

RECSiLICON

SUSTAINABILITY

# 2021

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REPORT



# Sustainability report

## INTRODUCTION

REC Silicon is a global leader in silane-based, high-purity silicon materials, delivering high-purity polysilicon and silicon gases to the solar and electronics industries. REC Silicon operates manufacturing facilities in Moses Lake, Washington and Butte, Montana in the USA. The Group's sales and marketing activities for solar grade polysilicon, semiconductor grade silicon and silicon gases are carried out in China, Japan, Korea, Taiwan and in the United States. The Group also has a JV investment in Yulin, China.

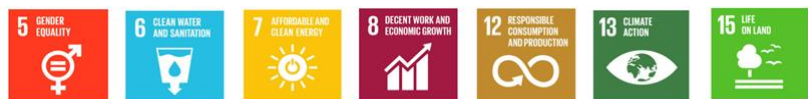
Through its products for the Solar PV industry, REC Silicon participates in the global value chain for renewable energy. Furthermore, our products for the semiconductor industry place the Group in the global value chain for digitalization, a key driver for more efficient resource use in the world. As such, REC Silicon is well integrated in the drive to make the world more environmentally sustainable. Nevertheless, we recognize our

responsibility to ensure that our own operations and value chain minimize its environmental footprint. REC Silicon strives to be recognized as a safe and fair employer with proper attention to all stakeholders and with a best-practice governance structure.

## FOCUS AREAS

REC Silicon has conducted a materiality analysis to define focus areas that are strategically important to the Group and its stakeholders. This analysis is a combination of industry materiality analyses from the Sustainability Accounting Standards Board (SASB) that cover "Solar Technology & Project Developers" and "Chemicals", as well as a more granulated, internal analysis of key aspects where we believe attention and focus is needed to ensure that REC Silicon has the right platform to execute its strategy. The sustainability focus areas for REC Silicon going forward are:

## FOCUS AREAS AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



SAFETY	ENERGY	WATER	ENVIRONMENT	EQUAL TREATMENT AND HUMAN RIGHTS	GOVERNANCE
<ul style="list-style-type: none"> <li>Health and safety of personnel</li> <li>Safety in production</li> <li>Safety of products</li> <li>Safety in supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Energy use and mix</li> <li>Energy emissions</li> <li>Energy supply</li> </ul>	<ul style="list-style-type: none"> <li>Water use</li> <li>Water discharge</li> </ul>	<ul style="list-style-type: none"> <li>Waste production</li> <li>Waste treatment</li> <li>Waste recycling</li> <li>Raw materials sourcing</li> <li>Emissions to air</li> <li>Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Gender equality</li> <li>Human rights</li> <li>Community interaction</li> </ul>	<ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Whistleblower</li> <li>Accountability</li> <li>Transparency</li> <li>Stewardship</li> </ul>
Target 8.8	Target 7.2 Target 7.3	Target 6.3 Target 6.4 Target 6.5	Target 12.4 Target 12.5 Target 12.6	Target 5.1 Target 5.2 Target 5.5	Target 12.6
	Target 13.1	Target 13.1	Target 13.1  Target 15.1	Target 8.8	Target 13.1

### Safety

Safety for everyone involved in the production and use of REC Silicon's products is of top priority.

### Energy

The production of polysilicon and silicon gases consumes substantial volumes of energy, which has a direct impact on the environment, as well as on costs.

### Water

The production of polysilicon and silicon gases consumes and discharges substantial volumes of water, which has a direct impact on water resources and water quality if not managed correctly.

### Environment

Our production processes generate significant volumes of waste, where increased recycling will be important to reduce the environmental footprint. Emissions to air are also important, as is the protection of local biodiversity. REC Silicon needs access to raw materials with low environmental impact, which make its value chain more resilient to future, climate-related changes.

### Equal treatment and human rights

The Group needs access to qualified personnel and strives to be seen as an attractive workplace that respects all aspects of human rights and gives everyone an equal opportunity to succeed.

### Governance

REC Silicon adheres to the strictest principles of fair business behavior and integrates the governance of sustainability matters along with the overall corporate governance, which places the ultimate accountability with the executive management and the Board of Directors.

## FOCUS AREAS AND THE UNITED NATIONS

### SUSTAINABLE DEVELOPMENT GOALS

REC Silicon supports the United Nations Sustainable Development Goals (SDGs) and has identified seven SDGs that are particularly relevant to our operations.

These are areas where we can contribute towards implementing the UN Agenda for Sustainable Development by 2030. Some of the above SDGs are relevant to more than one of REC Silicon's focus areas.

Each SDG has underlying targets, which we have aligned with our own focus areas as illustrated below.

Furthermore, we have attempted to tie the SDGs to the key operational and strategic parameters we use to set targets and measure performance. This means that we can have a clear view of which of the SDGs our efforts contribute to:

Based on this, we are developing a framework for our sustainability strategy going forward. Importantly, we have identified a range of KPIs grouped around each focus area, so that we can operationalize our improvement efforts and initiatives with the appropriate focus and link these to longer term goals.

FOCUS AREA	KPI
<b>Safety</b>	LTI rate, Total Recordable Injuries rate Safe job analyses Sick hours % Hazard recognition audits Serious incidents Supply chain audits
<b>Energy</b>	Energy use Emissions from energy use Energy mix Energy efficiency Reliability of energy sourcing
<b>Water</b>	Water consumption Waste-water discharge Water use efficiency
<b>Environment</b>	Waste production volumes, including hazardous waste Waste recycling Raw materials sourcing Emissions to air Initiatives to preserve biodiversity
<b>Equal treatment and human rights</b>	% women in workforce and management Salary gap male vs female Initiatives and programs to promote gender equality Human rights audits and violations in supply chain Donations and contributions to community
<b>Governance</b>	Anti-corruption audits and violations Number of whistleblower incidents Transparency of ESG governance structure Stewardship initiatives in value chain

It is the ambition of REC Silicon to develop a full suite of strategic targets relating to sustainability during the coming year with associated KPIs that are monitored on a regular basis and related to initiatives, plans and programs set to improve our performance.

### PERFORMANCE IN 2021

This section outlines how REC Silicon performed during 2021 in relation to established KPIs. These are reported monthly or quarterly and are subject to audits on all levels in the organization.

Compared to previous years, we are now also expressing certain KPIs on a per-unit-produced basis to get a better understanding of the resource efficiency of our production. This will be an important part of our sustainability strategy going forward.



ENVIRONMENTAL DISCLOSURES	UNIT	2021	2020	% CHANGE
Polysilicon production	Mt	1,225	906	35%
Silane gas production and other production	Mt	5,142	4,545	13%
<b>Total production</b>	<b>Mt</b>	<b>6,367</b>	<b>5,451</b>	<b>17%</b>
<b>Energy</b>				
Heating Oil	L	28,185	22,105	28%
Diesel	L	21,703,326	21,272,146	2%
Natural gas	m <sup>3</sup>	17,063	26,099	-35%
Gasoline	L	8,253	2,079	297%
Propane	L	0	0	n.m.
Hydrogen	m <sup>3</sup>	0	0	n.m.
Other (Unleaded gasoline and propane)	L	0	0	n.m.
Direct Energy Consumption (Scope 1)	GWh	231	227	2%
Indirect Energy Consumption (Grid Electricity) (Scope 2)	GWh	562	497	13%
<b>Total Energy Use</b>	<b>GWh</b>	<b>794</b>	<b>724</b>	<b>10%</b>
Share from Grid Electricity	%	71%	69%	2%
Share from Renewable Energy	%	0%	0%	0%
Energy per produced unit	MWh/Mt	125	133	-6%
<b>CO<sub>2</sub> emissions</b>				
Direct emissions (Scope 1)	tCO <sub>2</sub> e	61,168	59,982	2%
Indirect emissions from electricity (Scope 2)	tCO <sub>2</sub> e	164,052	145,112	13%
<b>Total CO<sub>2</sub> emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>225,220</b>	<b>205,094</b>	<b>10%</b>
CO <sub>2</sub> emissions per produced unit	tCO <sub>2</sub> e/Mt	35	38	-6%
<b>Water</b>				
Municipal water consumption	Mill m <sup>3</sup>	0.1	0.1	-2%
Surface water consumption	Mill m <sup>3</sup>	2.2	2.4	-8%
<b>Total water consumption</b>	<b>Mill m<sup>3</sup></b>	<b>2.3</b>	<b>2.5</b>	<b>-8%</b>
Waste water discharge	Mill m <sup>3</sup>	1.5	1.4	3%
Share of water from regions with High Water Baseline Stress	%	0	0	0%
Share of water from regions with Extremely High Water Baseline Stress	%	0	0	0%
Waste water share of water consumption	%	64%	57%	7%
Water consumption per produced unit	'000 m <sup>3</sup> /Mt	0.4	0.5	-21%
Waste water discharge per produced unit	'000 m <sup>3</sup> /Mt	0.2	0.3	-11%
<b>Waste</b>				
Recycled waste	Mt	17	31	-45%
Non-hazardous waste	Mt	5,297	5,144	3%
Hazardous waste	Mt	1	0	276%
<b>Total waste</b>	<b>Mt</b>	<b>5316</b>	<b>5176</b>	<b>3%</b>
Recycled waste share of total waste	%	0%	1%	0%
Hazardous waste share of total waste	%	0%	0%	0%
Hazardous waste per produced unit	Mt	0.0	0.0	222%
<b>Total waste per produced unit</b>	<b>Mt</b>	<b>0.8</b>	<b>0.9</b>	<b>-12%</b>
<b>Ecological Impacts</b>				
Total number of permit breaches		3	3	0%
Number of serious incidents or environmental releases		0	0	n.m.

SOCIAL DISCLOSURES	UNIT	2021	2020	% CHANGE
Number of Employees	#	289	281	3%
<b>Job Safety</b>				
Safe Job Analyses		299	334	-10%
Hazard Recognition Audits		331	414	-20%
Lost time injuries rate	LTI/Mill hrs	7.4	3.8	97%
Total recordable injuries rate	TRI/Mill hrs	14.8	11.3	31%
Sick hours	#	2,027	1,786	
Sick hours share	%	0.4 %	0.3 %	
<b>Workforce composition</b>				
Male	%	83%	83%	
Female	%	17%	17%	
<b>Management composition</b>				
Male	%	86%	75%	
Female	%	14%	25%	
<b>Human rights and corruption</b>				
On-site audits of suppliers on human rights	#	3	0	
Self-directed audits of suppliers on human rights	#	0	0	
Human Rights Violations	#	0	0	
Corruption Violations	#	0	0	
<b>Local community interaction</b>				
Donations to Local Communities	USD	1,250	23,000	
- Contribution by employees	%	62%	33%	
Volunteer hours to programs and charitable organizations	#	611	900	-32%

### Environmental performance

The performance of the Group in relation to environmental objectives are governed by a set of policies and plans. These include:

- Environmental and climate policy
- Pollution Prevention Plan
- Process Safety Management Plan

The production of polysilicon and silicon gases increased by 17 percent compared to the previous year. With the facility in Moses Lake still being idled, all production took place at the Butte facility, which employed 74 percent of the Group's employees.

Despite the production increase, REC Silicon saw only a moderate increase in resource use. Energy use per produced unit fell by 6 percent year-on-year, while water use and waste production per produced unit fell by 12-21 percent year-on-year. The CO<sub>2</sub> emissions per produced unit were down by 6 percent. This variation in intensities is related to some reactors being held idle for some periods during the year but is within a normal range.

The energy used in the production process is still nearly 100% diesel, which is something the Group would like to improve going forward. The electricity consumed by the Group is grid electricity. The Moses Lake facility uses electricity from hydropower, but until this is back in production, the Company has no access to renewable electricity for its production.

The number of environmental permit breaches was flat from last year at 3, which is above the company's target. Nevertheless, none of these breaches were serious or involved any spills. REC Silicon's discharged water needs to be above drinking water standard and the Company uses two test labs to ensure compliance. During 2021, a program was undertaken to pinpoint the reasons for test variability between the labs, which in some cases may result in a recordable permit breach.

## Social performance

Health and safety have the highest priority and the Company aims to prevent all work-related accidents, injuries, and occupational illnesses. The target is zero incidents, zero injuries, and no harm to employees, contractors, partners, customers, and communities.

The Company has an extensive set of HSE procedures, safety departments at each facility, and employee-driven processes that monitor, audit, and further develop safety procedures, practices, and protocols. Policies and codes also cover equal opportunities, ethics and human rights:

- Code of Conduct
- HSE Policy
- Job Safety Analysis
- Hazard recognition audits
- Compensation policy
- Supply chain standards and management

All employees have the right and the responsibility to stop unsafe activities as needed.

The safety performance took a turn for the worse during 2021. There were four lost time injuries during 2021, double that of the previous year. Total recordable injuries numbered eight during the year, an increase of two from 2020. None of the injuries resulted in serious injury to personnel. The number of Safe Job Analyses declined by 10 percent, while the number of Hazard Recognition Audits fell by 20 percent. This owes itself to the effects of the COVID-19 pandemic, which resulted in the company encouraging reduced interaction between employees, and in particular any exposure to the production employees.

REC Silicon's compensation policy provides a benefit for paid time off (PTO) for its employees. The policy accounts for different Sick PTO regulations in the states of Washington and Montana. Designating PTO as Sick PTO is voluntary rather than required in both states, but the total sick hours designated are nevertheless disclosed below. The Company maintains a health and wellness program which facilitates healthy lifestyle choices and activities.

Although REC Silicon was affected by the global pandemic in the same manner as the rest of the world, we were able to mitigate any production interruptions or losses with internal policies to ensure people maintained compliance with mandates and continued safe work practices. REC Silicon is considered essential due to the hazardous chemicals on site and therefore, there was no interruption in our production. Employees were provided with masks, cleaning materials, sanitizer, paid time away if sick, and social distancing was practiced throughout the organization.

REC Silicon is committed to provide equal opportunities for all employees in an inclusive work culture. All employees and applicants are treated without regard to age, gender, sexual orientation, nationality, race, religion, disability, marital situation, or any other protected status. The gender composition of the workforce was unchanged during 2021, while the female proportion at the management level was down year-on-year due to an employee leaving the company without being replaced.

REC Silicon does not accept any form of harassment or discrimination. In the United States, REC Silicon's employment policies and practices are in compliance with Title VII of the Civil Rights Act of 1964 (42 U.S.C.2000) as amended.

The Group's standard terms through its supply chain require adherence to standards on human rights, freedom of association, child and forced labor, corruption, and occupational health and safety. All strategic suppliers had contractual clauses or are subject to regulations regarding respect for human rights. There were no human right violations reported in 2021.

REC Silicon and its employees focus on local community participation. Donations to local communities are made on a regular basis, and its employees also contribute directly. Volunteer hours to programs and charitable organizations continue at a reasonably high level but were impacted by the COVID-19 restrictions during the year as most businesses were shut down and fund raising in general was made more difficult.

## Governance performance

REC Silicon sets high standards of integrity and believes that a sound business must be based on value-based management and clear guidelines on ethics and sustainability. The Code of Conduct, the Anti-Corruption Policy and related procedures describe the behavior expected of our employees. Every employee is required to sign the Code of Conduct to acknowledge their commitment to adherence, and new employees receive training on the Code of Conduct, including information about REC Silicon's Anti-Corruption Policy and procedures.

REC Silicon investigates all potential integrity concerns and cooperates fully with the authorities. The Company takes every accusation of corruption seriously, performs thorough investigations, reports to the Board of Directors, and takes necessary action. No adverse action will be taken against an employee due to complaints submitted in good faith. Complaints can be made anonymously.

No incidents of corruption were reported in 2021. REC Silicon has a whistleblower program in place, but there were no whistleblower complaints recorded during the year.

REC Silicon endorses the Norwegian Code of Practice for Corporate Governance (Code of Practice) issued by the Norwegian Corporate Governance Board, most recently revised in 2021. For additional information on this, please refer to the Board of Directors Report on Corporate Governance, which is a separate section in this Annual Report.

The composition of the Board of Directors remained unchanged from 2020 at December 31, 2021. There were four directors at December 31, 2021 with the gender balance at 50 percent female and 50 percent male. At the completion of the Hanwha investment in January 2022, the number of directors increased to five with the gender balance changed to 40 percent female and 60 percent male.

The governance structure of REC Silicon is highlighted in the figure below. As part of the process to expand its focus on sustainability, the governance of sustainability matters will become more integrated into the overall governance structure.

