructure
- Workshops providing the overview of new developments in tax law, financial and HR accounting rules

Learning and development costs amounted to EUR 65 thousand in 2021 and circa EUR 20 thousand in 2022. The decrease in the learning and development costs is mostly attributable to the difficulties in delivering training events caused by full-scale invasion, relocation of employees and security concerns.

An important priority in upskilling our people is developing their soft skills, such as working in a team, cross-functional communication, leadership skills. At least twice a year, the company plans sport, entertainment and educatory corporate events to improve these competences.

In the future, we intend to implement a more structured learning and development approach in order to improve the accessibility of useful and interesting information for all our people to contribute to their professional and personal development and drive the company towards its goal. Objectives of learning and development programmes will include:

- Encouraging students to sign up for internship and • apprenticeship programmes with the company, professional development and building expertise. This area covers industry conferences, seminars and workshops focussing on renewable energy sources; global new technology trends; specialised tax and HR administration workshops; attendance of business events and macroeconomic overviews in the area of economics, finance, government policies, etc.; Attendance of occupational health and environmental protection training events; sustainability roundtables and UN training programmes; specialised conferences focussing on improvement of power generation management, forecasting and balancing practices
- Developing managerial and leadership competences and soft skills. This area includes delivering workshops on feedback and effective communication rules, effective meetings, coaching leadership programmes for senior management, strategic sessions to develop managerial skills

- Developing team interactions. This area includes specialised team interaction training events and business games
- Improving staff engagement

The company uses the average learning hours per employee as a metric to measure performance of the learning and development system. This metric was not tracked during the reporting period.

## **GOALS AND AMBITIONS**

To achieve 15 learning hours per employee in 2023, and to increase it up to 32 learning hours per employees over the next three years.



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# HEALTH AND SAFETY

#### GRI 3-3

Considering the nature of our business, health and safety has always been, and continue to be, our top priority. We emphatically work to ensure that our employees and contractors are safe wherever they are during their work for Elementum Energy.

Our goal is to be a health and safety leader in the renewable energy sector. We achieve this through the Occupational Health and Safety (OH&S) management system we have put in place, systematic mitigation of risks, staff training and periodic oversight by management.

# "

I believe that the value of safety is non-negotiable. If a company puts the safety of its people first, it automatically achieves the other outcomes. By proactively taking care of safety, we promote the culture of care that not only underpins the fail-safe approach in protecting our people but also drives the Company's success."

Oksana Perehuda Occupational Health and Safety representative employee

Elementum Energy has a responsible person for OH&S, who performs the following functions:

- Monitors compliance with safety rules and implementation of the relevant risk mitigation initiatives and programmes.
- Sets up the occupational health management system compliant with local law, corporate requirements and ISO 45001.
- Manages internal audits and inspections, occupational health and fire safety induction briefings, the accident investigation committee.

Although Elementum Energy is fully responsible for implementing workplace safety, the company also expects its employees and contractors working at Elementum Energy locations to comply with the safety rules in place and contribute to promoting the culture of safety.

## OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

#### GRI 403-1, 403-8

Our OH&S management system is designed based on local regulations, the requirements of ISO 45001:2018, and the riskoriented approach. The OH&S management system has a positive impact on the efficiency and effectiveness of work, resulting, amongst other things, in reduced costs.

Since the majority of work across Elementum Energy sites is done by contractors, the safety of the contractors' personnel is our priority. We expect our contractors to comply with safety rules and regulations whilst on site. Prior to working with potential partners, we conduct a thorough supplier due diligence, specifically focussing on occupational health and safety. In the course of the supplier due diligence, we analyse documentation, including the relevant policies in place, and the workplace accident history. Elementum Energy might sign an addendum setting out the contractor's commitment to comply with applicable law and our procedures. Subsequently, Elementum Energy monitors compliance with the contractual requirements by conducting periodic audits and briefings.

Incident data is collected, assessed and reported based on internal regulations of Elementum Energy. The occupational health and safety responsible employee maintains ongoing contact with contractors' staff. As an additional control over the contractor activities, each location has a CCTV system allowing Elementum Energy to monitor the situation 24/7 across all its solar and wind power plants. Environment

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staff, including contractors, involved in Elementum Energy projects during 2021-2022 was covered by the occupational health and safety system

# The occupational health and safety system has been designed based on the following principles:

- The occupational health and safety management system is an integral part of the ISO-compliant integrated management system.
  - The system meets legal requirements and expectations of a range of stakeholders such as shareholders, employees, customers and the wider society.
  - Management and employees are encouraged to be involved in building a culture of safety and enhancing the role of occupational health and safety in Elementum Energy's operational activities.
  - Occupational health and safety matters are incorporated in the annual business planning process and annual goals are set for all operations related to health and safety in order to ensure continuous improvement of the system and compliance.
  - The company identifies, assesses and oversees risks and promotes opportunities in the area of health and safety.
  - Employees are provided with everything they need for safe performance of their job.
    - Safe and healthy workplace conditions are available to employees of the company taking into account specific risks and hazards.
    - Sources of potential hazard to employees are identified and mitigated to the extent possible.
    - The company involves internal and external audits, validation of health and safety systems and procedures, and improves performance by analysing its data and benchmarking vs. industry peers.
    - Communication and exchange of successful practices to support continuous raising of awareness.

# **RISK ASSESSMENT**

#### GRI 403-2, 403-7

In 2021 and 2022, Elementum Energy continued actively implementing the risk-oriented approach to OH&S in line with international standards. The Group entities perform periodic risk identification and risk assessment in various areas of the business. The risk and opportunity management system is designed to:

- Prevent any situations adversely affecting the company's business.
- Reduce costs related to crystallisation of risks and elimination of their impacts.
- Increase the likelihood of achieving the targets.
- Implement risk management elements as part of the overall process-based approach of the company operations.
- Improve the governance and stakeholder trust.

To reduce workplace incidents and occupational illness, we analyse risks and hazards consistently for all activities involving all staff. Key focus is on the employees responsible for site inspections. Risks are assessed based on a Risk Assessment Matrix. The outcome of such analysis is the list of identified risks and related risk mitigation activities, provided in the *Appendix 2*.

# The company completed a risk assessment of core operating activity elements for the period 2021-2022.

Out of 31 activities, the company identified one high-risk activity and 11 medium-risk activities. Other activities have low risk levels.

To mitigate the risks and avoid any likelihood of accidents, the following methods are implemented in the company:

- Eliminating the hazard by replacing, isolating, confining
- · Developing procedures and rules
- · Designating hazardous sites
- · Overseeing the performance of works
- Delivering training and briefings
- Taking the human error factor into account, in particular, in organising work, assigning equipment, etc.
- Installing safety signs and issuing PPE to workers

Any accidents are investigated in accordance with the statutory Procedure for Investigating and Recording Incidents, Occupational Illness and Occupational Accidents.

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# SAFETY AUDIT

GRI 3-3; 403-2

To maintain zero harm in the workplace and on hazardous sites, Elementum Energy has implemented an internal audit process comprising the following stages:



2 Delivery of internal audits and inspections, discussion and approval of findings, taking mitigating action to address audit findings, following up on the action taken and outcomes achieved. This process enables the company to analyse and prepare for planning workplace occupational safety.

For the period 2021-2022, 15 internal audits of the OH&S management system and 30 internal safety inspections were conducted on site. All irregularities and non-compliance with legal requirements and corporate standards were addressed on a timely basis.

Performance vs. goals and targets is monitored on an ongoing basis in order to achieve continuous improvements of occupational safety processes in the workplace. Monitoring is performed as part of internal OH&S audits. Findings are documented in the form of records made available to all staff. Implementation of mitigation and preventive measures is performed in accordance with applicable law of Ukraine with specific focus on the activities mentioned in internal audit findings.

Elementum Energy is also subject to external inspections by the State Labour Service of Ukraine (the "SLS") and the State Emergency Service of Ukraine (the "SES"). During 2021, five solar plant sites were inspected for compliance with national occupational safety law. Based on inspection findings, no high-risk non-compliance was identified and no monetary fines were imposed on Elementum Energy entities. In total, the SES identified nine minor cases of noncompliance and the SLS identified four minor cases of noncompliance. We analysed the findings of these inspections and developed relevant response to eliminate each weakness identified.



# HEALTH OF OUR PEOPLE IS OUR TOP PRIORITY

GRI 403-3, 403-6

Occupational health is an important pillar of our corporate culture. Elementum Energy provides the following healthcare services to its people:

- Mandatory medical checkups of staff: screenings, periodic, ad-hoc, annual checkups (for individuals aged under 21)
- Collective vaccination against COVID-19;
- Voluntary health insurance cover

Details of the employee's health status are documented in his or her medical records and are confidential, which prevents Elementum Energy from using this information for its purposes.

100% employees, who are subject to a mandatory annual checkups, completed the annual checkups for 2021-2022.

# ENGAGEMENT OF PEOPLE IN OCCUPATIONAL SAFETY

#### GRI 403-4

Building a culture of responsible attitude towards workplace safety and promoting a healthy lifestyle is impossible without active engagement of staff. Elementum Energy maintains ongoing communications with staff starting from the very first days of employment of each new hire. Before starting work, employees complete training in the form of briefings on occupational safety, provision of first aid and response to emergencies, fire and natural disasters. Such training is delivered for all employees on a periodic basis. The occupational health and safety manager consults on identification of hazards and risk assessment.

We involve our people in identification of hazards and risk assessment on an ongoing basis and highly appreciate people's engagement in all matters related to occupational health and safety. This is achieved by making formal and informal channels available for consultations with employees, delivering training sessions and meetings dedicated to preventing occupational risks.

We encourage our people to report potential or actual hazards and risks encountered in performing their responsibilities. If our employees feel that performing the work would endanger their health or lives, they have every right to stop the work and immediately escalate the matter to responsible individuals without any risk of repercussions.

# OCCUPATIONAL HEALTH AND SAFETY TRAINING

#### GRI 403-5

Continuous occupational health and safety training helps Elementum Energy to reduce the accidents. For the staff, it is a way of learning more about their workplace environment, risks they may be exposed to and ways to prevent any adverse effects.

Certain aspects of Elementum Energy operations may be potentially hazardous for the employees from the occupational health perspective, however we are confident that accidents, injuries and occupational illness can be prevented. We constantly strive to provide our employees and contractors alike with appropriate skills and tools to understand and prevent any accidents and injuries that may occur in the workplace.

Members of leadership are trained and tested in occupational and fire safety during the hiring process and once every three years by specialised organisations. Leadership, officers and employees involved in energy management maintain continuous professional development through self-study and the company assists in this process by providing the necessary learning materials. The company identifies learning and development needs in the area of improving processes efficiency and operation of the energy management system.

Occupational health and safety training events, 2020-2022

During 2021-2022, we continued the practice of regular training which includes workplace safety induction training as well as periodic thematic training and workshops.

Occupational safety training is delivered both by specialised providers and in-house. Induction, repeat, ad-hoc and special purpose briefings are delivered by the employee's supervisor and followed by the knowledge check in the form of oral Q&A session or testing. Special attention is given to the employees involved in high hazard work. For these employees, training is delivered annually and is followed by mandatory knowledge checks.



#### Sustainability report 2021-2022

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## SAFETY STATISTICS

#### GRI 403-9

During 2021 and 2022, **zero** accidents, incidents and workplace injuries were recorded per 173,938 hours worked. We realise that Elementum Energy is not a large business, yet this is an impressive accomplishment for our team. This is the area where we are happy to demonstrate zero outcomes:

# OCCUPATIONAL HEALTH AND SAFETY EXPENDITURE

Elementum Energy invests in creating safe workplace conditions across all its projects. During 2021, the investment in safety totalled EUR 60 658 and during 2022, this figure nearly tripled and reached EUR 163 823.



Elementum Energy continues focussing on providing 100% safe workplace conditions and strives to prevent injuries and accidents



In particular, the greatest part of expenditure was spent on occupational health (85%) and creating safe workplace conditions (15%), L&D and staff training totals 2% of total occupational health and safety expenditure.

# **GOALS AND AMBITIONS**



Achieve ISO 45001:2018 certification of OH&S management system

Provide safe workplace conditions to prevent injuries or damage to lives or health of our people



Deliver annual training to implement and maintain the OH&S culture (3 hours per employee)

# SOCIETY

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# **LOCAL COMMUNITIES**

#### GRI 3-3 GRI 413-1, 413-2

Elementum Energy develops, builds, holds and manages renewable energy projects across seven regions of Ukraine. Working predominantly in rural areas, we aim to be part of local communities and create long-term positive impacts on their development.

Success of the company is only possible if the communities around us succeed, and our investment in their development is an important component of the overall impact mitigation strategy. Seeking understanding of community needs is a key pillar of our approach to working with local communities, in particular, by signing Memoranda of Understanding that help us develop and implement corporate social responsibility programmes and projects. This is how Elementum Energy strives to improve living standards of communities and improve their resilience.

Our stakeholders are residents of local communities and municipalities who may be potentially affected by Elementum Energy operations and whose livelihoods and identities are linked to the locations of our projects. In writing this report, we engaged members of local communities to determine the material topics and highly appreciate their contribution.

The development of local communities is crucial to Ukrainian countryside as it is key to realising fuller potential of the community and making our contribution in solving a number of issues faced by residents, such as poverty, unemployment, limited access to education and infrastructure, etc.

By creating jobs, purchasing services, paying taxes and charges we contribute to the society we are part of. Elementum Energy continuously strives to make a positive impact in the regions of its presence. This is inextricably linked to the purpose and values of our business.

Developing renewable generation drives sustainable transformation of the energy sector and helps reduce greenhouse gas emissions. At the same time, we realise that negative impacts on local communities may arise at the stage of power plant construction. To prevent and mitigate the potential negative impacts, we maintain dialogue with members of the community to obtain feedback, hear the voice of local residents and find the best available ways to tackle the issues. As part of developing our projects, Elementum Energy conducts environmental impact assessments where required by Ukrainian law. These tools help us assess suitability of new projects and develop required steps to mitigate potential negative impacts from Elementum Energy activity on the environment and local communities.

The environmental impact assessment was completed for the Dnistrovska Wind Power Plant (representing 3% of total amount of production sites), which is fully in line with legal requirements for the respective assessment.

Most impacts, both negative and positive, occur at the construction stage. Negative impacts are minor, localised and temporary. Elementum Energy makes every effort to mitigate each of the negative impacts by introducing mitigation measures.

<u>Appendix 3</u> presents key negative and positive impacts on local communities that may be caused by Elementum Energy operations, and related mitigation measures.

Our very **first** wind energy project, the Dnistrovska Wind Power Plant, required significant local community engagement and continuous dialogue with residents.

Few members of local communities are familiar with wind farms and the opportunities they offer. It is fully understandable that communities near wind power projects have questions and concerns regarding their potential impacts. We have to make sure we address all issues and concerns effectively, transparently and on an ongoing basis. During the development of the Dnistrovska Wind Power Plant project in 2021, we completed the Environmental Impact Assessment (EIA) that included community debates and meetings with members of the community to ensure continuous dialogue and develop initiatives and programmes focussing on meeting the local community needs.

The Environmental Impact Assessment points out that the construction and operation of the Dnistrovska Wind Power Plant provides additional jobs and income for local population at the construction stage and contributes to the local budget by paying land tax and other public charges. There were no negative impacts on local communities identified during the construction and operation of the wind farm.

The Environmental Impact Assessment findings are publicly available in the Unified Registry of Environmental Impact Assessments.

# SUPPORTING LOCAL COMMUNITIES

Elementum Energy's operations are a living proof that solar and wind power plants may create significant value, not only by generating clean energy, but also by improving the standards of living and supporting wellbeing of local communities through implementation of various projects and initiatives.

As a local community engagement tool, Elementum Energy uses Memoranda of Communication signed between the company and the local community. Such Memoranda allow the company to maintain an ongoing productive dialogue with representatives of local communities and to implement environmental and social initiatives to improve the standards of living for people residing in areas of Elementum Energy presence. Such an approach allows local communities to raise funding from businesses to meet the immediate and urgent sustainability needs.

The corporate social responsibility manager collects information to prepare a budget broken down by items of local community sustainability projects, initiatives and charitable donations for the upcoming year. The activities prioritised are those aligned with the company's strategic areas and policies. The action plan developed is discussed with and approved by the Executive Management Committee. The Board of Directors approves the social partnership programme budget annually in December.

Any decisions to provide community support funding outside of this budget are made by the Executive Management Committee based on limits approved by the Board of Directors. Charitable donations are subject to additional approval by the General Counsel.

Performance vs. budget is monitored by Finance Department on a monthly basis. Finance controllers review actual performance against the budget and discuss and variance with heads of business areas. During 2021 and 2022, Elementum Energy invested EUR 374 556 in social partnership programmes across the five key areas: social infrastructure, healthcare, education, culture and community support.

Healthcare includes acquisition of medical equipment and other appliances for local hospitals.

Culture includes financial support of cultural events. Thank to Elementum Energy's efforts, a cultural community space in Kalynivka community was refurbished and a library in Mykhailivka was transformed into a modern and spacious community space.

Elementum Energy works with local schools and sponsors educational programmes aiming to raise environmental awareness among schoolchildren and education workers. The amount donated is disclosed under Education.

Community support represents aid to vulnerable populations and citizens in hardship. Elementum Energy makes charitable donations<sup>28</sup> to local charities.

Infrastructure development includes infrastructure projects that improve the standards of living for local residents. These cover the acquisition of school buses, refurbishment of public walk paths and other.

Creating jobs for members of local communities is an important aspect of our social efforts. The staff of our contractors serving the power plants are members of local communities whose employment became possible as new power plants appeared in their communities. As such, during 2021-2022, Elementum Energy created and provided approximately 104 jobs.

During 2021-2022, we signed 27 Memoranda of Cooperation with 24 communities located close to Elementum Energy's solar and wind power plants sites.



#### Spending by area in 2021 and 2022, EUR

<sup>28</sup> The charitable donations were made in-kind.

# SOCIAL PROJECT COMPETITION BY ELEMENTUM ENERGY

During 2021, Elementum Energy facilitated the first highprofile competition of social projects for community development. The competition helped the company gain a better understanding of priority environmental and social challenges the local community face and invest resources to address these challenges in a more effective manner.

38 projects from 17 local communities participated in the competition. As part of the competition, individual residents or groups could present to the competition jury their projects of social importance and receive a grant from Elementum Energy to cover their implementation. Prioritised were:

 The projects contributing to promotion of renewable energy

- The projects that help ensure sustainable local development, efficient use of resources, access to highquality services, inclusive and safe infrastructure for the community
- Educational projects contributing to the development of environmental awareness, responsible and careful environmental behaviours, and raising awareness of climate change prevention and mitigation

As a result of the competition, 25 winning projects from 17 local communities were awarded a chance to be implemented in real life. Choosing the winners was not an easy task, as all 38 of the projects presented met the competition criteria.

Overall, Elementum Energy invested EUR 58 800 into the development of local communities as part of social project competition.

Some examples of winning projects



## CLEAN WATER FOR KOSTIANTYNIVKA VILLAGE CHILDREN

Together with Sebine and Novopetrivske local communities, in November 2021, we funded the reconstruction of the water mains in two schools of Kostiantynivka Village Council. The project aimed to install water treatment systems to ensure children and teenagers have access to clean drinking water during the school day. Elementum Energy purchased a water treatment system for the school and the community provided the budget to install such a system for the daycare nursery.

## MOTIVATIONAL EDUCATIONAL SPACE "PLANTS LABORATORY"

The Plants Laboratory project implemented by the Veselynove community has become one of the winners of the social projects competition held by Elementum Energy.

The project is focused on the creation of the modern, motivational and theme-based interior design of the premises (school corridor renovation), greening and procurement of the nature study-related science experiment and laboratory kits and furniture.

After completion of the project, children have acquired a motivational educational environment that facilitates development of exploratory skills and abilities and ecological consciousness. Students have an opportunity to design their own ecological projects, to take part in environmental competitions, to participate in the Annual Regional Contest "My STEM-idea" and the School Science Club "Erudite", etc.



## **SECRETS OF THE WIND**

During 2021, Elementum delivered an educational project, Children for the Clean Planet: Secrets of the Wind. Our partners, NGO Ukrainian Wind Energy Association and Ridna Mova publishing house, published a book, Secrets of the Wind, for children 6 - 12 years of age, that describes the basics of wind power energy and explains the role of using renewable energy and protecting the environment. Elementum purchased 500 copies of the book, distributed them among school libraries and conducted a competition based on the book's plot. The competition required the young readers to form teams and develop creative video projects. Children from Starokozache and Maiaky communities took active part in the competition and created 38 works.

The winning team, Kimbur from Nadlymanske Secondary School, Maiaky Village Council, received personal prizes for its 5 members, namely, tablets and an UAH 70 thousand grant from Elementum to cover a purchase of modern STEM (Science, Technology, Engineering and Mathematics) equipment for the school. The winning video offered an idea for creating a time machine combining solar and wind technology and reducing  $CO_2$  emissions. Our joint efforts resulted in implementation of various initiatives aiming to improve the wellbeing of the members of our communities. Thinking about our accomplishments, we remain committed to building the unity and remaining on our path towards a more active and sustainable community. Elementum Energy team maintains an open dialogue with local communities and listens to their voices in order to implement projects and initiatives that will create the greatest value.

## **GOALS AND AMBITIONS**



Update and approve the Stakeholder Engagement Plan

Develop an internal regulation on community support spending in the regions of the company's presence

Complete implementation of the community projects winning the Elementum Energysponsored social project competition in late 2021 that were partially delayed to 2023-2024 provided that they remain relevant and feasible

Supporting projects and initiatives focussing on enhancing the energy independence of local communities by implementing renewable energy (wind, solar) and assist in addressing the pressing needs of communities arising as a result of hostilities in Ukraine



Environment

people Society

# RENEWABLE ENERGY PROJECT INTEGRATION IN INFRASTRUCTURE

A share of renewable energy sources in the total electricity generation output continues increasing rapidly both in developed and developing economies. In addition, many countries have ambitious goals towards decarbonisation of the energy sector and shutting down of the electrical power plants using fossil fuels for electricity generation. Elementum Energy is directly involved in the energy transition process. Consequently, it is crucial for Elementum Energy's business to scale up and integrate renewable energy sources in the existing energy infrastructure.

# RISKS INHERENT IN RENEWABLE ENERGY INTEGRATION AND RISK MANAGEMENT APPROACHES

#### SASB RR0102-08 SASB RR0102-09

To complete transition to the prevailing share of the renewable energy sources used, it is necessary to rethink an engineering design, operation and planning of future energy systems from technical and economic perspectives. This is exposed to a range of risks required to be managed at a high level of quality:

#### **PVPP AND WPP BALANCING**

Solar and wind power relates to stochastic renewable energy sources. As such, it is difficult to predict its generation output. With an uneven growth in solar power generation during the day hours and its sharp decline during the night hours, the energy system experiences significant imbalances. Flexible (coal, water and gas) energy generation is used to balance the variable patterns of the renewable energy generation. It needs to turn on from cold start during the night hours to serve the increasing energy system load. This results in high costs of fossil fuels for thermal power plants and significant fluctuations in prices during different hours. Flexible capacity is needed at the required level to ensure transition of the electrical energy sector to renewable energy sources.

Therefore, development of the solar and wind energy sector needs to be supported by development of the energy storage technologies to maintain generation sustainability and predictability of the continual power systems.

The energy storage technology drives energy accumulation and storage when renewable energy sources are available for generation and the generation output exceeds the current demand. Stored energy is supplied to the power systems, when needed, even during the night hours when the renewable energy generation is low or unavailable. The energy storage system can also help maintain the network voltage and frequency stability at the required level during different hours and under different operating conditions.

In 2022, Elementum Energy approved its strategy that defined exploring of and capitalising on the energy storage system opportunities in the short term as one of its key development priorities. We see a great potential for the storing energy systems to be installed to improve performance and to increase profitability of the solar power plants both through energy transfer over time and balancing.

# TECHNICAL CONDITION OF THE UKRAINIAN ENERGY SYSTEM

The unified energy system of Ukraine was designed and actively constructed in the 1970s. However, the renewable energy sources are among new technologies that started to develop rapidly in Ukraine about ten years ago. As such, the Ukrainian energy system combines both outdated obsolete components and advanced technologies. This results in Ukraine being exposed to a higher level of technical constraints and imbalances as opposed to the countries having modern and decentralised energy systems. Society

#### WIND POWER PLANTS

In 2010, the weighted average LCOE of onshore wind power plants amounted to USD 107/MWh. By comparison, the weighted average LCOE of new projects amounted to USD 33/MWh in 2022. The two key drivers of the reduced costs incurred for the onshore wind power plants are a decrease in costs of wind turbines and an increase in the power factor by enhancing the turbine technology.

In the period from 2010 to 2022, the weighted average installation costs of the onshore wind power plants decreased by 42%.

#### Per cent decrease in LCOE of new projects in the period from 2010 to 2022





## destructions due to the military activities and is largely unable to maintain its continued operation during the peak hours of consumption. The emergency operation mode results in frequent grid voltage fluctuations and grid element disconnections.

Furthermore, the electricity grid has suffered significant

Synchronising the energy systems of Ukraine with ENTSO-E in March 2022 has become an important step towards scheduled technical modernisation of the Ukrainian energy infrastructure. The additional synchronisation benefit is the enhanced reliability and robustness of the Ukrainian energy system including an opportunity to receive the EU support through emergency electricity supplies.

#### **COST OF RENEWABLE ENERGY FACILITIES**

The high renewable energy cost is a myth supported extensively by countries with the prevailing share of the traditional generation managed by the State or otherwise controlled by monopolies. Solar and wind are the cheapest energy sources. In the modern world, technological solutions enabling a transition to clean renewable energy sources are already available and continue to develop rapidly. This drives cost cutting across the renewable energy sector.

The levelized cost of energy (LCOE) is used to compare costs of energy generated using different technologies. Over the past decade, LCOE demonstrates the significant competitive balance between renewable energy sources and fossil fuels and nuclear energy sources. Below is presented the global dynamics of the LCOE and construction cost of photovoltaic power plants and ground wind power plants.

#### PHOTOVOLTAIC POWER PLANTS<sup>29</sup>

In the period from 2010 to 2022, the global weighted average LCOE of new PVPP commercial scale projects decreased from USD 445/MWh to USD 49/MWh. The above decrease is primarily driven by a decline in prices of photovoltaic modules by approximately 90% during the period from December 2009 to December 2022 despite an increase in those prices in 2022.

In the period from 2010 to 2022, the global construction cost of PVPPs decreased by 82% due to the decreased costs, improved performance and automated control of photovoltaic modules. The weighted average construction cost reduced from USD 4,873/kW in 2010 to just USD 876/kW in 2022.

<sup>29</sup> IRENA (2022), Renewable power generation costs in 2022, International Renewable Energy Agency, Abu Dhabi

## Trend 2010-2022

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A gradual decrease in LCOE for the renewable energy sector makes solar and wind the most competitive energy sources globally.

# Comparison of LCOE for renewable and non-renewable energy sources<sup>30</sup>



The LCOE calculations for renewable energy sources in Ukraine show that the Ukrainian market follows the global trends. For all main RE technologies, LCOE has demonstrated a year-on-year decrease.

Our PVPPs are built in 2018-2019. Consequently, the weighted average cost of the project implementation at the construction stage was as follows:

- The weighted average cost of a PV module is USD 280,000/MW, net of value added tax (VAT)
- The weighted average cost of the PVPP turnkey construction (EPC) excluding PV modules is USD 330,000/MW, net of VAT
- The weighted average cost of acquisition of the corporate rights for companies with development at the ready-tobuild stage is USD 60,000/MW
- VAT on the EPC component amounted to USD 66,000/MW. No VAT was applied to imports of PV modules in 2019
- The total cost of the PVPP turnkey project amounted to USD 670,000/MW, net of VAT, or USD 736,000/MW, inclusive of VAT.

The average LCOE varies between countries. Accordingly, LCOE for PVPPs in the Ukrainian market equals USD 56/MWh. A difference between average local and global LCOE levels is not associated with construction or technological costs. It is primarily driven by the unfavourable investment and regulatory environment.

Ukraine is characterised by a high investment risk that adversely affects the cost and availability of financing. Enhancing the investment environment should become a priority focus of the Ukrainian state policy at the post-war recovery stage.

# STATE POLICY FOR THE RENEWABLE ENERGY SECTOR AND ITS EFFECTS ON THE RENEWABLE ENERGY INTEGRATION

#### SASB RR0102-10

The state policy drives the investment and regulatory environment for the renewable energy sector. In developing the renewable energy projects across Ukraine, Elementum Energy deals with certain risks and opportunities resulting from the current state policy of Ukraine. These are partially described in the Market overview section.

We believe that Ukrainian WPPs and PVPPs are intended to underpin the energy security and energy independence of Ukraine, which is critical under conditions of the war. As opposed to the traditional energy sources, the renewable energy economically feasible, rapidly designed and built and able to grow exponentially through investment capital unlike other very expensive energy generation categories.

# **BUSINESS** ETHICS

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# **ANTI-CORRUPTION**

# **OUR APPROACH**

#### **GRI 3-3**

Elementum Energy has zero tolerance for any forms of corruption, bribery, money laundering and other financial crimes.

Elementum Energy complies with requirements of applicable anti-corruption laws and some international treaties, specifically:

- Law of Ukraine on Prevention of Corruption
- Law of Ukraine on Prevention and Counteraction to Legalisation (Laundering) of Proceeds of Crime, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction
- U.K. Bribery Act 2010
- Foreign Corrupt Practices Act (FCPA)
- United Nations Conventions against Corruption, etc.

To comply with anti-bribery and anti-corruption international ethical standards and to avoid potential corruption risks, Elementum Energy has developed the Anti-bribery and Anti-Corruption Manual (the "Guidance") including **7** policies listed below:

- Anti-corruption policy;
- · Gift, hospitality and entertainment policy;
- · Charity, sponsorship and social responsibility policy;
- Outside activity policy;
- Personal relationship policy;
- Politically exposed person policy; and
- Whistleblowing and investigation policy.

All employees are required to read the Guidance and to comply with its requirements and procedures.

Our standpoint: each employee must not in any way tolerate or promote any acts representing corruption.

General Counsel is a primary contact for all potential bribery and corruption-related issues.

Below is described his/her scope of responsibilities:

- Advise employees on their duties under the anti-bribery and anti-corruption guidance;
- Assess risks and report findings to Elementum Energy management;
- Approve restrictive measures on third parties (customers and suppliers), including standard disclaimer clauses;
- Perform monitoring and an analysis of fulfilment of the responsibilities specified by the Elementum Energy regulations and procedures;
- Facilitate delivery of anti-corruption training courses for employees;
- Oversee the gifting process, etc.

General Counsel annually reports the incidents investigated, the mitigation actions taken and negative effects of the incidents to the Managing Director.

Elementum Energy Legal Unit is responsible for clarifying the Guidance provisions to employees, reviewing contracts, including for compliance with anti-corruption regulations and applicable legislation, providing recommendations on the anticorruption disclaimer wording, conducting checks, on a random basis, of counterparty involvement in high-profile corruption scandals, etc.

- UNDERLYING PRINCIPLES OF EACH CORRUPTION PREVENTION POLICY
- Anti-corruption policy provides a detailed description of attitudes towards bribery and corruption and obligations to comply with anti-corruption legislation, defines priority strategic goals and underlying principles, and describes the company's activities aimed at facilitating sustainability and building ethical business.

We do not offer illicit benefits (money, promises, gifts, etc.) to any person or other incentives, if they can affect that person's behaviour in business processes or in the process of making decisions on Elementum Energy.

- Gifts. Giving or receiving standard gifts (pens, cups, etc.) to/from business partners, etc. in the amount of less than or equal to the one defined by internal policies is allowed if the underlying principle is met. In the event of receiving a gift in the amount exceeding the one defined by internal policies, the employee is required to decline it or to obtain relevant approval from General Counsel (the "GC") and, in the event of neglecting this duty, to disclose this fact to the GC.
- Charity. Elementum Energy provides charity support only after appropriate identification of the recipient and conclusion of the relevant contract, and requires subsequent reporting on how charitable donations were spent. We do not support political parties, politically exposed persons and candidates for such posts, their representatives, law enforcement agencies and heads of the municipal authority (while support of the municipal authorities is permitted).
- Politically exposed persons (PEP). Engagement with politically exposed persons requires approval from General Counsel who is in charge of assessing the risk of cooperation. Employees are required to report if their family members were or became politically exposed persons or civil servants.
- Conflict of interests. No interests other than Elementum Energy's best interests must influence business relations. Employees are required to report to their manager if the transaction which Elementum Energy is involved in embraces his/her own interest or relations with counterparties, and they must not make any decision on cooperation with those counterparties.
- Outside activity. Employees are required to make disclosures of legal entities in which they hold management positions and of all outside business and charitable activities. Any employee's activity outside Elementum Energy, which requires a significant time investment, must initially be reported to General Counsel.

- Whistleblower protection. We expect and require from all employees to comply with the anti-corruption policy and to report any concerns or incidents to General Counsel or Managing Director using the following means:
  - personally by telephone. If an incident relates to an offence committed by General Counsel, it must be reported to Managing Director and, in the event of his/her absence, to the Highest Management Committee;
  - by e-mail accessed only by General Counsel, Legal Unit Head and Managing Director – grievances@elementumenergy.com.

Elementum Energy ensures confidentiality and nondisclosure of a whistleblower identity.

# **CORRUPTION RISK ASSESSMENT**

## GRI 205-1

The corruption risk can arise in supply chains and relations with government authorities and third parties. This can result in financial and reputational damage. We mitigate the risks through due diligence of our suppliers and business partners, compliance with our corporate ethical standards and regular training of our people.

Elementum Energy tackles corruption at several levels. We train our people on the inadmissibility-of-corruption principles and perform regular legal assessments of compliance risks. Regular risk assessments include due diligence on third parties with whom Elementum Energy maintains business relations. An extent and a level of due diligence depend on the nature of the transaction, business relations and potential individual compliance risks.

The risk assessment is performed in different ways, including, but not limited to, by using external resources, such as questionnaires, analysing documents and court practice, conducting interviews, reviewing contractual documentation and/or exploring the business history of third parties. In most cases, due diligence is conducted prior to signing contracts and making payments, however, simplified checks are applied to certain counterparties, such as state-owned enterprises being sole service providers, or when a non-disclosure agreement is signed. We also conduct audits and investigate claims and complaints received through the established communication channels. The following measures are taken to mitigate potential corruption risks:

- Raising of staff awareness of and training on the anticorruption policies and procedures. Mandatory trainingbased tests.
- Initial analysis of business partners for compliance with the Elementum Energy anti-corruption requirements.
   Cooperation with counterparties identified and verified appropriately.
- Approval of agreements including framework agreements by the Legal Unit. Incorporation of anti-corruption disclaimer in contracts with counterparties.
- Non-cash payment recorded in documents and internal accounting systems.
- Adherence to risk-based approach. A higher risk (longer cooperation, higher-priced transaction or unbalanced interest) requires a detailed assessment.

The Company does not maintain a separate transaction register as the vast majority of contracts signed on behalf of Elementum Energy are reviewed and approved by the Legal Unit, or contract initiators receive an approved contract form they cannot depart from. The Legal Unit ensures that anticorruption disclaimer is included in all relevant contracts.

# "

I believe it is important to communicate anti-corruption policies to contractors before the contract is concluded. This creates a safe environment in which you can be sure that you are working with reliable counterparties who share our values.

Alina Bugayova Manager

## **KNOW YOUR CLIENT**

Know Your Client is a client identification, verification and acceptance procedure.

Businesses willing to cooperate with Elementum Energy are required to comply with our standards and to complete the questionnaire developed for deeper understanding of potential business partners. This key document is part of our contracts with suppliers and covers three priority areas of responsible development: environmental, social and governance. For certain client categories, such as individuals, the questionnaire can be simplified for appropriate personal data handling purposes. Usually, counterparties should provide the information as listed below:

- Participants, beneficiaries
- 2 Principal business activities and principal places of business
- Confirmation that no significant or high-profile criminal proceedings undertaken or sentences passed on the company officials exist
- 4 Does the company have effective business ethics policies and standards approved?
- 5 Does the company have effective anti-bribery and anticorruption policies and standards approved?
- 6 Have the company participants or officials been prosecuted for corruption offences related to procurements?
- 7 Have the company founders or officials been prosecuted for profit-driven crimes with their convictions not removed from official records or not expunged as prescribed by law?

A list of questions depends on risks identified. In the event of the minimum risk or low materiality of the transaction, e. g. purchasing scotch tape for the office, the company is able to approve the transaction if the client meets the defined requirements.

Elementum Energy does not establish or maintain business relations with the counterparties exposed to a high risk as listed below:

- Counterparties included in sanction lists if the sanctions relate to potential business relations with the company;
- · Counterparties involved in criminal activities;
- Counterparties that cannot prove the legitimacy of the source of their funds (if necessary);
- Counterparties domiciled or registered in jurisdictions classified as high-risk jurisdictions by financial action task force (FATF);
- Counterparties that are politically exposed persons;
- Counterparties refusing to provide the information required to be disclosed in 'know your client' questionnaire for its subsequent assessment by elementum energy.

## ANTI-CORRUPTION TRAINING

#### GRI 205-2

All Elementum Energy employees, including management, are required to read all corporate policies, to take regular knowledge tests and to participate in the anti-corruption policy training courses. Directors of Elementum Energy Limited take the anti-corruption training courses within VR Capital Group. Initial training is delivered within one month after employment and regular training courses are delivered annually.

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Our focus is nurturing a culture of ethical business conduct, where corrupt practices are taboo. On the first day of employment, a new employee is informed about our anti-corruption policies, afterwards introductory and regular trainings follow, which include practical situations.

On the day of signing a contract, a new counterparty commits to conduct business ethically and guarantees compliance with a number of sanctions restrictions. We invite colleagues to report potential violations, ensuring that good faith reporting will not lead to any negative consequences. When analyzing potential violations, our aim is to demonstrate by our own example that instead of focusing on blaming we are concentrated on finding solutions to avoid such situations in the future or at least too minimise the chances of its occurrence.

Victoria Pysmenna General Counsel

#### GRI 205-3

#### In 2021-2022:

- No incidents of corruption related to elementum energy activities were identified or confirmed;
- No instances of termination or non-extension of contracts with business partners due to corruption-related offences were identified or confirmed;
- No fines and/or sanctions were imposed due to anticompetitive behaviours;
- No corruption-related legal proceedings were initiated against elementum energy.

Public exposures of corruption can erode confidence of business partners, employees and society in the company and, as such, Elementum Energy takes compliance with and implementation of anti-corruption procedures very seriously.

#### Staff anti-corruption training 31



<sup>30</sup> This indicator is not disclosed by region of Elementum Energy presence Sustainability report 2021-2022 onment Our

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# TAX APPROACH

GRI 3-3 GRI 207-1, 207-2

Elementum Energy regularly discloses taxes paid in its financial statements and adheres to high accounting and reporting standards.

The company has developed and approved the Tax Policy, which summarises underlying principles of the company's tax strategy, tax policy framework and tax management approach.

The tax strategy of Elementum Energy involves paying the fair amount of taxes in each country and territory where Elementum Energy operates in a timely manner, and managing the company tax burden in the best interests of all stakeholders.

The tax policy is approved by the **Board of Directors** and is reviewed regularly as part of the budgeting process. The Board of Directors is entitled to change provisions of the Tax Policy to ensure its completeness and relevance by making appropriate decisions.

Chief Financial Officer is responsible for Elementum Energy tax management and can engage professional advisors when needed. Chief Financial Officer and Chief Accountant monitor compliance with the Tax Policy, give consultations on its contents and ensure that goals of the Tax Policy are properly and effectively communicated to internal and external stakeholders.

Taxes are an integral part of building a sustainable business. The transparent Tax Policy enables Elementum Energy to support sustainability of the regions of its presence.

# TAX RISK MANAGEMENT

Elementum Energy performs an ongoing analysis of tax risks that arise from the company's business operations. Tax risks identified and tax risk minimisation measures are described in the Unified Group Tax Risk Register. In particular, the tax risk assessment methodology addresses the following risks:

Risks	Risk minimisation activities
<b>Operational</b> risks are the risks inherent in inappropriate tax processes and procedures, weaknesses in the Elementum Energy internal systems and an inadequate number or qualification of tax management personnel.	<ul> <li>Regular review and update of internal processes and procedures</li> <li>Controls over completeness and compliance with the effective tax legislation</li> </ul>
<b>Technical</b> risks are the risks inherent in the interpretation of certain tax law provisions and applicability to specific transactions of Elementum Energy.	<ul> <li>Consultations with external advisors, as appropriate</li> </ul>
Political and regulatory risks are the risks inherent in the untimely identification or erroneous interpretation of tax law amendments and, therefore, undue implementation of relevant changes in the internal systems, processes, procedures and controls.	<ul> <li>Regular monitoring of tax law amendments in all countries and territories</li> <li>Assessment and analysis of new business transactions for compliance with tax law requirements</li> </ul>

Elementum Energy treats regulatory compliance as a priority and has its communication channels in place for reporting unethical or illegal tax behaviours:

- In person or by telephone to general counsel or general director
- By email <u>grievances@elementumenergy.com</u>
- Anonymously (in paper form)

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# STAKEHOLDERS AND SOLUTION OF TAX-RELATED ISSUES



Elementum Energy distributes generated cash flows among its key stakeholders – investors, employees, suppliers, contractors, creditors, government authorities and local communities. This enables to have positive effect on key sustainability areas. A portion of the economic value not allocated to stakeholders is reinvested in business development.

Our company is open and transparent in its tax strategy and tax policy development approach as well as in its tax risk management approach. Elementum Energy seeks to develop its relationship with tax authorities in the countries and territories where it operates based on the transparency and confidence principles. We oversee compliance with tax laws in making management decisions that affect or can potentially affect the company's tax position. Openness and transparency mean that the company cooperates with tax authorities in a transparent and efficient manner to reach consensus on all potential tax considerations.

In the event of conflicting interpretations of tax rules, Elementum Energy might receive tax advice.





Approximately EUR 5.8 million of profit tax were totally paid for 2021 and 2022.

## COUNTRY-BY-COUNTRY REPORTING

GRI 207-4

Elementum Energy entities registered in the United Kingdom, Ukraine, the Republic of Cyprus and Georgia are subject to corporate profit taxation at standard tax rates of 19%, 18%, 12,5% and 5,8%, respectively.

*Appendices 6 and 7* provide profit tax accrued and paid in each tax jurisdiction of presence of Elementum Energy entities.

Ukrainian renewable energy producers encountered a need in reporting profit and paying profit tax long before receiving payments from the SE Guaranteed Buyer. Consequently, the Ukrainian Parliament granted temporary tax benefits for 2022 and 2023 by allowing producers of electricity at the feed-in tariff to assess corporate profit tax liabilities on a cash basis. people Soc

Business ethics

# **CYBERSECURITY**

## **OUR APPROACH**

#### GRI 3-3

Energy companies rely on technology infrastructure (both physical and digital) to support their processes and operations. Increasing reliance on technology exposes businesses to a range of risks that, if crystallised, can disrupt operations, cause damage to assets, threaten people's safety and security, and undermine an entity's ability to run its business and succeed.

In 2020, the company approved the User Information Security Policy setting out the responsibilities for using IT systems and passwords, maintaining PCs and devices, handling personal data, protecting intellectual property rights, and the procedure for personnel access to email and Internet.

The Policy framework defines:

- Password setting, change and protection requirements
- Restrictions on using social media, personal email addresses and cloud services for corporate information storage purposes
- Prohibition of disclosing corporate passwords, logins and financial information to third parties
- Secure remote work requirements
- · Personal information and personal data security standard
- Rules for physical access to Elementum Energy office premises and IT systems
- User account deletion rules for employees
- · Rules for using private devices by employees.

Elementum Energy IT infrastructure was built in 2019-2020 by VRASL (VR Advisory Services Ltd) IT professionals. Elementum Energy and VRASL IT infrastructures were partially combined and VRASL employees supported the company's IT processes in a remote mode. In early 2022, the two networks were split with full control over IT infrastructure transferred to the Elementum Energy IT Unit. At present, security responsibilities are assigned to the Elementum Energy IT Unit reporting directly to Olga Rybachuk, Managing Director. Elementum Energy implements a wide range of state-of-the-art solutions to maintain protection of its IT systems as described below:

- Using industrial Firewalls provided by Check Point in all its offices and data centres. Firewalls grant protection against attacks at different levels and block threats without reducing performance and capacity of the entire network.
- Using the Check Point Capsule Workspace application and the Check Point Harmony Mobile antivirus solution to ensure that secure access to the corporate email is granted from smartphones.
- Using the Check Point Harmony Endpoint antivirus solution to ensure that secure access to the corporate information is granted from laptops.
- Implementing the modern personal desktop virtualisation technology – Virtual desktop infrastructure (VDI) – supplied by Citrix.
- Placing computing resources and data in the data centres outside Ukraine.

External auditors conduct annual audits of processes related to personal data protection and cybersecurity. In 2021, an external penetration test of the VRASL integrated network including the Elementum Energy IT network at that time was performed. A penetration test is a real hacker attack simulation to identify weaknesses in the IT infrastructure setup and settings. The next penetration test is scheduled to be run by the company in 2023. Our people Socie

# CONFIDENTIALITY BREACH AND CUSTOMER DATA LOSS

#### GRI 418-1

Elementum Energy pays special attention to confidentiality of the personal information of its personnel and counterparties.

In 2021-2022, no personal data losses, leaks or thefts were detected and no complaints about customer data confidentiality breaches were received by Elementum Energy.

The above strong performance results from an extensive effort made by our IT team and the effective privacy protection system comprising the following key components:

- · Remote information storage
- Data backup
- Staff training on the secure handling of information and safe dealing with social media
- Phishing simulations
- Virtual desktop and two-factor authentication applied
- Access granted only from secured workplaces to equipment management and control services
- · Periodic revisions of user access rights and privileges
- Protected connections to corporate resources.

The key objective of the IT Unit is to prevent situations jeopardising the Elementum Energy personal and corporate data. The company has developed the Security Incident Identification and Response Plan described in detail in the Cybersecurity Programme and to be used in the event of data breaches.

Implementing the Data Loss/Leak Prevention (DLP) system is our mid-term goal. This will enable the network administrator to ensure protection of the sensitive data against unauthorised access, misappropriation or loss.

The company carries out appropriate examinations of suppliers and third parties who have access to the sensitive personal data, except for government and regulatory authorities who have the right to receive the above data under the effective legislation. Cybersecurity is the responsibility of each employee where the degree of involvement and ownership depends on the individual roles and functions.

Elementum Energy promotes **cybersecurity culture** by ensuring that all employees at all organisational levels are well trained and possess knowledge required to minimise cybersecurity risks including understanding of risks and internal rules as well as access to right protection and security tools. Cybersecurity training courses are delivered for all staff and include annual training initiatives and simulations of the **Knowbe4** platform-based phishing campaigns. Phishing simulations allow the administrators to send fake phishing electronic messages to the users to understand how they will deal with phishing attempts in real life.

Test phishing campaigns are carried out for the Elementum Energy staff on a quarterly basis with the last one conducted in December 2022. The number of users following fake links does not exceed 4, which is below 10% of all company users. For those users, additional tailored training is arranged resulting in none of the users following the above links for the second time as part of future test campaigns.

## **GOALS AND AMBITIONS**

Implement the Data Loss/Leak Prevention (DLP) system until 2025

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Run a penetration test in 2023

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Reporting approach Additional information 62 66

# **REPORTING APPROACH**

Sustainability is at the core of our strategy. In our Sustainability Report (the "Report"), we share fundamental details of our sustainability agenda, such as our strategy, initiatives, development programmes, governance systems and goals. The report discloses some details of Elementum Energy financial and operational performance, as well as environmental, social and governance (ESG) indicators.

The report has been prepared in accordance with the Global Reporting Initiative (GRI) standards. It also considers the Sustainability Accounting Standards Board's (SASB) guidelines and describes the progress towards the UN Sustainable Development Goals (SDGs).

#### GRI 2-3, 2-2

The Sustainability Report is prepared based on the annual reporting cycle (similar to the financial reporting cycle).

As a result of russia's full-scope invasion of Ukraine, the Annual Sustainability Report 2021 was not issued, and this Report covers Elementum Energy's performance during 2021 and 2022. Any exceptions to the reporting period are specifically stated in relevant sections of the report. Additionally, the Report discloses details of significant events after the reporting period and until 1 August 2023.

The scope of this Report covers the entire Elementum Energy Group and all power plants owned by the company.

All legal entities covered by this Report are also covered by Elementum Energy's financial statements for 2021 and 2022.

The content of the report is based on the materiality assessment conducted as part of preparation of the Report (see page 63).

Non-financial data shared in this Report are collected using various internal reporting systems, which generally differ from those applied for financial reporting. In particular, these management reporting systems may be subject to lower internal documentation requirements and data auditing approaches.

Due to the rounding, the figures reported in this Report may not add up to the exact number and the percentages may not precisely represent the absolute figures.

## INDEPENDENT ASSURANCE ON THE REPORT

#### **GRI 2-5**

No independent assurance has been provided on the Report. To ensure that the Report is reliable and transparent, the Company considers engaging an independent third party to provide limited assurance on select information in future reporting periods.

## STAKEHOLDER ENGAGEMENT

#### GRI 2-29

Identification of key stakeholders and assessment of their stance on the priority of material topics is an important step in preparation of the Report in accordance with GRI standards. Business ethics

Elementum Energy management has evaluated the interest and influence of each stakeholder on the company using a mapping procedure.

The following key groups have been identified amongst the related parties depending on the extent of their interest on the Group's business:



To enable better understanding of stakeholder needs, expectations and interests, Elementum Energy maintains ongoing dialogue with representatives of each group through a range of formats, such as in-person meetings, joint programmes, conferences and consultations.

Moreover, Elementum Energy empowers its stakeholders to express their concern over the outcome of cooperation, report inappropriate behaviours and make proposals. To this end, we have implemented a Grievance Mechanism.

## MATERIALITY ASSESSMENT



Materiality is a concept designed to understand the importance of key sustainability topics. The goal is to understand the extent to which these topics affect the company and the company's impact on these topics. A materiality assessment is a process of engaging stakeholders to identify the material topics using surveys and interviews. In preparing the Report, we identified the social, environmental and economic topics that are material considering the nature of Elementum Energy's business and require disclosure in the Report. With this in mind, we analysed international initiatives and standards, as well as non-financial reporting industry best practices. We also engage with our stakeholders – both internal and external – on a regular basis to understand their views on the impacts Elementum Energy has on various sustainability aspects.

In accordance with the revised GRI Standards (2021 edition), reporters are required to use GRI Sector Standards in identifying the list of material topics. Since the dedicated GRI Sector Standard applicable to the renewable energy sector has not been issued yet at the time of preparation of the Report, we have performed a comprehensive analysis of the Group's impacts in the context of sustainable development. To evaluate the social, environmental and economic topics affected by the most significant favourable or adverse, actual or potential impacts of Elementum Energy's business, the following steps were completed:

- Analysis of industry trends, international initiatives and standards relevant to sustainability disclosures;
- Analysis of sustainability disclosure practices used by domestic and European renewables sector leaders;
- Analysis of internal management approaches and policies used by the Group in its activities;
- Surveys of internal and external stakeholder groups. The surveys were designed to identify the following two factors:
   (1) the topics that the stakeholders see as the most interesting and important in the context of Elementum Energy's activities;
   (2) the social, environmental, economic areas where they believe the Group's impacts are the most significant.

All topics were then prioritised based on the findings of the analysis. The topics relating to the Group's significant sustainability impacts that, at the same time, were the most important to stakeholders, were identified as materials.

The overall materiality assessment findings are presented in the table below. The most material topics are the topics presented in the upper right corner that were top rated by the stakeholders surveyed.

The analysis completed gives us an understanding of the priority sustainability topics that will subsequently enable us to formulate our strategy and areas of focus and move towards meeting the expectations of our stakeholders.

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#### The list below includes the topics identified as material:

Material topic	Description of importance to Elementum Energy	Reference to this report
<ul> <li>Business ethics and compliance:</li> <li>Anti-corruption practices</li> <li>Payment of tax</li> </ul>	We acknowledge the existence of potential risks that may give rise to corruption practices and adversely affect the healthy competition, investment climate and trust in the society. This is why Elementum Energy embedded in its corporate culture components such as implementation of internal controls and development of compliance policies contributing to a transparent and ethical business practices.	p. 53-58
Employment and opportunities for employees	The company's success is directly linked to wellbeing of its people. During the war, it is particularly important to care for physical and mental health of staff and to help them quickly recover. This is why we create relevant opportunities and build the culture of conscious responsibility for one's own health, emotional state, wellbeing and relationships with peers. We continuously work on improving our approaches to managing business processes, support the ethical corporate culture and guarantee fair pay. We encourage our people to be actively involved in the company's life and open opportunities to our staff to develop and participate in ambitious and innovative projects.	p. 34-38

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Material topic	Description of importance to Elementum Energy	Reference to this report
Occupational health and safety	Safe workplace conditions for employees and contractors are among Elementum Energy's top priorities. By implementing a range of relevant activities and fostering the culture of safety, we mitigate the risks of workplace injuries and accidents. Occupational health and safety covers both the prevention of physical and mental trauma and contributing to the health of employees.	p. 39-43
Energy infrastructure integration management	Renewable businesses implement innovation to overcome technical issues in integrating solar and wind energy in the overall energy system of the region/country. They also engage regulatory bodies and authorities to reduce regulatory barriers to implementation of solar and wind energy, many of which arise out of concerns about the increasing energy costs and imbalances energy system in the region/country. Elementum Energy believes this matter is important for the long-term sustainable development and considers potential ways to mitigate the potential related risks.	p. 49-51
Climate change	In today's economy, many business areas contribute to and accelerate the climate change, whilst the renewable energy is part of the solution to climate change. During 2021-2022, our power plants continued generating clean energy and contributing to achieving the 1.5°C global warming cap target. Elementum Energy will continue promoting the transitionto the fossil fuel free energy across the value chain.	p. 28-29
Staff development	Today's constantly changing needs require developing and improving the knowledge and skills of our people. To support sustainable development of the company, it is important to ensure career and personal development of our staff and to improve their physical and mental wellbeing skills.	p. 37-38
Waste and waste management	The topic of waste for renewable energy is, first of all, about placing waste, such as solar panels, accumulators, etc., in specially designated locations, maximising the number of recyclable components and reusing whenever possible.	p. 32
Corporate governance	To achieve our ambitious goals and counteract the hardest environmental challenges, we need to have a strong foundation to manage the environment in our day-to-day operations. Clear and transparent corporate governance guarantees that we meet the right standards and minimise potential implications of anticipated environmental impacts.	p. 12-16
Cybersecurity and data privacy	As a result of technological disruption and the unlimited access to the Internet, topics such as data privacy and prevention of cybercrime and confidential information disclosure become increasingly important. Elementum Energy commits to ensuring integrity and accessibility of its IT systems, whilst protecting personal data of its customers and critical strategic information of Ukraine's energy sector.	p. 59-60
Local communities	It is important for the Company to maintain ongoing dialogue with local communities and implement long-term social partnership programmes with NGOs and local authorities to support sustainable development in the Company's locations. Investment in social initiatives and projects.	p. 45-48
Biodiversity	Biodiversity includes preservation of flora and fauna in locations where renewable energy projects are located and an impact of renewable energy facilities on conservation areas and land with high biodiversity value, if located within or next to such areas.	p.30-31

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- Conten

# ADDITIONAL INFORMATION

Appendix 1. List of facilities controlled by Elementum Energy and their locations in relation to the protected areas

## GRI 304-1

Electric power plant	Location	Area, sq. km	Protected area	Distance to the protected area <sup>32</sup>	Protected area description
Kamianets- Podilska PVPP	Khmelnitsky Region	100	Podilski Tovtry NPP	Within the protected area	Category II (National park) under the IUCN. Emerald Network
Ingulo-Kamianka PVPP	Kirovohrad Region	26,5	The middle reaches of the Ingul River	Within 1 kilometre from the protected area	Emerald Network
Zavallia PVPP	Kirovohrad Region	19,7	Nyzhniopodilsky	Within 1 kilometre from the protected area	Emerald Network. Valley of the Southern Buh River
Vapniarka PVPP	Vinnytsia Region	30	Zhuravlivska Dacha	Within 1 kilometre from the protected area	Emerald Network

#### Appendix 2. Key occupational health risks and related risk mitigation activities implemented

Risk	Risk mitigation measures
Traffic accident risk	Fire extinguishers, hi-vis vests and first-aid kits provided to drivers
Risk of injuries	<ul> <li>PPE and protective clothes provided to staff (goggles, cap, summer uniform)</li> <li>Respirators and gloves used during work with fuel materials and lubricants</li> </ul>
Risk of power shock	<ul> <li>Servicing personnel use dielectric gloves, boots and isolated tongues</li> <li>Inspections are performed only by staff with grade five electric safety access level only</li> <li>Electric safety instructions are developed</li> </ul>
Fire risk	Periodic cutting of grass is added to contractor responsibilities

<sup>32</sup> Distances were measured from the site's nearest boundary to the protected area.



# Appendix 3. Key negative and positive impacts on local communities that may be caused by Elementum Energy operations, and related mitigation measures

Impact	Wind / Solar	Туре	Duration	Scope and magnitude	Mitigation measures
<b>Repurposing land use</b> The main impact on the land use may be the reduction of arable land and territories such as pastures and underbush. Land plots are rented from their present owners for the duration of construction and operating of the facility.		Negative	Long-term	Insignificant and localised	<ul> <li>Cash compensations prior to the start of construction works</li> <li>Minimising the area of land affected by the construction</li> <li>Implementing a mechanism for responding to complaints</li> <li>Recultivation of land that isn't permanently occupied following the completion of construction works</li> </ul>
Air quality Excavations, ground levelling, road works and emissions caused by the operation of construction equipment and vehicles result in contamination of air by dust or solid particles	allfr ₩	Negative	Short-term, only expected during the construction phase	Insignificant and localised	<ul> <li>Using water to tame dust</li> <li>Adding gravel to roads</li> <li>Maintaining equipment and vehicles in an adequate condition to minimise uncontrollable emissions and exhaust gas</li> </ul>
<b>Trespassing</b> During the construction phase, unauthorised intrusion of local residents to the construction site is possible, potentially resulting in an accident or injuries.	nllp ₩	Negative	Short-term, only expected during the construction phase	Insignificant and localised	<ul> <li>Containing the project site by installing a fence equipped with warning signs</li> <li>Installing CCTV and having security at each site</li> </ul>
<ul> <li>Noise levels</li> <li>1) Using building equipment may result in increased noise levels.</li> <li>2) During the operation of power plants, noise may arise mainly from the operation of transformers, inventors and wind turbines</li> </ul>		Negative	Short- and long- term	Insignificant and localised	<ul> <li>Not locating sites in the vicinity of any residential buildings or settlements</li> <li>Using machinery and equipment that meet statutory regulations on noise levels</li> <li>Implementing a mechanism for responding to complaints</li> <li>Agreeing the construction start and completion dates with village elders nad heads of united territorial communities in order to avoid conflicts with local residents.</li> </ul>
Employment Construction and operation of renewable energy projects provide employment opportunities to local residents. Elementum Energy contractors involve local residents for construction and operation of power plants	ıllî ₩	Positive	Short-term, only expected during the construction phase	Insignificant and localised	Undefined

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Impact	Вітер / Сонце	Туре	Duration	Scope and magnitude	Mitigation measures
Increased road traffic Using road transport to transport materials and personnel to/from the site creates safety risks to local residents.		Negative	Short-term, only expected during the construction phase	Insignificant and localised	<ul> <li>Developing and implementing a road traffic management project (both onsite and offsite)</li> <li>Agreeing the start times, the list of heavy machinery and traffic routes with local communities and heads of village councils prior to starting the construction work.</li> <li>Selecting the appropriate route to minimise the use of road asphalt in order to protect its integrity. Where dirt roads are used, sprinkler trucks are engaged to minimise the dust raised to air.</li> </ul>
National and regional economy At the construction stage, renewable energy projects make a positive impact in the development of regional and national economy thanks to direct procurement of materials and services from Ukrainian businesses. At the operation stage, renewable energy projects contribute to decarbonisation of economy, help Ukraine hit its carbon reduction targets and support the country's energy security.		Positive	Long-term	Significant and broad	Undefined
Local community development Elementum Energy has procedures in place to respond to needs of communities. We work with representatives of communities, including local authorities, in order to plan, fund and implement projects and initiatives focussing on development and building resilience of communities.	Jlle 	Positive	Long-term	Significant and localised	Undefined

## Appendix 4. Staff anti-corruption training

	20	22	20	21
Employee category	Number of employees trained on anti-corruption practices	Percent of employees trained on anti-corruption practices	Number of employees trained on anti-corruption practices	Percent of employees trained on anti-corruption practices
Senior management	4	100%	3	100%
Administrative and management personnel and operational staff <sup>33</sup>	45	98%	44	98%

## Appendix 5. Membership in associations and external initiatives

Association name	Description of the company role	Date of entry
ACC (The American Chamber of Commerce)	Participant	2021
EBA (European business association)	Participant, member of the energy committee	2020
EUEA (Європейсько-Українське Енергетичне Агентство)	Participant	2020
UWEA (Ukrainian Wind Energy Association)	Participant, member of the Board	2020
UARE (Ukrainian Association of Renewable Energy)	Participant	2020
Energy Club	Participant	2021

External initiative name	Description of the company role	Date of entry
UN Global Compact in Ukraine	Participants, implementation of the principles of the UN Global Compact and the UN Sustainable Development Goals, reporting, participation in union events and trainings	2021

<sup>33</sup> After acquisition of Lymanska Vitroelektrostantsiia LLC, CEO of Lymanska Vitroelektrostantsiia LLC did not undergo anti-corruption training



#### Appendix 6. Country-by-country reporting, 2021<sup>34</sup>

GRI 207-4

Name of a legal entity and region	Number of employees <sup>35</sup>	Revenue from sales (net of intragroup revenue), kEUR	Revenue from intra-group transactions, kEUR	Profit / loss before tax, kEUR	Tangible assets other than cash and cash equivalents, kEUR	Corporate income tax paid on a cash basis, kEUR	Corporate income tax accrued on profit / loss, kEUR
Ukraine	48	91,477	2,976	76,175	416,365	2,955	(13,772)
UK	-	-	-	(27,762)	536,687	1,896	(1,896)
Georgia	-	_	_	(25)	2,254	_	-
Cyprus	-	_	-	(2,046)	_	306	(306)

#### Appendix 7. Country-by-country-by-country reporting, 2022<sup>36</sup>

GRI 207-4

Name of a legal entity and region	Number of employees <sup>35</sup>	Revenue from sales (net of intragroup revenue), kEUR	Revenue from intragroup transactions, kEUR	Profit / loss before tax, kEUR	Tangible assets other than cash and cash equivalents, kEUR	Corporate income tax paid on a cash basis, kEUR	Corporate income tax accrued on profit / loss, kEUR
Ukraine	50	84,965	4,911	(69,996)	364,439	605	(13,725)
UK	-	-	-	(10,152)	710,128	-	-
Georgia	-	-	-	(365)	3,471	-	-
Cyprus	-	-	-	(12)	_	_	-

<sup>34</sup> A difference between the accrued and paid taxes arises due to tax losses carried forward

<sup>35</sup> The total number at the end of the period (including part-time employees)

<sup>36</sup> A difference between the acrued and paid taxes arises due to tax prepayments made in 1 quarter 2022. In 2 quarter 2022, due to devaluation of Ukrainian hryvnia and foreign currency-denominated loans raised, negative foreign exchange differences arose resulting in loss-making activities basically of all Group entities.



#### **GRI** content index

Statement of use	Elementum Energy has reported in accordance with the GRI Standards for the period from January 1, 2021 – December 31, 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	The applicable GRI Sector Standards has not been prepared by the date of issue the Report

GRI Standard	Nº	Disclosure	Location	Page number	Comments				
ЗАГАЛЬНІ ПОКАЗНИКИ									
GRI 2: General Disclosures 2021	2-1	2-1 Organizational details	Meet Elementum Energy	p. 8-11	Addresses: Head office: 9 Appold Street, London, United Kingdom. Operational office: UNIT.City 8 Gareth Jones Street Building B10 Kyiv, Ukraine.				
	2-2	Entities included in the organization's sustainability reporting			Legal entities included in the Report: Artsyz Wind Power Plant LLC Artsyz Wind Power Plant-2 LLC Consulting Solar LLC Distrovska Vitroelektrostantsiia LLC Eco Solar Station LLC Elementum (Georgia) I Limited Elementum (Olaraine) I Limited Elementum (Ukraine) I Limited Elementum Energy Limited Elementum Energy Ukraine) LLC Energy Company "Solar Capital" LLC Energy Company "Solar Capital" LLC Energy Company "Solar Capital" LLC Energy Systems LLC Green Electra 1 LLC Grienen LLC Ingul Solar LLC Kartli Generation LLC Kiliya Wind Power Plant LLC Lymanska Vitroelektrostantsiia LLC Nick Solar 2 LLC Nick Solar 2 LLC Nick Solar 2 LLC Nick Sun Star LLC Nick Sun Star LLC Odgrin LLC Podilskenergo LLC Reteria Investments Limited Starvoit LLC Sunvin 17 LLC Sunvin 17 LLC Sunvin 13 LLC Sunvin 14 LLC Sunvin 14 LLC Sunvin 14 LLC Tavr Energo LLC				

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GRI Standard	Nº	Disclosure	Location	Page number	Comments
	2-3	Reporting period, frequency and contact point	Reporting approach	p. 62-65	Contacts: E-mail: <u>office@elementumenergy.com</u> The financial reporting cycle, as well as the cycle of preparation of the sustainability report – one calendar year. Due to the full-scale russian invasion of Ukraine, the Sustainability Report was not published for the year 2021. Data for 2021 are included in this Report.
	2-4	Restatements of information	Reporting approach	p. 62-65	This report is the first report of Elementum Energy
	2-5	External assurance	Reporting approach	p. 62-65	This report is not assured by an independent third party
	2-6	Activities, value chain and other business relationships	Meet Elementum Energy	p. 8-11	There were no significant changes in the types of activities of Elementum Energy, in relations with partners for the sale of products and services, and other business relations compared to the previous reporting period.
	2-7	Employees	Our people	p. 34-36	
	2-8	Працівники, що не є власним персоналом	Our people	p. 34-36	
	2-9	Governance structure and composition	Corporate Governance	p. 12-15	
	2-10	Nomination and selection of the highest governance body	Corporate Governance	p. 12-15	
	2-11	Chair of the highest governance body	Corporate Governance	p. 12-15	The head of the higher management body is not the executive director/manager of Elementum Energy.
	2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance	p. 12-15	
	2-13	Delegation of responsibility for managing impacts	Corporate Governance	p. 12-15	
	2-14	Role of the highest governance body in sustainability reporting	Corporate Governance	p. 12-15	A process for assessing the effectiveness of supervision and impact management has not yet been documented.
	2-15	Conflicts of interest	Corporate Governance	p. 12-15	
	2-16	Communication of critical concerns	Corporate Governance	p. 12-15	The information is incomplete Information on the total number of critical issues that were reported to the highest management body was not collected in the reporting period. Elementum Energy works to ensure proper data collection for their coverage in future reporting periods
	2-17	Collective knowledge of the highest governance body	Corporate Governance	p. 12-15	
	2-18	Evaluation of the performance of the highest governance body	-	-	Elementum Energy has not implemented the process of evaluating the activities of the higher management body.
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GRI Standard	No	Disclosure	Location	Page	Comments
otandaru	2 10			number	The information is incomplete
	2-19	Remuneration policies	Corporate Governance	p. 17	Elementum Energy works to ensure proper description of remuneration policy for members of the highest governance body and senior executives, for their coverage in future reporting periods
	2-20	Process to determine remuneration	Corporate Governance	p. 17	The information is incomplete Elementum Energy works to ensure proper description of remuneration policy for members of the highest governance body and senior executives, for their coverage in future reporting periods
	2-21	Annual total compensation ratio	-		<b>Privacy restrictions</b> Information regarding the total annual compensation ratio is confidential and not publicly disclosed.
	2-22	Statement on sustainable development strategy	Chairperson's statement	p. 4-5	
	2-23	Policy commitments	Sustainability as an integrated part of doing business Business ethics Diversity and equal opportunity	p. 8-11	
	2-24	Embedding policy commitments	Our People Anti-corruption		
	2-25	Processes to remediate negative impacts	Sustainability as an integrated part of doing business Business ethics	p. 8-11	The information is incomplete, as data on the processes of elimination of negative consequences are not collected. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.
	2-26	Mechanisms for seeking advice and raising concerns	Sustainability as an integrated part of doing business Anti-corruption	p. 8-11 p. 53-56	In separate sections of this Report, information on feedback channels for each of the topics is disclosed.
	2-27	Compliance with laws and regulations	-	-	There were no cases of significant non-compliance with legislation or regulatory requirements during 2021-2022. During the reporting period, 23 fines were imposed for non-compliance with legislative and regulatory acts for a total amount of UAH 66,162. In the previous reporting periods, 5 fines were imposed for non-compliance with legislative and regulatory acts for a total amount of UAH 17,186.
	2-28	Membership associations	Appendix №5	p. 69	
	2-29	Approach to stakeholder engagement	Reporting approach	p. 62-65	
	2-30	Collective bargaining agreements		-	There were no collective bargaining agreements during 2021-2022.
			MATERIAL	TOPICS	
GRI 3: Material	3-1	Process to determine material topics	Reporting approach	p. 62-65	
1 opics 2021	3-2	List of material topics	Reporting approach	p. 62-65	
Anti-corrupti	on				
GRI 3: Material Topics 2021	3-3	Management of material topics	Anti-corruption: Our approach	p. 53	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.

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GRI Standard	N≌	Disclosure	Location	Page number	Comments	
Anti-corrupti	on					
GRI 205: Anti- corruption 2016	205-1	Operations assessed for risks related to corruption	Anti-corruption: Corruption risk assessment	p. 54-55	The information is incomplete The number and percentage of operations assessed for risks related to corruption are not available. Elementum Energy works to ensure proper data collection for their coverage in future reporting periods	
	205-2	Communication and training about anti- corruption policies and procedures	Anti-corruption: <i>Anti-</i> <i>corruption training</i> Appendix №4	p. 56, p. 69	The information is incomplete Total number and percentage of employees, that the organization's anti-corruption policies and procedures have been communicated to, are not broken down by region.	
	205-3	Confirmed incidents of corruption and actions taken	Anti-corruption: Instances of corruption and actions taken	p. 56		
Тах						
GRI 3: Material Topics 2021	3-3	Management of material topics	Taxes: Tax approach	p. 57	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.	
GRI 207: Tax 2019	207-1	Approach to tax	Taxes: Tax approach	p. 57		
	207-2	Tax governance, control, and risk management	Taxes: Tax risk management	p. 57	All business entities are included in the audited consolidated financial statements of Elementum Energy	
	207-3	Stakeholder engagement and management of concerns related to tax	Taxes: Stakeholders and solution of tax-related issues	p. 58		
	207-4	Country-by-country reporting	Taxes: Country-by- country reporting	p. 58		
Energy						
GRI 3: Material Topics 2021	3-3	Management of material topics	Climate Change	p. 28	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.	
GRI 302: Energy	302-1	Energy consumption within the organization	Climate Change	p. 28		
2016	302-4	Reduction of energy consumption	Climate Change	p. 28		
Biodiversity						
GRI 3: Material Topics 2021	3-3	Management of material topics	Biodiversity	p. 30	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.	
GRI 304: Biodiversi- ty 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity Protected areas	p. 30 p. 66		



GRI Standard	Nº	Disclosure	Location	Page number	Comments
Biodiversity					
	304-2	Significant impacts of activities, products and services on biodiversity	Biodiversity Elementum Energy significant impacts on biodiversity	p. 31	
	304-3	Habitats protected or restored	-		Not applicable Elementum Energy does not operate in areas that require the protection or restoration of the habitats
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity Species on the IUCN Red List and Red Book of Ukraine with a habitat within the activity area	p. 31	
Emissions					
GRI 3: Material Topics 2021	3-3	Management of material topics	Climate Change	p. 28	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	Climate Change	p. 28-29	
2016	305-2	Energy indirect (Scope 2) GHG emissions	Climate Change	p. 29	
	305-5	Reduction of GHG emissions	Climate Change	p. 29	
Waste					
GRI 3: Material Topics 2021	3-3	Management of material topics	Waste	p. 32	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Waste	p. 32	
	306-2	Management of significant waste-related impacts	Waste	p. 32	
	306-3	Waste generated	Waste Waste levels and management	p. 32	
	306-5	Waste directed to disposal	Waste Waste levels and management	p. 32	The information is incomplete A breakdown of the total volume of waste by types of disposal operations: incineration, burial, is not available. Elementum Energy works to ensure proper data collection for their coverage in future reporting periods
Employment					
GRI 3: Material Topics 2021	3-3	Management of material topics	Team management, motivation and engagement	p. 34	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.

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GRI		<b>B</b> : 1		Page	
Standard	Nº	Disclosure	Location	number	Comments
CPL 401	401.1	Now omployed bired and	Toom monogoment	p. 26	
Employ- ment 2016	401-1	employee turnover	motivation and engagement Hiring and recruitment practices	μ. 30	
	401-3	Parental leave	Team management, motivation and engagement	p. 35	
Occupational health and safety					
GRI 3: Material Topics 2021	3-3	Management of material topics	Health and Safety	p. 39, p. 43	<b>Information on setting goals is incomplete.</b> Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.
GRI 403: Occupation al Health	403-1	Occupational health and safety management system	Health and Safety Occupational health and safety management	p. 39-40	
and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	Health and Safety Risk assessment Safety audit	p. 40-41	
	403-3	Occupational health services	Health and Safety Health of our people is our top priority	p. 41	
	403-4	Worker participation, consultation, and communication on occupational health and safety	Health and Safety Engagement of people in occupational safety	p. 42	There are no formal joint management-worker health and safety committees
	403-5	Worker training on occupational health and safety	Health and Safety Occupational health and safety training	p. 42	
	403-6	Promotion of worker health	Health and Safety Health of our people is our top priority	p. 41	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety Risk assessment Safety audit	p. 40-41	
	403-8	Workers covered by an occupational health and safety management system	Health and Safety	p. 39	The occupational health and safety management system has not been audited or certified by an external party
	403-9	Work-related injuries	Health and Safety Safety statistics	p. 43	
	403-10	Work-related ill health	Health and Safety Safety statistics	p. 43	There were no registered cases of work-related illnesses among employees in 2021-2022.
Training and	educat	ion			
GRI 3: Material Topics 2021	3-3	Management of material topics	Learning and development	p. 37	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Learning and development	p. 38	The information is incomplete In the reporting period, the average hours of training per year per employee was not monitored. Elementum Energy works to ensure proper data collection for their coverage in future reporting periods

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GRI Stand <u>ard</u>	Nº	Disclosure	Location	Page num <u>ber</u>	Comments	
Training and	educat	ion				
	404-2	Programs for upgrading employee skills and transition assistance programs	Learning and development	p. 37-38		
Diversity and	dequal	opportunity				
GRI 3: Material Topics 2021	3-3	Management of material topics	Team management, motivation and engagement	p. 34-35	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.	
GRI 405: Diversity and Equal	405-1	Diversity of governance bodies and employees	Team management, motivation and engagement	p. 34-35		
Opportunit y 2016	405-2	Ratio of basic salary and remuneration of women to men	Team management, motivation and engagement	p. 35		
Local comm	unities					
GRI 3: Material Topics 2021	3-3	Management of material topics	Local communities	p. 45	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.	
GRI 413: Local Communi- ties 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Local communities Supporting local communities	p. 46-48	Social impact assessments that were conducted for Elemenetum Energy's projects didn't include gender impact assessments	
	413-2	Operations with significant actual and potential negative impacts on local communities	Local communities Appendix №3	p. 45, p. 67-68		
Customer privacy						
GRI 3: Material Topics 2021	3-3	Management of material topics	Cybersecurity Our approach	p. 59	Information on setting goals is incomplete. Elementum Energy is working to ensure proper data collection for reporting in future reporting periods.	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Cybersecurity: Confidentiality breach and customer data loss	p. 60		

## SASB disclosures reference table<sup>37</sup>

SASB code	Торіс	Metric	Page number
SASB RR0102-08	Management of Energy Infrastructure Integration	Average price of solar energy (1) photovoltaic (PV) modules and (2) completed utility-scale systems	p. 51
SASB RR0102-09	Management of Energy Infrastructure Integration	Description of risks associated with integration of solar energy into existing energy infrastructure and discussion of efforts to manage those risks	p. 49-50
SASB RR0102-10	Management of Energy Infrastructure Integration	Discussion of risks and opportunities associated with energy policy and its impact on the integration of solar energy into existing energy infrastructure	p. 51

<sup>&</sup>lt;sup>37</sup> Some specific metrics for the renewable energy sector Sustainability report 2021-2022