



# Annual Report 2022







**Annual Report  
of Cinkarna Celje, d.d.,  
for 2022**

# CONTENTS

<b>HIGHLIGHTS OF THE REPORT</b>	<b>8</b>
<b>REPORT OF THE MANAGEMENT BOARD</b>	<b>16</b>
<b>REPORT OF THE SUPERVISORY BOARD OF CINKARNA CELJE D.D.</b>	<b>20</b>
REPORT OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD ON ITS WORK IN 2022 AND VERIFICATION OF THE ANNUAL REPORT OF CINKARNA CELJE D.D. FOR 2021	23
<b>INTERNAL AUDIT REPORT</b>	<b>25</b>
<b>IMPORTANT EVENTS</b>	<b>26</b>
<b>PRESENTATION OF CINKARNA CELJE D.D.</b>	<b>31</b>
OUR ACTIVITIES	32
MARKET PRESENCE	34
ORGANISATIONAL STRUCTURE	35
<b>CORPORATE GOVERNANCE STATEMENT</b>	<b>37</b>
REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES	39
CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES	39
CODE OF ETHICS AND CONDUCT	40
DIVERSITY POLICY	41
RESPECTING HUMAN RIGHTS	41
POLICY ON PROHIBITION OF SEXUAL AND OTHER HARASSMENT AND ILL-TREATMENT IN THE WORKPLACE	42
COMBATING CORRUPTION AND BRIBERY	42
INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS	42
INFORMATION ON THE FUNCTIONING OF THE COMPANY'S GENERAL MEETING, INCLUDING ITS POWERS, SHAREHOLDERS' RIGHTS AND THEIR EXERCISE	43
IDENTIFICATION AND MANAGEMENT OF IMPACTS	44
<b>STATEMENT OF NON-FINANCIAL PERFORMANCE</b>	<b>47</b>
REPORT ON ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES AND INVESTMENTS OF CINKARNA CELJE D.D. FOR 2021 AND 2022	49
PROPORTION OF REVENUE FROM PRODUCTS OR SERVICES RELATED TO ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY	49
PROPORTION OF INVESTMENT IN FIXED ASSETS IN PRODUCTS OR SERVICES RELATED TO ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY	51
PROPORTION OF INVESTMENTS IN WORKING CAPITAL IN PRODUCTS OR SERVICES RELATED TO ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY	52
<b>STRATEGIC ORIENTATIONS</b>	<b>55</b>
PLAN FOR 2023	55
INVESTMENTS MADE AND PLANNED	56



<b>ANALYSIS OF RESULTS AND PERFORMANCE</b>	<b>60</b>
SALES	60
OPERATING RESULT	63
SHARES – VALUE AND TURNOVER	64
DIVIDENDS	65
EXPENDITURE AND COSTS	65
ASSETS AND RESOURCES	67
<b>RISK MANAGEMENT AND OPPORTUNITIES</b>	<b>73</b>
CORPORATE RISKS IDENTIFIED IN 2022	78
<b>INTEGRATED MANAGEMENT SYSTEM</b>	<b>87</b>
INTERNAL AUDITS	87
EXTERNAL AUDITS	88
FINANCIAL AND LEGAL DUE DILIGENCE	89
INFORMATION SECURITY	89
<b>SUSTAINABLE DEVELOPMENT</b>	<b>91</b>
ABOUT THE SUSTAINABILITY REPORT	91
AREAS OF PRIORITY SUSTAINABILITY ACTIVITIES OF CINKARNA CELJE IN RELATION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS BY 2030	93
OBJECTIVE IN THE FIELD OF SUSTAINABLE DEVELOPMENT IN 2022	96
THE CHEMICAL INDUSTRY – A KEY SECTOR FOR THE GREEN TRANSITION	96
SUSTAINABILITY CHALLENGES AND OPPORTUNITIES FOR THE TITANIUM DIOXIDE INDUSTRY	99
GREENER PRODUCTION OF CHEMICALS	99
RESPONSIBLE CARE	100
ECOLOGICAL FOOTPRINT OF TiO <sub>2</sub> PRODUCTS	100
ENVIRONMENTAL FOOTPRINT OF PAINTS AND COATINGS CONTAINING TiO <sub>2</sub>	100
REACH REGULATION	100
HEALTH SAFETY OF TITANIUM DIOXIDE	100
SUSTAINABLE USE	101
TITANIUM DIOXIDE AS A CATALYST FOR THE TRANSITION TO A GREEN ECONOMY	102
MEMBERSHIP IN ASSOCIATIONS	103
STAKEHOLDER RELATIONS	103
STAKEHOLDER INVOLVEMENT	103
MATERIALITY MATRIX	105
EMPLOYEE RELATIONS	109
COLLECTIVE AGREEMENTS	113
REMUNERATION AND FREEDOM OF ASSOCIATION	114
SUPPLEMENTARY PENSION INSURANCE AND OTHER BONUSES	115
PROTECTION OF PERSONAL DATA	115
EMPLOYEE TRAINING AND COMPETENCE DEVELOPMENT	115
MOJA CINKARNA APP	118
CINKARNAR INTERNAL NEWSLETTER	118

OPEN DOOR OF THE WORKS DIRECTOR'S OFFICE	118
EMPLOYEE ENGAGEMENT AND SATISFACTION SURVEY	119
HEALTH AND SAFETY AT WORK	121
INJURIES AT WORK	123
ABSENTEEISM	125
COVID-19	125
WORKPLACE RISK ASSESSMENT	125
EMPLOYEE INVOLVEMENT	126
HEALTH PROMOTION AT WORK	126
CC UM FOR MANY IMPROVEMENTS	127
SUPPLIER RELATIONS	129
SUPPLIER EVALUATION	129
CUSTOMER RELATIONS	131
HIGH VALUE-ADDED PRODUCTS	131
LABELLING	133
CUSTOMER SATISFACTION SURVEY	134
RELATIONS WITH THE LOCAL COMMUNITY	137
SPONSORSHIPS AND DONATIONS	137
COOPERATION WITH SCHOOLS AND FACULTIES	138
OPEN DOOR DAY	139
VOLUNTEERING AMONG EMPLOYEES	140
COMMUNICATING WITH THE PUBLIC	140
RECEIVING AND RESOLVING COMPLAINTS FROM THE PUBLIC	141
OUR APPROACH TO THE ENVIRONMENT	143
QUALITY ASSURANCE, ENVIRONMENTAL, HEALTH AND SAFETY POLICY	144
MAJOR ACCIDENT PREVENTION AND REDUCTION POLICY	144
ENVIRONMENTAL COMMUNICATION, ISSUES AND COMPLAINTS	144
OBJECTIVES AND MEASURES	145
COMPLIANCE AND STANDARDS	145
ENVIRONMENTAL MONITORING	145
RESPONSIBLE CARE PROGRAMME	145
ENVIRONMENTAL DUE DILIGENCE	145
ECOVADIS SUSTAINABILITY RATING	145
HACCP SYSTEM MANAGEMENT	146
RAW MATERIALS MANAGEMENT	146
USE OF RAW MATERIALS	146
RECYCLED INPUT MATERIALS	149
REUSED MATERIALS	150
BY-PRODUCT PRODUCTION	152
WASTE MANAGEMENT	153

ENERGY MANAGEMENT	157
ENERGY CONSUMPTION	158
INVESTING IN RENEWABLE ENERGY	165
PROJECT: HEAT BALANCE OF TITANIUM DIOXIDE PRODUCTION	165
INVESTING FOR DECARBONISATION	166
EMISSIONS TO AIR	167
THE COMPANY'S CARBON FOOTPRINT	167
CARBON FOOTPRINT OF THE CARRIER PRODUCT	168
MONITORING EMISSIONS TO AIR	169
PROJECT: SULPHUR SMELTING TREATMENT PLANT	171
WATER MANAGEMENT	173
CARING FOR WATER SOURCES	174
INTEGRATED WATER MANAGEMENT PROJECT	175
WASTEWATER MANAGEMENT	175
IMPACT OF WASTEWATER ON THE NATURAL ENVIRONMENT	177
BIODIVERSITY	179
IMPACT ON BIODIVERSITY	180
OLD RIVERBED REVITALISATION PROJECT	181
<b>FINANCIAL REPORT</b>	<b>184</b>
FINANCIAL STATEMENTS	184
CONDENSED STATEMENT OF FINANCIAL POSITION	184
INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER	186
STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER	187
STATEMENT OF CHANGES IN EQUITY AND DETERMINATION OF DISTRIBUTABLE PROFIT	188
CASH FLOW STATEMENT	190
NOTES TO THE FINANCIAL STATEMENTS	192
SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD	248
INDEPENDENT AUDITOR'S REPORT	249
GENERAL MEETING/CAPITAL STRUCTURE	255
STATEMENT BY MEMBERS OF THE MANAGEMENT AND PERSONS RESPONSIBLE FOR DRAWING UP THE ANNUAL REPORT	256
PERSONS RESPONSIBLE FOR DRAWING UP THE ANNUAL REPORT	256
COMPANY CULTURE	257
<b>REPORTING INDICATORS ACCORDING TO GRI STANDARDS</b>	<b>258</b>

# HIGHLIGHTS OF THE REPORT

## 2022

OUR BUSINESS IS BASED ON LONG-TERM BUSINESS STABILITY AND SUCCESS



**43.4** mio EUR  
net profit in 2022, an increase of 31% on the previous year.

**227.2** mio EUR  
total sales in 2022.

**18%**  
higher sales in 2022.

**83%**  
of our sales are in the EU market.

OUR MAIN PRODUCT IS PIGMENTED TITANIUM DIOXIDE



**64,366** tonnes  
of titanium dioxide pigment was produced in 2022, an increase of 1% compared to the previous year.

**80%**  
of total sales represents production and marketing of titanium dioxide pigment.

WE CAREFULLY MANAGE ALL IDENTIFIED ENVIRONMENTAL IMPACTS



**6%**  
less emissions from production.

For **24** years  
we have been part of the Responsible Care Programme.

**38** points  
for emissions monitoring in Celje.

**11%**  
of the total amount of water used to produce titanium dioxide is recycled or reused.

## EMPLOYEE HEALTH AND SAFETY AT WORK ARE OUR PRIORITIES



### 15%

more funds for occupational health and safety measures than in the previous year.

### 0.9 injuries

per 100 employees in 2022, a decrease of 0.3 workplace injuries per 100 employees compared to the previous year.

### 6.9%

fewer occupational injuries per 1,000 employees than the five-year average for the chemical industry.

### 0.7%

fewer occupational injuries per 1,000 employees than the national average (NIJZ data for 2017-2022).

## WE PROVIDE PERSONAL AND PROFESSIONAL DEVELOPMENT OPPORTUNITIES FOR OUR EMPLOYEES



### 15.85 hours

training per employee.

### 155

useful suggestions from employees to improve operational and technological processes.

## WE INVEST IN THE LOCAL ENVIRONMENT AND FOSTER CREATIVITY



### 755,726 EUR

sponsorships and donations in 2022, an increase of around 16% compared to 2021.

### For 15 years

we have been raising awareness among young people in the region about the importance of chemistry for society and the natural environment through competitions.

### 95%

of sponsorship and donations go to sports clubs and associations.

# SOCIAL FOOTPRINT OF CINKARNA CELJE, D.D. 2022



**104,787** EUR

EXCISE DUTY\*



**430,286** EUR

ENERGY EFFICIENCY, COMBINED  
HEAT AND POWER (CHP) AND RE-  
NEWABLE ENERGY SOURCES (RES)  
CONTRIBUTIONS



**48,490** EUR

MEMBERSHIP FEES



**18,835,899** EUR

VAT, CUSTOMS, IMPORT DUTIES



**12,222,524** EUR

LEVIES ON RECEIPTS OF NATURAL  
PERSONS



**8,789,599** EUR

CORPORATE INCOME TAX

**101,373 EUR****ENVIRONMENTAL LEVIES\*\*****868,320 EUR****BUILDING LAND USE TAX  
(NUSZ), WATER LEVIES****773,243 EUR****TRANSHIPMENT TAXES****755,725 EUR****DONATIONS AND  
SPONSORSHIPS****42,930,246 EUR****TOTAL**

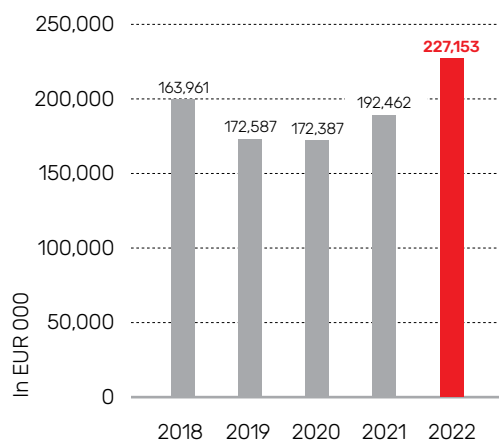
\* Excise duty figures for the 2018-2022 period are estimated on the basis of the volume supply of equivalent unit per unit of product.

\*\* Environmental levies also include a CO<sub>2</sub> tax.

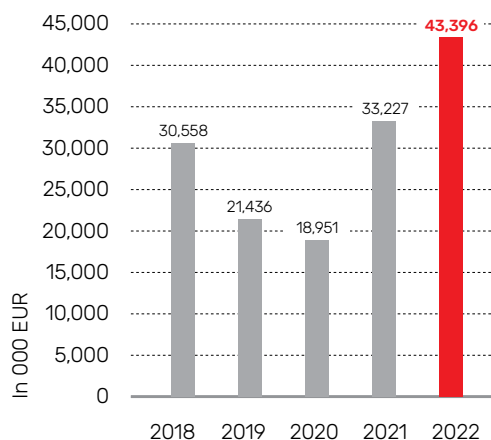
# A CONCISE OVERVIEW OF PERFORMANCE AND ALTERNATIVE PERFORMANCE MEASURES

Cinkarna Celje d.d. also uses Alternative Performance Measures (APM) as defined by ESMA to show the historical performance. In 2021, we revised the reported indicators in line with the reasonableness of the interpretation given the practice in the titanium dioxide industry and the absence of debt in the statement of financial position. The selected performance measures reveal the performance and efficiency of the Company's operations in light of the cyclical nature of the pigment industry.

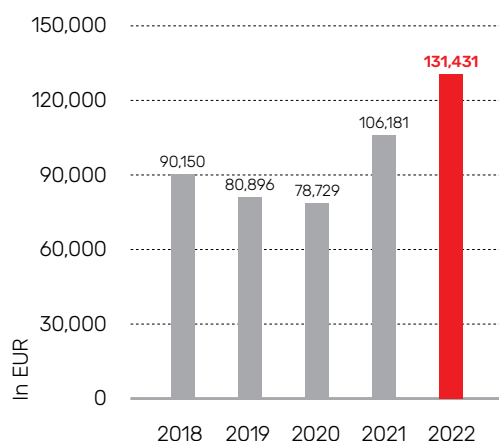
**Chart: Turnover (in EUR 000)**



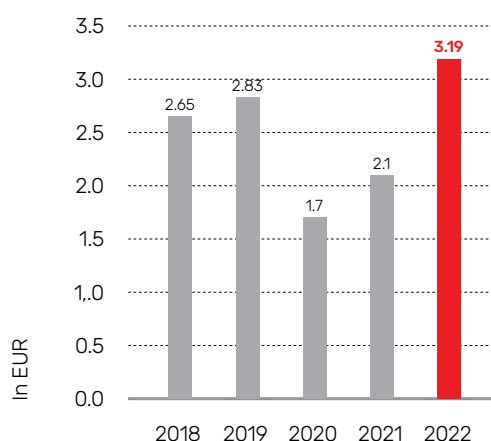
**Chart: Net operating result (in EUR 000)**



**Chart: Value added per employee (in EUR)**



**Chart: Gross dividend per share (in EUR)**





Operations in EUR 000	2022	2021	2020	2019	2018
Turnover	227,153.12	192,462.10	172,386.90	172,587.00	163,960.90
Operating profit (EBIT) <sup>[1]</sup>	53,175.64	39,976.60	22,534.40	25,726.90	36,408.50
Operating profit plus depreciation and amortisation (EBITDA) <sup>[2]</sup>	65,326.33	51,258.00	32,467.20	32,296.30	48,580.70
Net operating result	43,396.47	33,227.10	18,950.70	21,436.40	30,558.20
Non-current assets (end of period)	108,559.53	110,511.61	110,888.70	107,753.80	107,594.10
Current assets (end of period)	142,388.47	131,373.20	100,251.70	100,516.50	106,067.40
Equity (end of period)	209,010.15	190,165.80	174,820.90	170,806.10	173,925.50
Non-current liabilities (end of period)	18,831.72	23,273.00	20,876.40	22,578.00	27,763.30
Current liabilities (end of period)	23,106.14	28,446.00	15,442.00	14,886.20	11,407.40
Investments	10,546.50	11,325.40	12,233.00	11,956.00	22,608.30

### Indicators

EBIT as a percentage of turnover	0.23	0.21	0.13	0.15	0.22
EBITDA as a percentage of turnover	0.29	0.27	0.19	0.19	0.30
Net profit as a percentage of turnover (ROS)	19.11	17.26	10.99	12.42	18.64
Return on equity (ROE) <sup>[3]</sup>	21.74	21.40	12.50	14.70	21.70
Return on assets (ROA) <sup>[4]</sup>	17.61	14.70	9.00	10.20	14.10
Value added per employee <sup>[5]</sup>	131,431	106,181	78,729	80,896	90,15

### Number of employees

End of year/period	775	793	824	846	908
Average end of year/period	776	801	838	874	905

### Share information\*

Total number of shares	8,079,770	8,079,770	8,079,770	8,079,770	8,146,260
Number of own shares	264,65	264,65	219,51	106,52	21,49
Number of shareholders	2,321	2,077	1,92	1,92	2,078
Earnings per share in EUR <sup>[6]</sup>	5.37	4.11	2.35	2.65	3.78
Dividend yield <sup>[7]</sup>	10%	9%	11%	13%	13%
Gross dividend per share in EUR	3.19	2.10	1.70	2.83	2.65
Share price at end of period in EUR	23.00	25.90	17.80	18.75	18.10
Book value per share in EUR <sup>[8]</sup>	25.87	23.54	21.64	21.18	21.35
Market capitalisation in EUR 000 (end of period)	185,834.71	209,266.04	143,819.91	151,495.69	147,447.30

\* Share split recalculated for previous periods.

[1] The difference between operating income and operating expenses.

[2] The difference between operating income and operating expenses, plus depreciation and amortisation. Reflects operating performance.

[3] Net profit/average equity for the year. The indicator reflects the efficiency of the company in generating net profit in relation to capital. Return on equity is also an indicator of management's performance in maximising the value of the company for its owners.

[4] Net profit/average balance for the year. The indicator reflects the efficiency of the company in generating net profit in relation to assets. Return on assets is also an indicator of management's performance in using assets efficiently to generate profits.

[5] Operating profit plus depreciation, amortisation and labour costs divided by the average number of employees after accrued hours. A productivity indicator reflecting the average new value created per employee at Cinkarna.

[6] Net profit/average number of shares in issue.

[7] Amount of dividend/share value (at the date of the resolution).

[8] Capital at end of period/total number of shares in issue.

# Titanium dioxide

## AS AN ACCELERATOR OF THE GREEN TRANSITION

Environmental and health benefits of titanium dioxide:



### ENERGY EFFICIENCY

Reflective coatings,  
»cold roofs«



### LESS COSTLY RENEWABLE ENERGY

Colour-sensitive solar cells



### EFFICIENT USE OF RESOURCES

Durable building materials



### REDUCED AIR POLLUTION

Neutralisation of air pollution  
with active TiO<sub>2</sub> coatings



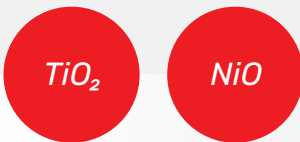
### WASTE REDUCTION

Lightweight packaging films



The potential of titanium dioxide for low-carbon and circular production in the value chain

HELPS CREATE TRANSPARENT SOLAR CELLS



Producing the first transparent solar cells by combining the unique properties of titanium dioxide (TiO<sub>2</sub>) and nickel oxide (NiO).



Integration into windows, vehicles, mobile phone screens and other everyday products.



TiO<sub>2</sub> is an ideal semiconductor for solar cells because it absorbs invisible ultraviolet light while still transmitting visible light.

ENABLING INNOVATION IN GREEN HYDROGEN TECHNOLOGY



TiO<sub>2</sub> enables a new method of hydrogen production for fuel, called photocatalysis, based on the use of sunlight.



TiO<sub>2</sub> could enable the production of electrodes that can absorb up to 50% of sunlight, making the production of green hydrogen more efficient.

BENEFITS FOR THE CIRCULAR ECONOMY



**Efficiency:** high standards of gloss, colour strength and opacity can be achieved with fewer resources by using TiO<sub>2</sub>.



**Resistance and protection:** TiO<sub>2</sub> protects materials from degradation by UV radiation and weathering, so products last longer and less waste is generated over time.

# REPORT OF THE MANAGEMENT BOARD

Cinkarna Celje d.d., a modern and forward-looking chemical company, has celebrated 150 years of continuous operation in very good shape, with ambitious sustainability goals. As part of the chemical industry, which is a vital building block of the European and Slovenian economy, we are aware of our opportunities, responsibilities and challenges in the context of the green, low-carbon and circular transformation of European industry.

The green transition is not new to us, as key milestones in our distinguished history testify to a growing awareness of the shared responsibility of all stakeholders for the success of our economic performance, an attentiveness to the social environment and a growing sensitivity to the impact on the natural environment. Through the consistent implementation of a sustainable development strategy, which is embedded in the company's vision, mission and development plan, we are continuously striving for improvements in all areas of our operations. In complex circumstances, we seek innovative solutions and implement them in a successful business model to achieve a balance between economic performance, social responsibility and environmental protection, with a focus on the circular economy and decarbonisation.

The Board and staff are aware that our way forward, based on the principles of sustainable development, must be geared towards strengthening our economic performance and ensuring corporate responsibility, as well as integrating and achieving the objectives of all our stakeholders. With this strategic stance, we aim to identify risks of all kinds, including climate risks, early on, while boldly spreading the wings of opportunity.

The 2022 financial year was marked by two different half-years. The first continued the favourable market trends and high level of demand of



**Aleš Skok,**

*univ. dipl. in chemical engineering  
technology, MBA – USA,*

**President of the Management Board**





**Nikolaja Podgoršek-Selič,**  
*univ. dipl. in chemical engineering, spec.*  
Member of the Management Board –  
Technical Director



**Filip Koželnik,**  
*Master of Business Studies,*  
Member of the Management Board –  
Works Director

the previous year. The second half of the year, however, witnessed the impact of increased energy risks, the downturn in the Chinese property market and the consequent decline in pigment sales in that market, as well as increased export pressure from Asian pigments to European markets. The second half of the year saw a significant cooling in demand from European customers across all sales segments due to inflationary pressures on the industry and the end consumer. Due to weaker demand and high prices in the energy markets, several competing European producers temporarily reduced or stopped production.

In this environment, we maintained maximum production levels and managed to generate sales revenue of EUR 227.2 million in the 2022 financial year, an increase of 18% compared to 2021. The sales increase was mainly driven by higher average selling prices for titanium dioxide pigment and maximum capacity utilisation. The total value of exports reached EUR 208.4 million in the period considered, an increase of 19% compared to the same period of the previous year. Net profit amounted to EUR 43.4 million, 31% higher than the EUR 33.2 million achieved in the corresponding period of the previous year. Operating profit plus depreciation and amortisation, or EBITDA, amounted to EUR 65.3 million, representing 29% of sales. EBITDA is up 27% compared to the previous year. We consider that the operating results achieved are objectively good and exceed the forecasts for the period.

We are pleased that our good work is delivering the expected returns to our shareholders and partnership to the wider community.

We have earmarked EUR 10.5 million for investments, the purchase of fixed assets and replacement equipment, and environmental investments, which represents 70% of the planned budget for 2022. The under-performance is mainly due to changed circumstances requiring interruption of works and additional preparation of documentation, longer procedures for selecting the most advantageous supplier, pilot tests of various installations, delays in the preparation of project documentation and administrative procedures. The main focus of the funding was on the production of titanium dioxide pigment to improve product quality, ensure the planned volume production and reduce environmental impacts.

Focusing on our core titanium dioxide pigment programme and rationalising our portfolio of strategic business areas are key building blocks of our business performance. Titanium dioxide pigment is our most important product and an indispensable raw material in the modern world, and we are committed to further developing and continuously improving its quality and exploring its use in sustainable applications. These have many opportunities in the perspective of the transition to a green economy.

Cinkarna Celje d.d. is a relatively small pigment producer, so we face market conditions and changes as a typical follower, but of course we try to make the most of the market's potential in terms of level and time dynamics within the given framework.

What does our view of the future suggest?

The macroeconomic environment remains challenging. Economic growth in the euro area is expected to slow significantly in 2023, affected by high inflation, tighter financing conditions and lower consumer confidence. In the context of markets and Cinkarna's carrier products, this situation means that pigment consumers are facing weaker demand and sentiment, with high costs and inflation being the key drivers. In addition to European pigment supply, very cheap volumes are emerging from Asia. This reverses the trend of pigment selling prices in Europe. The difference between the selling price in China and in Europe is at a historically high level.

Based on our assessment of current market conditions, we estimate that downward pressure on prices will continue in the coming quarters. In parallel, the prices of some key raw materials are at high levels or are only moderately valued, which will result in further downward pressure on profit margins. Increased energy prices will also have an impact. Based on these facts, we have also prepared our plan for 2023, taking into account the weaker performance and increased capital expenditure in the energy and sustainability transformation.

Sales in the other business units are above the level of the previous comparable period, mainly in the metallurgy and coatings segment, where they are higher than in the same period of the previous year due to higher raw material input costs.

In 2023, Cinkarna Celje d.d. will prepare a new business strategy for a five-year period. It will also integrate our strategic vision and objectives for the Environment, Society and Governance (ESG) area, further underlining our commitment to the continuous transformation of the company towards sustainability.

Our business strategy will be based primarily on an active marketing approach to find and develop the most profitable customers and markets, increase market share in the highest quality markets and build long-term partnerships with key customers. We will invest in developments and programmes that show the potential for responsible and green growth.

We recognise that employees are the most important foundation for long-term business success. We will continue to pay particular attention to optimising our human resources management and organisational structure to ensure an appropriate level of employee satisfaction and motivation, and above all to maximise the safety and health of our employees. We are implementing IT support for the development of competences, including in terms of sustainability, digitalisation and innovation, and improving the organisational climate. In agreement with the representative trade unions and employee representatives, we will continue to provide employees with work and personal growth, and remuneration that adequately reflects the company's performance or the quality of its results.

By taking further sustainable steps, we will reduce the material, energy and carbon footprint of our activities, which in turn means rationalising costs in the long term. We will build on our multi-year continuous commitment to responsible energy use with a strategic decarbonisation target and plan in 2023. We will reduce our organisational carbon footprint (Scope 1 and Scope 2), which we calculated last year, in the long term through, among other things, energy efficiency programmes and increasing the use of renewable energy sources, and we are therefore building solar power plants on our own facilities in phases.

In the context of making titanium dioxide production as sustainable as possible, we will continue our multi-year development project on integrated water management and circular economy projects with the aim of reducing waste. Improvements in the operation or upgrading of waste water treatment plants and the implementation of measures to reduce emissions in the working environment will continue to be a constant feature of our activities. We will continue with projects that comprehensively manage spatial and environmental risks. The most important of these will continue to be the alternative water supply projects, the harmonisation of the zoning acts at the Za Travnikom red gypsum filling plant, the rehabilitation of the Bukovžlak Non-Hazardous Waste Disposal Site (ONOB), and ensuring the stability of dams.

We will also strategically build on our integrated ESG (Environment, Society, Governance) efforts in the value chain and in cooperation with the local environment.

The rich and at times dramatic history of Cinkarna Celje recounts a telling story of the exceptional ability of its leaders to identify challenges in time and to courageously find the right answers to difficult circumstances. The current management of the company, together with all its employees, is also capable of bold visions and decisive sustainable steps - for a green company, a green wider society and a promising future for the present generation and all future generations. The management of Cinkarna Celje d.d. is personally and collectively committed to this. Our efforts, achievements and challenges are disclosed in this report, and we are confident that in the future, in cooperation with our stakeholders, we will meet and exceed many of the goals that we are currently still seeking answers to. This visionary optimism has become part of our DNA over the years.

Management Board of Cinkarna Celje d.d.

# REPORT OF THE SUPERVISORY BOARD OF CINKARNA CELJE D.D.



**Dr. Mario Gobbo,**  
**President** (from 26 May 2020)



**Luka Gaberščik,** *univ. dipl. in law*  
**Deputy President** (from 4 June 2019)



**Mag. David Kastelic,**  
**Member** (from 18 June 2020)



**Mitja Svoljšak,** *univ. dipl. in economy,*  
**Member** (from 16 June 2020)



**Dušan Mestinšek,** *univ. dipl. in electrical  
engineering,*  
**Member** (from 18 June 2020)



**Jože Koštomaj,** *mechanical engineer,*  
**Member** (from 18 June 2020)



In 2022, the Supervisory Board met and took decisions at seven meetings, five of which were ordinary, one correspondence and one extraordinary. Attendance at meetings was generally full. Within the legal framework established by laws, regulations, the Company's Articles of Association and relevant codes, as well as the approach of a prudent steward, we have diligently fulfilled and exercised our powers, duties and responsibilities. We have considered the materials submitted, the presentations made, the specific clarifications and explanations provided, and have organised and conducted interviews with individual external experts. We have sought to further clarify and examine specific topics through constructive suggestions, questions and requests for additional data, analyses and reports. In our opinion, the Supervisory Board has acted diligently in its work, in accordance with the law and with the best of its individual conscience and knowledge, thereby adequately safeguarding the interests of the Company and its shareholders.

At the end of 2022, the Supervisory Board of Cinkarna Celje d.d. was composed of Dr. Mario Gobbo - President, Luka Gaberščik, univ. dipl. in law - Deputy President, Mag. David Kastelic, Mitja Svoltjšak, Dušan Mestinšek, dipl. in electrical engineering, and Jože Koštomaj, mechanical engineer, the latter two as workers' representatives.

The Supervisory Board has devoted time and attention to reviewing current operations, investments, business plans and regular internal audit activities. Other topics to be highlighted include the discussion on the implementation of the development strategy, environmental issues, occupational health and safety issues and energy reporting. The Supervisory Board was kept informed of the development and progress of environmental projects. The Management Board briefed the Supervisory Board members in detail on the risk of shortage of process water and possible solutions. Attention was also paid to monitoring the implementation of the Company's Strategic Plan for 2019-2023, adopted in 2018.

In 2022, the implementation rate is 70% of the planned value. The under-performance is mainly due to the occurrence of changed circumstances requiring interruption of works and additional preparation of documentation, longer procedures for selecting the most advantageous supplier, pilot tests of various installations, delays in the preparation of project documentation and administrative procedures. The total value of investments thus amounted to EUR 10.5 million. The main part of the funds was earmarked for the production of titanium dioxide pigment to improve product quality, ensure the planned volume production and reduce environmental impacts.

In November, we discussed and adopted our business plan for 2023, based on relatively pessimistic macroeconomic forecasts and with traditional conservatism. The sales plan amounts to more than EUR 200.6 million and the net profit is planned at EUR 5.9 million. The planned drop in the latter is mainly due to market pressures towards lower average selling prices and higher purchase prices. The Supervisory Board considered that the plan was appropriately formulated and that it adequately reflected both the situation in the business environment and the Company's competitive position and potential for generating results.

Thanks to the efforts of the employees and the Management Board of the company in extraordinary circumstances, the results achieved in 2022 are very good and are among the best in the history of Cinkarna Celje d.d., and at the same time they are above average in the competition of the best Slovenian industrial companies. International industry comparisons also show once again that the results achieved are among the very top of the leading global companies in the titanium dioxide pigment industry. The Company's operating profitability exceeded the operating results of most competing titanium dioxide pigment producers. Therefore, we consider the reported net profit of EUR 43.4 million and total sales of EUR 227.2 million to be outstanding achievements. The Company has traditionally followed a conservative financial management strategy, operating without long-term borrowings or external financing, and is therefore financially stable and sound.

The strong performance in 2022 is therefore due to still relatively high average prices or margins. We have also closely monitored progress on physical volume indicators. Particular emphasis will therefore be placed on improving or raising the competitive position, increasing market shares and increasing physical volumes. In parallel, the possibility of further diversification of the product portfolio will be explored.

The Supervisory Board considers that the actions taken by the Management Board have also been successful in implementing investment plans and targeted development work. A high level of financial stability has been maintained despite the payment of high dividends. The efficient operation, sustainability and stability of the system provide an answer to its long-term prospects. The main directions of the Company's operations and development, as set out in the medium-term strategy, have been qualitatively fulfilled in the most important points. In 2018, the Supervisory Board was involved in the preparation and adoption of the development strategy until 2023. The key focus of this strategy is the Company's focus on the core business of titanium dioxide and the change in the sales portfolio of this core product towards increasing quality, optical properties and product development for more demanding customer applications. The Supervisory Board actively supports a business policy focused on reducing risks and uncertainties and ensuring a stable financial position of the Company. Together with the Management Board, we pay attention to the requirements and ensure compliance also with the continuous progress in the environmental and employee health protection areas.

In the opinion of the Supervisory Board, the present Annual Report, which contains the statutory financial statements, disclosures, explanatory notes and the management report, contains the most important information and indicators as well as adequate explanations of individual events and facts, and therefore the Supervisory Board, on the proposal of the Audit Committee of the Supervisory Board, approves the Annual Report of Cinkarna Celje d.d. for 2022.

The Supervisory Board has also read the independent auditor's report and considers that it adequately presents the statutory audit of the financial statements and notes and accepts the auditor's opinion that the financial report is consistent with the audited financial statements. This sufficiently satisfies the requirement that the information given about the Company's financial position during the period under review be true and fair.

## **REPORT OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD ON ITS WORK IN 2022 AND VERIFICATION OF THE ANNUAL REPORT OF CINKARNA CELJE D.D. FOR 2021**

The Audit Committee of the Supervisory Board of Cinkarna Celje d.d. in 2022, consisting of Mag. David Kastelic – Chairman, Jože Koštomaj, mechanical engineer – Member, and Gregor Korošec, univ. dipl. in economics – Independent External Expert, held five regular meetings. The Audit Committee members focused on their regular and ongoing tasks and commitments.

Members of the Audit Committee were present at all meetings. Aleš Skok, President of the Management Board, and Mag. Karmen Fujs, Head of the Accounting Department, who presented documents and answered or clarified questions from the members were also present. Two meetings were attended by two certified auditors, Sanja Košir Nikašinović and Lidija Šinkovec, from Ernst & Young, d.o.o. Jure Vezjak, Head of the Internal Audit Department, was also present at the meetings.

At all meetings, the Audit Committee was informed about the interim results of Cinkarna Celje d.d. and paid particular attention to financial and accounting data. It paid close attention to the content of the Company's interim and annual financial statements and made proposals and recommendations for corrections. As already mentioned, it also reviewed and examined on an ongoing basis the reports of the Internal Audit Department, which included, inter alia, reporting on the status of action taken on its recommendations, while at the same time cooperating constructively, suggesting improvements and guiding the work of the Internal Audit Department.

The Audit Committee again reviewed the system for identifying, evaluating and managing risks in the operations of Cinkarna Celje d.d. The system is properly integrated into the Company's business processes in 2022. This has significantly improved its responsiveness and, above all, it represents a desirable tool for the active management of the Company. The risk management system, which is integrated into the integrated management system, is based on the regular updating of a risk catalogue, in which risks are systematically classified according to the assessment of the probability of occurrence of each type of risk and the amount of potential damage. The system also includes a set of actions aimed at managing these risks. The Audit Commission assessed the system as satisfactory.

In accordance with its responsibilities, the Audit Committee was active in 2022 in the regular audit procedures of Cinkarna Celje d.d. The activities were mainly:

- meeting with the auditors and taking note of the progress of the final audit of the 2021 financial statements of Cinkarna Celje d.d.;
- taking note of the findings of the audit of Cinkarna Celje d.d.'s financial statements for 2021 and the auditor's opinion;
- taking note of the letter to management on the findings of the audit of Cinkarna Celje d.d.'s financial statements for the year ended 31 December 2021.

The meetings and activities in 2022 were aimed at taking note of the final audit of the Company's financial statements for 2021, reviewing the Annual Report of Cinkarna Celje d.d. and reviewing the annual report of the Internal Audit Department, as well as taking note of the periodic reports for the 2022 financial year. In 2022, the Internal Audit Department performed all internal audit tasks successfully and in accordance with the plan, and reported to the Audit Committee on an ongoing basis on the performance of those tasks.

The Audit Committee received and considered the final Annual Report of Cinkarna Celje d.d. for 2022 at its meeting. The Audit Committee concluded that the Annual Report of Cinkarna Celje d.d. for 2022 was prepared on time and in all material respects in accordance with International Accounting Standards and the provisions of the Companies Act.

The business section of the Annual Report of Cinkarna Celje d.d. provides a concise overview of the Company's operations in recent years. The analysis of results and operations provides a detailed overview of the Company's assets and operating result, with full explanations of sales, operating result, expenses and costs, assets and resources.

The Company's development is based on people, investment, development activity, quality assurance and the successful implementation of its strategic plan for the next period up to and including 2023.

The Annual Report also contains a statement of non-financial performance, which, as required by the amended Companies Act, includes the required information on social responsibility, the environment, human resources, and anti-corruption and anti-bribery.

The financial statements of Cinkarna Celje d.d. for 2022, together with the accounting policies and notes thereto, have been audited by Ernst & Young d.o.o. and approved by the General Meeting of Shareholders of the Company at its 23rd Ordinary Session on 4 June 2019. The auditor has issued a positive opinion on the financial statements of Cinkarna Celje d.d. for 2022 and has also confirmed that the information in the financial statements is consistent with the accompanying financial statements. In its opinion, the auditor highlighted the key audit matters disclosed in the accounting part of the report, namely Note 13 - Other provisions to the financial statements, where it is disclosed that the Company has environmental provisions of EUR 14.8 million as at 31 December 2022, which were established on the basis of the projects developed, the reports prepared and the estimates made by the external consultants and the management regarding the costs to be incurred for the rehabilitation of the landfills and the coverage of future liabilities.

Based on the positive opinion in the auditor's report, additional explanations provided by the auditor and the departments of Cinkarna Celje d.d., and the information and disclosures in the Annual Report of Cinkarna Celje d.d., the Audit Committee is of the opinion that the Annual Report for 2022 has been prepared in accordance with the requirements of the Companies Act (ZGD-1) and that the financial statements present fairly, in all material respects, the financial position of Cinkarna Celje d.d. as at 31 December 2022 and its operating result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

The Audit Committee considers that the auditor has acted impartially and independently and in accordance with the Auditing Act. The statutory auditor and the audit firm will provide the Company with a review of the ESEF Report. The Report on the Remuneration of the Company's Management and Supervisory Bodies will also be reviewed by them.

The Audit Committee has no comments on the Annual Report of Cinkarna Celje d.d. for 2022 that would in any way delay it in proposing to the Supervisory Board that it adopt a decision on the approval of the Annual Report of Cinkarna Celje d.d. for 2022 in accordance with Article 282 of the Companies Act (ZGD-1).

President of the Supervisory Board

**Mario Gobbo**



# INTERNAL AUDIT REPORT

Internal auditing at Cinkarna Celje d.d. is performed by the Internal Audit Department, headed by the Head of the Internal Audit Department. The Department is an independent organisational unit, organisationally accountable to the Management Board and functionally to the Audit Committee and the Supervisory Board of the Company, respectively. It operates in accordance with the International Standards for the Professional Practice of Internal Auditing (hereinafter referred to as the Standards) and other rules included in the International Framework for the Professional Practice of Internal Auditing and the Hierarchy of Internal Auditing Rules.

Its role is to provide independent and impartial assurance and advice designed to add value and improve the performance of the Company. It helps the Company to achieve its objectives by systematically and methodically assessing and improving the effectiveness of risk management, control processes and corporate governance. It acts in accordance with the Charter and is guided by the principles of integrity, expertise, professional due diligence, impartiality and independence.

It undertakes activities in areas where key risks to the Company arise or may arise and where it can contribute to the improvement of the business and the enhancement of the Company's operational security and business benefits, where the business is exposed to risks and weaknesses that threaten its continued existence and development, or where there are opportunities for fraud, error, evasion or conflict, with the aim of making the Company's operations more efficient, economical and effective.

It carried out its activities in 2022 in accordance with the approved annual work plan. All but one of the eight planned internal audits were carried out, as were other internal audit activities such as periodic follow-up of recommendations, internal audit planning, work methodology activities and others. The results of the audits and other activities were regularly reported by the Head of the Internal Audit Department to the Auditees-in-Charge and the Management Board, and periodically to the Audit Committee and the Supervisory Board of the Company.

In 2022, the Internal Audit Department successfully completed an external quality audit of its work against the Standards

Head of the Internal Audit Department

**Jure Vezjak**

Qualified Internal Auditor and CIA (Certified Internal Auditor)



# IMPORTANT EVENTS



Receiving a silver award for innovation Development of the process of industrial production of phytopharmaceutical active ingredient tribasic copper sulfate.



The management of the company thanked the employees of the professional fire department for their help in extinguishing the fire in the Kras region.

## SILVER INNOVATION AWARD FOR BU KEMIJA CELJE

In June 2022, we received a silver award from the Celje Regional Chamber of Commerce for our innovation entitled Development of an industrial production process for the active pharmaceutical ingredient tribasic copper sulphate, developed by employees Dr. Andrej Lubej, Mag. Peter Bastl and Stjepan Zagorščak. It is a breakthrough innovation, a novelty on a global scale and based on an original process. Tribasic copper sulphate is a product with a high long-term prospect and could become one of Cinkarna Celje's leading products with appropriate investment in both the production process and market development. The production of the active substance generates significantly fewer unwanted by-products

and the product itself is more environmentally friendly, as it is classified as a milder hazardous chemical compared to other copper-based active substances. Cinkarna Celje's strategy foresees diversification of production through new programmes and by modernising and increasing the competitiveness of existing programmes. The innovation, with its potential, relevance for the business unit and innovative implementation, is fully in line with the Company's strategy..

## CINKARNA CELJE'S FIREFIGHTERS HELPED TO EXTINGUISH THE FIRE IN THE KRAS REGION

In July 2022, when a large fire broke out in the Kras region, several members of Cinkarna Celje's professional firefighting unit helped to extinguish

the blaze. On their return, the Company's management thanked them for their selfless help and expressed their support for their mission.

## MINISTERS TANJA FAJON AND MATJAŽ HAN VISITED CINKARNA

In September 2022, Cinkarna Celje was visited by the Minister of the Economy Matjaž Han, the Minister of Foreign Affairs Tanja Fajon and the State Secretary of the Government Office for Development and European Cohesion Policy, Mag. Marko Koprivc. The management of Cinkarna Celje addressed them with an initiative to consider incentives for energy-intensive companies, which are becoming less competitive with foreign producers due to the burden of more expensive raw materials and energy. The Company still has a lot





Award-winning website [www.cinkarna.si](http://www.cinkarna.si)



The President of the Management Board of Cinkarna Celje Aleš Skok (right) accepted the plaque from the Slovenian Chemical Society on behalf of the company.



Ministers Matjaž Han and Tanja Fajon visiting Cinkarna Celje



Platinum certificate of credit excellence

of potential for development, but the State will have to step in to help it by speeding up procedures, providing incentives and funding for sustainable development.

**AWARD FOR THE NEW CINKARNA.SI WEBSITE**

In 2022, we redesigned our website [www.cinkarna.si](http://www.cinkarna.si), which was entered in the international Web Excellence Award competition and won the Web Excellence Award in March 2023 in the category of corporate & B2B websites, entitled: Moving corporate image towards sustainability. The Web Excellence Award is an annual international competition that promotes excellence and sets standards in the field of online communication. The competition, now in its eighth year, attracted agencies from 39

countries and 47 US states, submitting more than 1,200 entries in various categories. The prize is awarded by the Web Academy of Digital Arts and Media.

**RECEIVING A PLAQUE FROM THE SLOVENIAN CHEMICAL SOCIETY**

The Slovenian Chemical Society celebrated its 70th anniversary in 2021. Due to the health situation of the COVID-19 epidemic, a festive meeting was organised in September 2022 as part of the traditional Slovenian Chemistry Days in Portorož. The ceremony was also attended by Aleš Skok, President of the Management Board of Cinkarna Celje, who received a plaque on behalf of the Company – a sign of good cooperation with the chemists' trade union.

**RECEIPT OF THE FOURTH PLATINUM CERTIFICATE OF CREDIT EXCELLENCE**

In 2022, we were awarded our fourth Platinum Certificate of Credit Excellence. It ranks us among the most trustworthy business entities and demonstrates our commitment to good business practices. The certificate indicates a low probability of bankruptcy, delisting from the commercial register or inclusion in the list of tax defaulters. The basis for the Business Excellence rating is financial statements that predict above-average safety and soundness over the next year.









## **We are the largest producer of $\text{TiO}_2$ in the region**

*Responsibility towards society and the environment is our priority. The foundation of our sustainable development strategy is reducing the burden on the environment with innovative technological solutions.*





## **150 years**

*is the long history of Cinkarna Celje. As a prominent export company, we are consolidating our position on the global market.*

# PRESENTATION OF CINKARNA CELJE D.D.

With its almost 150 years of continuous operation, Cinkarna Celje d.d. is one of the most resilient companies in the Slovenian economy. Until 1968, the Company's defining activity was metallurgy, but with the launch of the production of titanium dioxide pigment in 1973 and its subsequent expansion, Cinkarna Celje d.d. is now a chemical-processing company.

• Company	Cinkarna, metalurško-kemična industrija Celje, d.d.
• Short name	Cinkarna Celje, d.d.
• Headquarters	Kidričeva ulica 26, 3000 Celje
• Telephone - Central Office	00386 (0)3 427 60 00
• Telex	36517 METKEM SI
• E-mail	info@cinkarna.si
• Website	www.cinkarna.si
• Person responsible	Aleš Skok, President of the Management Board
• Dislocated business unit	Kemija Mozirje
• Headquarters	Ljubija 11, 3330 Mozirje
• Telephone	00386 (0)3 837 09 00

## Mission

Through the professional and socially responsible application of chemical processes, we produce a wide range of products essential to our daily lives. We provide work and personal growth for our employees and expected returns for our shareholders.

## Vision

The Company aims for growth and efficiency gains in existing and new technologically demanding, high value-added products. We will achieve our objectives while respecting the principles of sustainable development and the circular economy.

## Values

- Partnership and trust
- Honesty and respect
- Creativity and development orientation
- Commitment to sustainable development and the circular economy
- Belonging and working together to achieve common goals

## OUR ACTIVITIES

Cinkarna Celje d.d. is a company with a broad production and sales programme. The different sales sub-programmes can be grouped into sales groups, which group together products with similar utility. In recent years, we have discontinued a number of product-sales programmes which did not meet the profitability or performance criteria.

Our main activities are:

- Production of titanium dioxide (TiO<sub>2</sub>);
- Production of sulphuric acid;
- Zinc processing, including zinc alloys, anodes and zinc wire;
- Production of agricultural products, including plant protection products and growing media;
- Production of masterbatches and powder varnishes;
- A group of fluorinated polymers and elastomers which have properties useful for the transport of aggressive media and the protection of process and mechanical equipment;
- Semi-finished products of titanium dioxide pigment production: titanyl sulphate, metatitanic acid and sodium titanate;
- By-products of titanium dioxide pigment production: white gypsum – CEGIPS (intended for the cement industry and agricultural applications) and red gypsum – RCGIPS (intended for filling in low-rise construction, low-rise embankment construction and the production of capping layers).

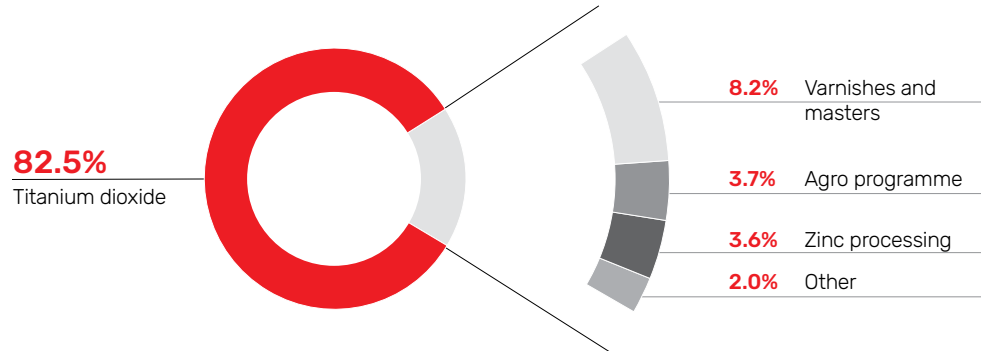
The main product and sales group is the titanium dioxide pigment, which combines the sales of different pigment types. This group also includes ultra-fine forms of titanium dioxide, which are high value-added products since, depending on their crystalline form, they can act as photocatalysts or UV absorbers. They are integrated into high-technology products (self-cleaning systems, UV-stabilising materials, etc.). The production and marketing of titanium dioxide pigments account for 80% of our total sales.

Plant protection products are a very important sales group and one of the pillars of the Company's future development. We see this as an opportunity to address the global challenges of ensuring sufficient and safe food. The flagship products of this group are copper fungicides of different formulations and different active substances used (copper hydroxide, copper oxychloridin, tribasic copper sulphate). In the area of plant protection products, we pursue a strategy focusing on product quality and environmentally safe use.

The powder coatings and masterbatches group represents a vertical extension of the core titanium dioxide pigment production and is becoming an increasingly important sales group for the Company. Powder varnishes are sold primarily for anti-corrosion and decorative purposes in the manufacture of household appliances, heating elements and other metal finishes. Masterbatches are intended for incorporation into plastics to improve their performance properties.

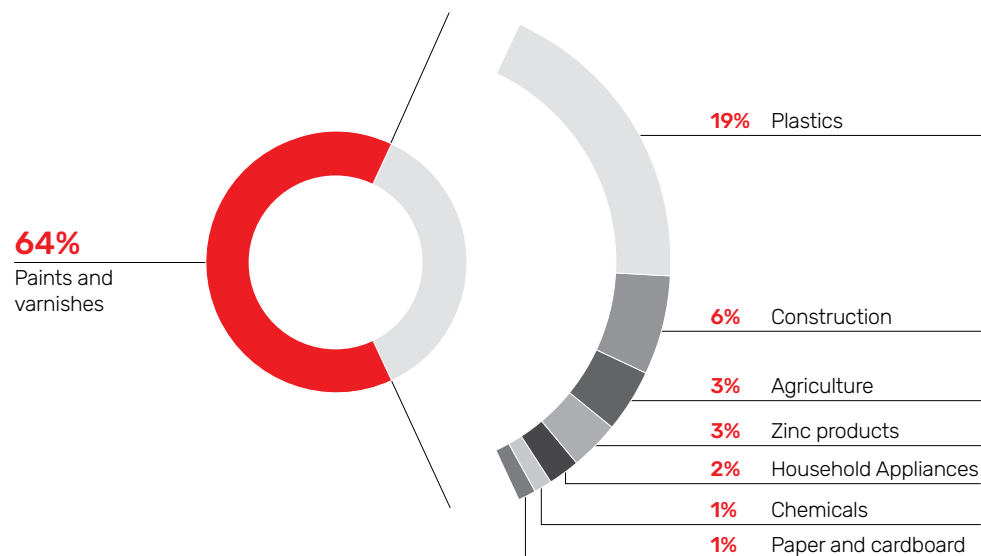
The other areas are the production of PTFE (polytetrafluoroethylene) products, half for internal consumption and maintenance, the other half for marketing, mainly in the plant protection and chemical industries. The production of sulphuric acid is mainly for internal use, with any surplus sold on the market. As a by-product of the production of TiO<sub>2</sub> pigment, we produce CEGIPS, the so-called white gypsum, which is sold on the cement and plasterboard markets.

**Chart: Share of value sales by product group in 2022**



Paints (including decorative paints) and varnishes comprise the largest value sales chain of Cinkarna Celje d.d. Together they account for more than 60% of sales. This is followed by plastics and the incorporation of titanium dioxide pigment in other building materials. Other industries are less well represented in terms of sales. Paints and varnishes, plastics and building materials account for the majority of titanium dioxide sales.

**Chart: 2022 sales by segment**



In the context of the Environmental Permit, we have reviewed the options for achieving the titanium dioxide production volumes in 2021. We have projected emissions trends for different expansion volumes and prepared a review of the bottlenecks to achieving a capacity of 71,000 tonnes. The assessment of the realistic options and the feasibility of further production expansion was also carried over to 2022 and continued in 2023 due to missing data from the external environment.



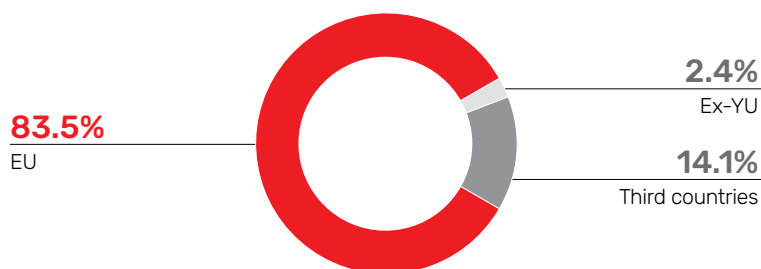
## MARKET PRESENCE

We operate mainly in the European market, where we generate the majority of our revenues. To a lesser extent, we are also present in offset markets, mainly in the US dollar currency area. In terms of geographical location, we identify the EU Member States as the most important markets, followed by Slovenia, the so-called third world countries and the markets of the former Yugoslavia. Germany is our largest sales market, accounting for around one third of our sales, followed by France, Italy, Slovenia, Turkey and the Netherlands.

The countries where we have the largest presence are Germany, Slovenia, Italy, France, Turkey, Belgium, the Netherlands, Austria, Poland, Greece, Croatia, Algeria, Serbia, Hungary, Spain, Portugal, Sweden, the Czech Republic, Ukraine and Romania.

As a share of value sales by market, sales to the EU market account for the majority, around 83.5%. Sales to third countries account for 16.5%.

Chart: Share of value sales by market in 2022

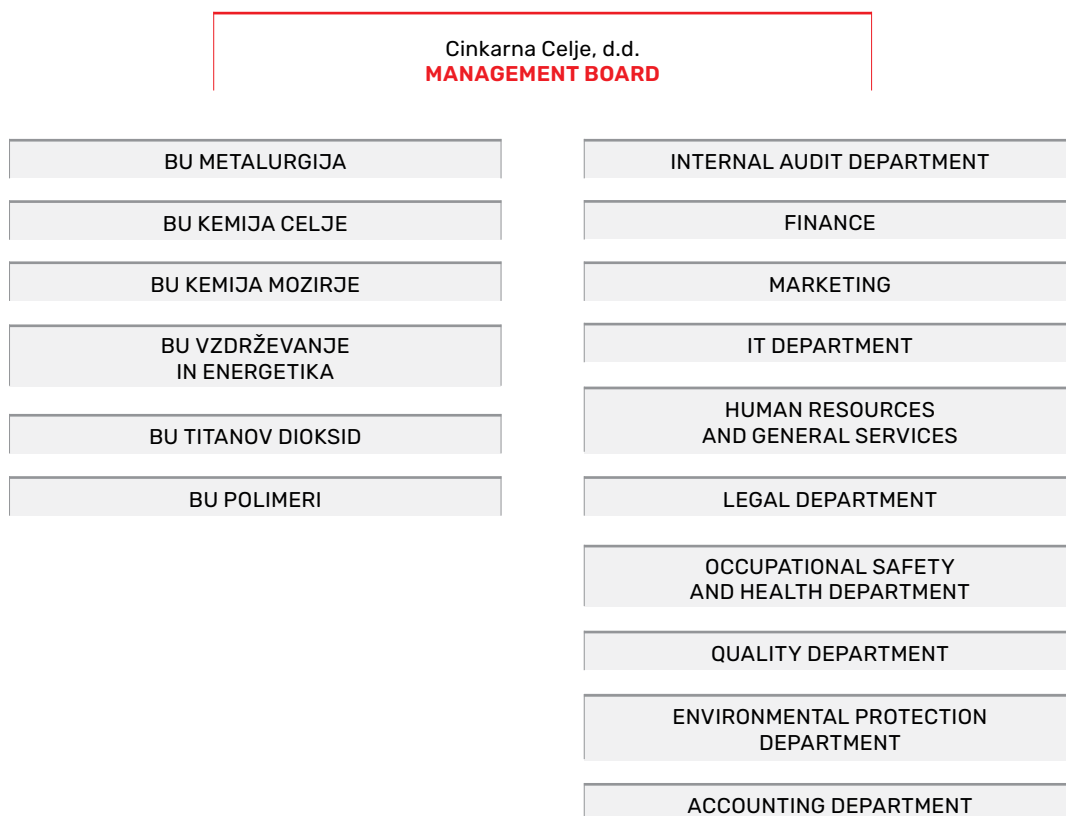


- 27 % Germany
- 12 % Italy
- 12 % France
- 8 % Slovenia
- 6 % Turkey
- 4 % Austria
- 4 % Poland
- 3 % Netherlands
- 3 % Algeria
- 3 % Greece
- 2 % Hungary
- 2 % Croatia
- 2 % Serbia
- 1 % Sweden
- 1 % Belgium
- 1 % Spain
- 1 % Denmark
- 1 % Romania
- 1 % Ukraine
- 1 % Belarus
- 1 % Portugal
- 4 % Other



## ORGANISATIONAL STRUCTURE

The organisational structure comprises the Company's Management Board, six business units and ten professional departments.



### BUSINESS UNITS:

BU Titanov dioksid: **Tomi Gominšek**, Director  
 BU Metalurgija: **Miran Špegel**, Director  
 BU Kemija Celje: **Andrej Lubej**, Director  
 BU Kemija Mozirje: **Irena Vačovnik**, Director  
 BU Polimeri: **Roman Deželak**, Director  
 BU Vzdrževanje in energetika:  
**Boštjan Podkrajšek**, Director

### JOINT PROFESSIONAL DEPARTMENTS:

Finance:  
**Dejana Starčević**, Area Coordinator  
 Marketing:  
**Irena Franko Knez**, Director  
 Human Resources and General Services:  
**Marko Cvetko**, Head of Department  
 Occupational Safety and Health Department:  
**Otmar Slapnik**, Head of Department  
 Legal Department:  
**Gregor Gajšek**, Head of Department  
 Quality Department:  
**Ksenija Gradišek**, Head of Department  
 Environmental Protection Department:  
**Bernarda Podgoršek Kovač**, Head of Department  
 Accounting Department:  
**Karmen Fujs**, Head of Department  
 IT Department:  
**Boris Špoljar**, Head of Department  
 Internal Audit Department:  
**Jure Vezjak**, Head of Department





## Responsible management

*Responsible management, which pursues the objectives of sustainable development, is at the heart of our strategic choices.*



# CORPORATE GOVERNANCE STATEMENT

Cinkarna, metallurško-kemična industrija Celje, d.d., is organised as a joint-stock company with its registered office in Celje. The Company has a two-tier management system - with a Management Board and a Supervisory Board. The Company is managed by the Management Board for the benefit of the Company, independently and on its own responsibility. The Management Board represents and acts for the Company and is accountable to the General Meeting and the Supervisory Board.

The Management Board is the collective body of the Company. It is composed of a President and up to three members. The President of the Management Board is the Chief Executive Officer, and one of the members of the Management Board is a Works Director. Within the framework of the general rights and obligations which all members of the Company's Management Board have under the law and the Company's Articles of Association, the Works Director represents and acts for the interests of the employees with regard to personnel and social matters. The conditions and procedure for the appointment and dismissal of the Works Director and his/her powers are laid down in accordance with the Worker Participation in Management Act.

The President of the Management Board has a deputy, who is one of the members of the Management Board, but is not a Works Director. The President of the Management Board is appointed by the Supervisory Board. The members of the Management Board are appointed by the Supervisory Board on a proposal from the President of the Management Board, with the exception of the Works Director, who is nominated by the Works Council. The term of office of the President and of the members of the Management Board is up to five years, with the possibility of reappointment. The members of the Management Board adopt decisions by resolutions adopted by a majority of the votes cast. In addition to the statutory conditions, the President or a member of the Management Board must have at least a university degree and at least five years' professional experience. The President of the Management Board is also a member of the Management Board and is not a senior manager in the Group. This is an independent position in Cinkarna Celje d.d.

The Company's Management Board has the following responsibilities:

- prepares information on company matters, technical material and resolutions within the competence of the General Meeting,
- convenes the General Meeting,
- implements the decisions taken by the General Meeting.

The Management Board reports to the Supervisory Board on:

- the profitability of the Company,
- planned business policy and transactions that have a significant impact on the profitability or solvency of the Company, and other matters in accordance with the law and if so requested by the Supervisory Board.

Members of the Management Board of Cinkarna Celje d.d. as at 31 December 2022:

- **Aleš Skok**, President of the Management Board,
- **Nikolaja Podgoršek - Selič**, Member of the Management Board – Technical Director,
- **Filip Koželnik**, Member of the Management Board – Works Director.

All board members are from Slovenia, the Technical Director and the Works Director are from the local area where the Company is based, which represents 2/3 of the board.

The Supervisory Board is composed of six members. All members of the Supervisory Board have the same rights and duties. Two members of the Supervisory Board are representatives of the Company's employees, elected by the Works Council and notified to the General Meeting of Shareholders. A member of the Supervisory Board cannot be a person who is a member of the Management Board, a member of the Supervisory Board of three other companies, a member of the Management Board of a subsidiary, a proxy or business agent of the Company, an employee of a competing company where there is a conflict of interest, or a member of the Management Board of another capital company on whose supervisory board a member of the Management Board of Cinkarna Celje d.d. is a member.

The Supervisory Board is appointed by the General Meeting of Shareholders by a simple majority of the votes cast by the shareholders present, except for two members appointed by the Works Council. The powers of the Supervisory Board are laid down by law. The detailed arrangements, modalities and conditions for the work of the Supervisory Board are governed by the Rules of Procedure of the Supervisory Board. The Management Board must obtain the Supervisory Board's approval for the establishment of business policy, the adoption of plans, the creation and co-creation of companies, the increase and transfer of the Company's founder's deposits in companies, the purchase and transfer of the Company's shares and interests in companies, the granting of proxies, etc.

Meetings of the Supervisory Board are convened by the President of the Supervisory Board on his/her own initiative or on the initiative of any member of the Supervisory Board or on the initiative of the Company's Management Board. The Supervisory Board takes decisions at its meetings. A quorum is present if at least half of the members are present at the meeting. The Supervisory Board normally meets five times a year.

Members of the Supervisory Board of Cinkarna Celje d.d. as at 31 December 2022:

- **Mario Gobbo**, President, representative of capital,
- **Luka Gaberščik**, Deputy President,
- **David Kastelic**, representative of capital,
- **Mitja Svoljšak**, representative of capital,
- **Dušan Mestinšek**, employee representative,
- **Jože Koštomaj**, employee representative.

In 2022, the representation of women on the Management Board was one-third. There were no women on the Supervisory Board. The composition of both the Management Board and the Supervisory Board aims at heterogeneity in terms of professional profile, gender and age.

The Management Board has appointed an Ethical Business Conduct Committee, composed of Filip Koželnik, Marko Cvetko and Gregor Gajšek.

The Supervisory Board has an Audit Committee, composed of David Kastelic (Chairman), Jože Koštomaj and Gregor Korošec (external member), and a Human Resources Committee, composed of Mario Gobbo (Chairman), Dušan Mestinšek, Luka Gaberščik and Mitja Svoljšak.

The Audit Committee prepares proposals for resolutions, positions and opinions within the competence of the Supervisory Board in connection with the annual and management reports, reports and opinions of the external auditors, as well as the preparation of the Supervisory Board's reports to the General Meeting of Shareholders. The Supervisory Board is required to keep the Supervisory Board informed of its work and activities and to submit reports on its meetings.

The Human Resources Committee prepares proposals for resolutions, positions and opinions within the competence of the Supervisory Board, in particular with regard to the preparation of proposals on criteria and candidates for membership of the Company's Management Board, membership of Supervisory Board committees and support for the establishment and implementation of the remuneration system for the Company's Management Board.

### **REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES**

The remuneration of the members of the management bodies is defined in individual employment contracts, which are drawn up taking into account the remuneration policy, legislative constraints, best practice guidelines and the definitions in the Statutes. The variable part of the remuneration of the members of the Management Board is determined in accordance with the rules adopted by the Supervisory Board of the Company. The final amount of the variable remuneration of the members of the Management Board is approved in accordance with the rules. The remuneration and allowances of the members of the Supervisory Board are determined by a resolution of the General Meeting of Shareholders.

### **CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES**

The Company applies the Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange and the Slovenian Association of Supervisors in 2021. In accordance with the business decision of the Company's Management Board, the Company adopts the Code in the form set out in the notes. Due to the specificities of the governance of a particular company, the legal basis (Companies Act-1, Market in Financial Instruments Act-1, Market abuse regulation (MAR), etc.) is strictly followed in areas deviating from the Code. Below we provide an overview and explanations of deviations from the individual provisions of the Code.

- Point 4 – The Company does not have a specific Diversity Policy document. The Diversity Policy section outlines the framework guidelines.
- Point 5.7 – The Governance Statement has been assessed by the external auditor as part of the regular audit. No additional external adequacy assessment has been carried out.
- Point 6 – The Supervisory Board, in cooperation with the Management Board, developed the Remuneration Policy for Management and Supervisory Bodies in accordance with the relevant legislation and best practice recommendations in this area and submitted it to the General Meeting for approval. The document was not approved by the General Meeting. For more information, see Remuneration of members of the management and supervisory bodies.
- Point 7 – The Company does not have a specific Sustainable Operations Policy document, as sustainable operations are disclosed in the context of the present report and the Quality Assurance, Environmental, Health and Safety Policy.

- Point 10.1 – The Company has concentrated ownership, where the two largest shareholders hold more than 20% of the voting rights. The majority of shareholders are also from Slovenia. For the reasons mentioned herein, we do not allow participation in the General Meeting by electronic means.
- Point 16 – The evaluation of the work of the Supervisory Board is carried out by the members themselves, following the methodology and the Manual for the Evaluation of the Effectiveness of Supervisory Boards prepared by the Association of Supervisors of Slovenia. The evaluation process was carried out in a professional and objective manner and therefore there was no need for external expert support and no external audit of the Supervisory Board's work was carried out in cooperation with a specialised institution or other experts.
- Point 20.5 – The function of Secretary of the Supervisory Board is performed by a person employed by the Company who receives no additional remuneration for performing this function.
- Point 26 – The Company does not yet have pre-established procedures in relation to related party transactions to assess whether a transaction is one that will be entered into in the ordinary course of the Company's business and on arm's length terms. The Company did not record any related party transactions during the reporting period.
- Point 30 – The Company does not have a defined corporate communication strategy as an integral part of the Corporate Governance Policy. The Company's communication or transparency is the responsibility of the Company's management and professional departments. Public announcements (SEOnet and the Company's websites) comply with legal requirements and contain information that enables an investor in securities to assess the situation and to evaluate the impact of a business event on the price of a security.

## CODE OF ETHICS AND CONDUCT

The fundamental principles and rules of conduct and behaviour of the management and all employees of the Company are set out in the Code of Ethics and Conduct. It includes a standard of performance, management and leadership that contributes to the creation of a corporate culture and excellence. The Code commits the Company to the highest standards of business and ethical conduct and to the development of a culture of ethical behaviour based on ethical criteria that are binding on members of the Management Board and senior executives, as well as on all other employees. Any breach of the ethical criteria is sanctioned accordingly. In case of ambiguity regarding the Code, doubts as to proper conduct, open questions and possible borderline cases, employees may seek clarification of the Code from the management or from a person authorised by the management.

The Company is committed to ethical conduct in all aspects of its business. Employees are required to conduct their work in an ethical and professional manner, in accordance with the Code and the Company's values, and in compliance with applicable laws, rules, regulations and the Company's internal acts. Employees are obliged to refrain from any conduct that materially or morally damages the business interests and reputation of the Company.

All employees who know of or have received information about violations or actions that may lead to violations of the Code of Ethics and Conduct are required to report such information to their supervisor or anonymously by providing the information:

- to razkritja@cinkarna.si,
- in writing to the Management Board,
- in the mailboxes provided for this purpose.

The Management Board promptly forwards the information received on misconduct to a standing group of at least three members, i.e. the Ethical Conduct Committee, for review and appropriate consideration.

## DIVERSITY POLICY

The sum total of the individual differences, life experiences, knowledge, ingenuity, innovation, self-expression, unique skills and talents that our employees bring to their work is an important part not only of our culture, but also of our corporate reputation and achievements. We accept and encourage differences among our employees based on age, colour, disability, ethnicity, marital or family status, gender identity or expression, language, national origin, physical or mental ability, political affiliation, race, religion, sexual orientation, socio-economic status and other characteristics that make our employees unique. All employees have a duty to treat others with dignity and respect at all times. Employees are expected to be inclusive while at work, in or out of their job functions, and at all company-sponsored events.

A diversity policy for the management and supervisory bodies has been developed but has not yet been adopted. The aim is to optimise the effectiveness of these bodies, thereby enhancing the development, competitive advantages and corporate reputation of the Company.

The diversity policy in the management and supervisory bodies is implemented through an appropriate recruitment and selection process, with the involvement of the Human Resources or Nomination Committee. The Company's bodies comply with and implement it in accordance with the applicable legislation under the Employment Relationships Act (ZDR-1) and with the principles and provisions of the Codes, which specify the content and make recommendations in this area.

Any individual who expresses an interest and meets the criteria laid down by law, the Company's Articles of Association and the Corporate Governance Code is eligible to apply for membership. The following aspects of the diversity policy are taken into account in the composition of the Supervisory Board and the Management Board: gender, age, education and professional experience.

Once adopted, the policy will be published on the Company's website and on the SEOnet portal.

## RESPECTING HUMAN RIGHTS

We respect human rights as set out in internationally recognised principles and guidelines. We are committed to tolerance, mutual respect and basic human rights. We reject any form of ill-treatment, harassment or discrimination. We act ethically and professionally and in accordance with the values of the Company. We expect this commitment from our management, employees and business partners. The Company did not experience any cases of human rights violations, nor did we record any cases of discrimination in 2022.

## **POLICY ON PROHIBITION OF SEXUAL AND OTHER HARASSMENT AND ILL-TREATMENT IN THE WORKPLACE**

The Company's Management Board has adopted Rules on the Prohibition of Sexual and Other Harassment and Ill-Treatment in the Workplace. Accordingly, an Internal Representative is designated to receive reports, provide assistance and information. The Representative is a trusted person to whom a person/victim who has suffered sexual or other harassment and ill-treatment in the workplace may turn for advice, support and information on measures to protect against sexual and other harassment and ill-treatment.

## **COMBATING CORRUPTION AND BRIBERY**

In performing their duties, exercising their rights and obligations and taking business decisions and actions on behalf of Cinkarna Celje d.d., employees are obliged to consider the best interests of the Company before their own interests or the interests of third parties. Donations and sponsorships are made in accordance with the Company's mission, vision and values, mainly in the sports and cultural fields.

We seek and develop competitive advantages by increasing our own productivity and efficiency, never through unethical or illegal activities. We compete in the marketplace in a fair and honest way. Appropriate and expected conduct is further defined in the Code of Ethics and Conduct. A mechanism is in place to disclose or report possible improper practices and cases of corruption, which have not been identified to date.

## **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS**

We have a system of operational and supervisory internal controls in place at all levels and in all areas of our business to manage the risks affecting our ability to achieve our objectives. These are targets for:

- efficiency and business performance,
- reliability of financial reporting,
- compliance with legal and internal regulations.

The control activities and the persons responsible are set out in internal documents (job descriptions, authorisations, organisational regulations, internal rules, rules of procedure).

At the Company, we ensure the following:

- Accounting control of data, which involves assessing the accuracy of accounting data and correcting any irregularities identified. Implementation is the responsibility of the Accounting Department and the Finance Department;
- Verification of the reliability of accounting data, carried out by means of an inventory of assets and debts. The inventory is carried out by a permanent inventory commission in accordance with the annual inventory schedule. The head of the inventory and the members of the inventory commission are organised in the Accounting Department. Special inventory committees may also be appointed by the Company's Management Board for specific types of inventories or extraordinary inventories;



- Assessing deviations between the magnitude of what has been achieved and what was planned, which can show shortcomings in implementation, as well as in the planning of objectives. These activities are carried out within the Accounting Department;
- Internal control over the implementation of the prescribed procedures in the areas of procurement, storage and consumption of materials and production, storage and sale of products (control of the use and approval of the prescribed documentation, analysis of any discrepancies and proposal of measures). These activities are carried out within the Accounting Department and the management of the Company;
- Internal controls in the computerised information system relating to the management, infrastructure, security, procurement, development and maintenance of software support are provided by the IT Department. The completeness and accuracy of data capture and processing is ensured by application-specific controls or by controls at the users of the software solutions;
- The system of internal controls is complemented by a system for carrying out assessments based on:
  - ISO 9001 – Quality Management Systems,
  - ISO 14001 – Environmental Management Systems and the EMAS regulation for BU Kemija Mozirje,
  - ISO 45001 – Occupational Health and Safety Systems;
- Internal audits of processes, carried out by qualified internal auditors, in order to verify that activities are performed in accordance with the requirements of the management system and that the management system in place is adequate and effective to achieve the objectives set. External audits are carried out by a selected certification company;
- Audit of the annual accounts by an external audit firm;
- Once a year, based on a decision of the Management Board, a review of the functioning of the operational and supervisory internal controls. The Management Board determines by resolution the responsible party, the areas of control and the timetable for the control.

The Internal Audit Department was set up in 2016. Based on an adopted core charter, rules of procedure and plan, it has been fully operational since 2017.

Deviations identified in each form of internal control are analysed by the persons responsible and the management of the Company and, on that basis, action is taken to eliminate or prevent the causes of risks that have caused or could cause deviations from the rules and objectives set by the Company.

### **INFORMATION ON THE FUNCTIONING OF THE COMPANY'S GENERAL MEETING, INCLUDING ITS POWERS, SHAREHOLDERS' RIGHTS AND THEIR EXERCISE**

The General Meeting is convened by the Management Board of the Company on its own initiative, at the request of the Supervisory Board or of the shareholders of the Company representing one twentieth of the share capital. The General Meeting takes note of the annual report and validly decides at the meeting by a majority of the votes cast, in particular on the following:

- use of balance sheet profits,
- appointment of the members of the Supervisory Board,
- discharge of the members of the Company's Management Board and Supervisory Board,
- appointment of the auditor, etc.

It decides, in particular, by a three-quarters majority on the following matters:

- amendments to the Articles of Association,
- measures to increase or reduce share capital,
- changes in the Company's status and dissolution, and in any other case provided for by law or by the Articles of Association.

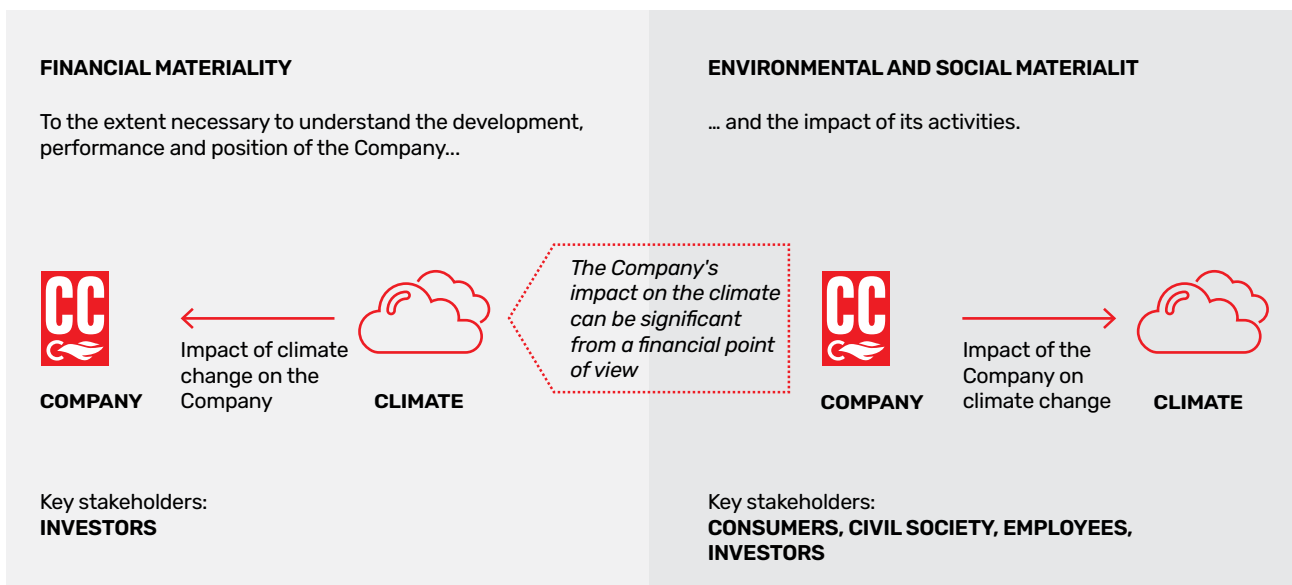
Shareholders may attend the General Meeting and exercise their voting rights only if they have notified the Company's Management Board in writing of their attendance at the General Meeting not later than the end of the fourth day before the General Meeting. At the General Meeting, the number of votes of each shareholder is determined by the votes of the shares which, according to the share register, are held by that shareholder as at the end of the seventh day preceding the date of the General Meeting. Shareholders may exercise the rights attached to their shares directly at the General Meeting or by proxy. The proxy must be given in writing and lodged with the Company. As a general rule, one General Meeting is held per year.

**IDENTIFICATION AND MANAGEMENT OF IMPACTS**

The mission and vision of Cinkarna Celje d.d. is based on sustainable development, which means that we strategically identify and manage all significant impacts on the environment, society and the economy, while at the same time identifying and managing all significant impacts that the wider society has on the Company (environmental-climate, social and economic-political aspects). Due to the complexity of the impacts, which are dynamically changing, we have identified the key material impacts according to the three pillars of Environment, Society and Governance (ESG), and ranked them in order of importance in an inter-stakeholder dialogue with representatives of the stakeholder groups. More on this is revealed in the Materiality matrix section.

The commitment to sustainability is set out in the Quality Assurance, Environmental, Health and Safety Policy, which is approved by the CEO, the Code of Ethics and Conduct, and the Integrated Management System Rules of Procedure, which are prepared by the responsible departments and approved by the Management Board.

**Figure: Demonstration of the interdependence of impacts between Cinkarna Celje d.d. and key stakeholders in the context of sustainable management (Environment, Society, Governance – ESG), source: Directive as regards disclosure of non-financial and diversity information**



The highest governance body is involved in compliance monitoring and in the processes of identifying and managing Cinkarna Celje's impacts on the economy, the environment and people in the context of risk management systems, framework and performance targets, and in communicating the results of audits, inspections and assessments.

Top management delegates responsibility for managing impacts to the responsible persons in each department in the Company, either by means of a job description sheet or by delegation of authority. Identified non-conformities from audits, inspections and assessments are addressed in the relevant organisational units or processes. The implementation of the correction is monitored by the highest authority through a reporting system of performance targets, review of the realisation of investments, projects, measures and the correction of non-conformities. The highest governance body communicates directly with stakeholders or authorises the responsible departments to do so.

The effectiveness of the organisation's processes is reported to the highest governance body:

- once a year at the annual management review,
- four times a year to the wider College of the Management Board,
- once a year at the meeting of internal auditors of integrated management systems,
- once a year at a meeting with external auditors of integrated management systems,
- at project management team meetings,
- through internal audit reports,
- through records of business

At Cinkarna Celje d.d., we follow and comply with all legal obligations under national and European legislation. During the reporting period, there were no cases of fines or other sanctions for non-compliance with legal obligations. As a rule, cases of non-compliance are detected by chance discoveries and audits by the Internal Audit Department. Appropriate action is taken depending on the findings.

#### Management of the Company

President of the Management Board

**Aleš Skok,**  
univ. dipl. in chemical engineering technology, MBA – USA



Member of the Management Board – Deputy Chairman of the Management Board – Technical Director

**Nikolaja Podgoršek Selič,**  
univ. dipl. in chemical engineering, spec.



Member of the Management Board – Works Director

**Filip Koželnik,**  
Master of Business Studies





## We use the latest technology

*By investing in Best Available Technologies (BAT), we ensure the quality of titanium dioxide.*



# STATEMENT OF NON-FINANCIAL PERFORMANCE

Responsible management, which takes into account and pursues the objectives of sustainable development in the areas of corporate performance, social responsibility and respect for the natural environment, is at the heart of our strategic choices. In 2022, we embarked on an even bolder and more comprehensive journey to align our business with environmental, social and governance (ESG) considerations, which will also underpin our strategy for the next five-year period 2024-2028. We recognise that identifying and effectively managing climate-related risks is a key consideration for our short- and long-term performance and an important aspect of our relationship with our stakeholders. We are therefore progressively integrating sustainability considerations more comprehensively into our strategy and all our processes, depending on their importance.

The highest governance bodies are actively involved in setting and implementing sustainability policies and are responsible for ensuring that sustainability drives development and is part of the Company's vision and mission. The responsibilities of the highest governance body are set out in the Corporate Governance Statement. Governance is based on an ethical approach towards employees, external stakeholders and competitors, and on recognising the impact on the social and natural environment.

Sustainability due diligence is an ongoing practice at Cinkarna Celje as part of the management and control systems that identify, prevent, mitigate and address actual and potential negative impacts on the environment and people (including human rights) associated with our operations. These include negative impacts directly related to our own activities as well as (potentially) negative impacts of our products or services through business relationships.

Our sustainability due diligence responds to changes in the Company's activities, business relationships, operations, purchasing and sales. Our processes are based on the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

In the report, we disclose the following aspects of the sustainability due diligence:

- All risk areas (under Risk and Opportunity Management)
- Audits - internal and external, financial and legal due diligence (under Integrated Management System)
- Employee engagement and satisfaction due diligence (under Employee Relations)
- Supplier due diligence, ISO 14000 compliant (under Supplier Relations)
- Customer satisfaction due diligence (under Customer Relations)
- Environmental due diligence (under Our Approach to the Environment)

Our own expectations and those of external stakeholders were tested in 2022 using a materiality matrix. We prioritised 12 environmental indicators and 18 corporate and governance indicators. In this way, we identified which areas are most important to us and our stakeholders. We present the stakeholders and the materiality matrix in more detail in the Stakeholder Relations section.

Our employees are also important stakeholders, and we are committed to providing the right conditions for their personal and professional development, health, safety and well-being at work. Recruitment and staffing is based on the principle of non-discrimination and equal opportunities. We ensure regular professional development and encourage innovation among our employees. We are aware of the high age structure of our employees and we strive to attract new young and technically qualified staff, including through a mentoring system and the awarding of scholarships. We respect the right of employees to freedom of association within the Company's representative trade unions. We report on our relations with our employees in the Employee Relations section.

We operate in the chemical industry, which is subject to certain occupational health and safety risks, so we regularly invest in safety equipment, improve technological processes and update technologies, educate our employees and introduce activities to prevent workplace accidents. We are ISO 45001 – Occupational Health and Safety certified and have a system in place to assess workplace risks according to their incidence and intensity. Our overarching goal is zero injuries at work. We encourage our employees to lead a healthy lifestyle. As part of our health promotion programme, we offer them various activations such as various sports activities, preventive health check-ups, training, etc. More on our approach in this area is defined in the Occupational Health and Safety section.

We operate in a global market and are part of global supply chains. We evaluate our key suppliers annually. The assessment includes checking whether the supplier is certified to ISO 14001 – Environmental Management Systems, or whether and how it manages emissions to air and water, raw material and energy efficiency, packaging waste, and excessive noise. In the future, we will also include other sustainability indicators in the assessment, taking into account the Environmental, Social and Governance (ESG) domains, which will be set out in the Supplier Sustainability Code of Conduct. Our key supplier groups and how we assess our supply chain are set out in the Supplier Relations section.

Our business is mainly focused on the European market, where we have identified an opportunity to develop high-quality products with higher added value. We are aware that market demands are increasing and require greater flexibility, so we are developing new solutions in our flagship product titanium dioxide pigment and other supporting programmes such as copper fungicides, polymers and metallurgy. We are also launching a new substrate, Humovit EKO. Our customer relations, new product development and complaint handling are described in the Customer Relations section.

We recognise the importance of developing the local environment in which we operate, which is why we invest in sport, culture and practical training for young people. We participate in socially responsible activities in the local environment and support the most vulnerable groups. We communicate regularly with the external professional and general public and build good neighbourly relations, including through participation in various events, open days, press conferences and other socially responsible actions. We regularly work with schools to raise awareness among young people about the role of the chemical industry in tackling climate change and the low carbon transition. We explain how we work with the local community in the Local Community Relations section.

We strive to reduce our negative impacts and increase our contribution to society and the natural environment, which is why we invest in the best available technologies, renewable energy, efficient energy management, responsible waste management and innovative solutions for the re-use of waste materials, as described in the section Our Approach to the Environment. We support and carry out research to protect water resources, soils and natural habitats, and to conserve and restore biodiversity. We regularly monitor emissions to air and control emissions below the permitted limit. We also demonstrate our responsible attitude towards the environment by participating in the Responsible Care Programme for the Chemical Industry, which is our voluntary commitment to ensure continuous improvements in environmental protection, health and safety at work, often beyond the regulatory requirements. Environmental and other risks are managed through an established ISO 9001 quality management systems, ISO 14001 environmental man-

agement system and ISO 45001 occupational health and safety system, and we are registered in the Environmental Management and Audit Scheme (EMAS) at the business unit Kemija Mozirje. We also regularly comply with legislative requirements in the environmental field.

## **REPORT ON ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES AND INVESTMENTS OF CINKARNA CELJE D.D. FOR 2021 AND 2022**

Cinkarna Celje d.d. discloses information on how and to what extent its activities are related to economic activities that are considered environmentally sustainable in accordance with Articles 3 and 9 of the Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework for the promotion of sustainable investments and amending Regulation (EU) 2019/2088).

Disclosure refers to Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by laying down technical screening criteria for determining the conditions under which an economic activity is considered to contribute significantly to mitigating or adapting to climate change, and for determining whether that economic activity does not significantly impair any of the other environmental objectives.

### **PROPORTION OF REVENUE FROM PRODUCTS OR SERVICES RELATED TO ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY**

Cinkarna Celje d.d. specialises in the production and marketing of titanium dioxide, an activity that has not yet been assessed for suitability or compliance with the taxonomy, i.e. it is not listed among the taxonomically acceptable activities in terms of meeting the climate objectives. This does not in any way imply that the activity is not carried out with a high degree of environmental responsibility or decarbonisation efforts, nor does it imply that it does not have actual or potential significant impacts on the decarbonisation of the economy (in particular as an enabling activity for the construction industry).

The activities of Cinkarna Celje d.d. are complemented by a wide range of other products such as: powder varnishes, masterbatches, zinc wires and alloys, agricultural products, manufacture of chemical process equipment and sulphuric acid, with which the Company also seeks opportunities for taxonomically aligned revenues in terms of so-called enabling activities.

Net revenues of Cinkarna Celje d.d. amounted to EUR 227,153,116 in 2022 and EUR 192,462,100 in 2021, of which revenues from products or services related to economic activities aligned with the taxonomy amounted to EUR 4,832,649 (EUR 4,090,968 in 2021), or 2.13%. In 2022, EUR 222,320,467 (2021: EUR 188,371,131) of revenue was from activities not compatible with the taxonomy, representing 97.87 per cent.

The activity taxonomically aligned to the NACE classification E38.11. is the separate collection of scrap metals, paper and plastics and sales to processors of Cinkarna Celje d.d., which generated revenues of EUR 81,123 in 2022 and EUR 62,492 in 2021, or 0.04% of total revenues in 2022 and 0.03% of total revenues in 2021. All separately collected and transported non-hazardous waste that is separated at source is intended to be prepared for reuse or recycling.

**Table: Proportion of revenue from products or services related to economic activities aligned with the taxonomy – disclosure for Cinkarna Celje d.d. for 2021 and 2022**

Economic activity	NACE Code	Description of activity according to the taxonomy	2021		2022	
			Revenue in EUR	Revenue as %	Revenue in EUR	Revenue as %
<b>A) Activities aligned with the taxonomy</b>						
Waste management	E38.11	Collection and transport of source-separated fractions of non-hazardous waste	62,492	0.03	81,123	0.04
Waste management	E38.32, F42.99	Material recovery from non-hazardous waste (copper consumption and recovery)	4,028,476	2.09	4,751,526	2.09
Total revenue from activities aligned to the taxonomy			4,090,968	2.13	4,832,649	2.13
<b>B) Activities unacceptable for the taxonomy</b>						
Revenue from activities not compatible for the taxonomy			188,371,131	97.87	222,320,467	97.87
<b>Total A + B</b>			<b>192,462,100</b>	<b>100.00</b>	<b>227,153,116</b>	<b>100.00</b>

From material recovery from non-hazardous waste (consumption and recovery of copper), under NACE classification E38.32, F42.99, Cinkarna Celje d.d. generated revenues of EUR 4,751,526 or 2.09% of total revenues in 2022, and revenues of EUR 4,028,476 or 2.09% of total revenues in 2021.

Zinc alloys are produced using scrap aluminium and scrap copper as alloying elements. Zamak residues are used as recycled material in the production of zinc alloys.

We process waste copper, waste copper chloride and copper ash from the sludge from washing fishing nets. The technological rejects from the production of masterbatches (cakes, spaghetti) are processed into granules and added in a certain proportion to the input materials for the production of masterbatches. The rejects from the production of powder varnishes (filter dust, larger particles) are processed into chips and added in a certain proportion to the materials used in the production of powder varnishes.

An essential contribution to climate change mitigation is that the activity converts at least 50% (by weight) of separately collected non-hazardous waste recovered into secondary raw materials that are suitable for replacing untreated materials in production processes.

For the activity, we have reviewed the technical criteria set out in the delegated documents. The activity does not cause significant harm to other environmental objectives.

Indicators are calculated on the basis of the definitions in Annex 1 Key Performance Indicators for Non-Financial Enterprises of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of the information to be disclosed by undertakings to which Article 19a or 29a of Directive 2013/34/EU applies on their environmentally sustainable economic activities, as well as the methodology for fulfilling the disclosure obligation.



The key performance indicator for revenue was calculated as the fraction of net revenue derived from products or services, including intangible ones, related to economic activities aligned with the taxonomy (numerator) divided by net revenue (denominator).

Revenue comprises revenue recognised in accordance with paragraph 82(a) of International Accounting Standard (IAS) 1 as adopted by Commission Regulation (EC) No 1126/2008 (1).

#### PROPORTION OF INVESTMENT IN FIXED ASSETS IN PRODUCTS OR SERVICES RELATED TO ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY

**Table: Proportion of investments in fixed assets in products or services related to economic activities aligned with the taxonomy – disclosure for Cinkarna Celje d.d. for 2021 and 2022**

Economic activity	NACE Code	Investment description	2021		2022	
			Investments in fixed assets in EUR	Investments in fixed assets as %	Investments in fixed assets in EUR	Investments in fixed assets as %
<b>A) Investments in fixed assets aligned with the taxonomy</b>						
Energy	D35.11 and F42.22	Energy production using photovoltaic technology	313,227	2.77	736,984	6.99
Total investments in fixed assets aligned with the taxonomy			313,227	2.77	736,984	6.99
<b>B) Investments in fixed assets not compatible with the taxonomy</b>						
Total investments in fixed assets not compatible with the taxonomy			11,012,181	97.23	9,809,511	93.01
<b>Total A + B</b>			<b>11,325,408</b>	<b>100.00</b>	<b>10,546,495</b>	<b>100.00</b>

The total investments in the fixed assets of Cinkarna Celje d.d. amount to EUR 10,546,495 in 2022 and EUR 11,325,408 in 2021. Investments of Cinkarna Celje d.d. in fixed assets, aligned with the taxonomy, amounted to EUR 736,984 in 2022 and EUR 313,227 in 2021, representing 7% of total fixed asset investments in 2022 and 2.77% in 2021. Investments in fixed assets not compatible with the taxonomy amounted to EUR 9,809,511 in 2022 and EUR 11,012,181 in 2021, representing 93% of total investments in fixed assets in 2022 and 97.23% in 2021.

The taxonomically aligned activity is the production of electricity using photovoltaic technology (NACE Revision 2 statistical classification of economic activities – D35.11 and F42.22).

We have reviewed the technical criteria for the activity. The activity makes a significant contribution to climate change mitigation. We have assessed the activity from a climate change adaptation perspective. We have assessed which physical climate risks listed in Appendix A, Section II of the Commission Delegated Regulation (EU 2021/2139 of 4 July 2021) could affect the viability of the economic activity during its expected lifetime. We have not identified any risks as material.

The PV power generation facility is not located on biodiversity site land (the location is on the roof of a building in an industrial setting), and therefore no mitigation measures are required. The equipment used is durable and potentially at least partially recyclable, thus meeting the objectives of the transition to a circular economy.

The proportion of investments in fixed assets was calculated by including in the denominator the increase in tangible and intangible assets during the financial year before depreciation and any remeasurements, including those arising from revaluations and impairments, and excluding changes in fair value. The denominator also includes increases in tangible and intangible assets arising from business combinations. We have included in the numerator the part of fixed asset investments included in the denominator that is related to assets or processes associated with economic activities aligned with the taxonomy.

An investment in fixed assets that is aligned with the taxonomy expands the economic activity of the enterprise aligned with the taxonomy.

#### PROPORTION OF INVESTMENTS IN WORKING CAPITAL IN PRODUCTS OR SERVICES RELATED TO ECONOMIC ACTIVITIES ALIGNED WITH THE TAXONOMY

**Table: Proportion of investments in working capital in products or services related to economic activities aligned with the taxonomy – disclosure for Cinkarna Celje d.d. for 2021 and 2022**

Economic activity	NACE code	Investment description	2021		2022	
			Investments in working capital in EUR	Investments in working capital as %	Investments in working capital in EUR	Investments in working capital as %
<b>A) Investments in working capital aligned with the taxonomy</b>						
Waste management	E38.32 and F42.99	Material recovery from non-hazardous waste (copper consumption and recovery)	2,695,769	1.72	3,733,945	1.89
Total investment in working capital aligned with the taxonomy			2,695,769	1.72	3,733,945	1.89
<b>B) Investments in working capital not compatible with the taxonomy</b>						
Total investments in working capital not compatible with the taxonomy			154,322,944	98.28	194,349,114	98.11
<b>Total A + B</b>			<b>157,018,713</b>	<b>100.00</b>	<b>198,083,059</b>	<b>100.00</b>

Cinkarna Celje d.d. invested EUR 198,083,059 in 2022 and EUR 157,018,713 in working capital in 2021, of which EUR 3,733,945 in 2022 (EUR 2,695,769 in 2021) were taxonomy-aligned investments in working capital, representing 1.89% (1.72% in 2021). The investments in working capital were related to the activity of material recovery from non-hazardous waste (copper consumption and recovery), which falls under NACE classification codes E38.32 and F42.99.

The proportion of investment in working capital is calculated as the numerator divided by the denominator.

The **denominator** includes direct non-funded costs associated with the daily servicing of tangible fixed assets by the Company or third party to which the activities are outsourced, which are necessary to ensure the continuous and efficient operation of such assets.

The **numerator** is equal to the part of investments in working capital included in the denominator, which is any of the following:

- a) Related to the assets or processes associated with the economic activities aligned with the taxonomy, including training and other human resource adaptation needs, and direct non-investment costs representing research and development;
- b) Part of a fixed asset investment plan to expand economic activities aligned with the taxonomy or to enable economic activities acceptable to the taxonomy to become aligned with the taxonomy within a predetermined timeframe;
- c) Related to the purchase of output from economic activities aligned with the taxonomy and individual measures that make the targeted activities low-carbon or lead to reductions in greenhouse gas emissions, and individual measures for the renovation of buildings listed in delegated acts adopted pursuant to Article 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852, provided that such measures are put in place and implemented within 18 months.

#### Management of the Company

President of the Management Board

**Aleš Skok,**  
univ. dipl. in chemical engineering technology, MBA – USA



Member of the Management Board – Deputy Chairman of the Management Board – Technical Director

**Nikolaja Podgoršek Selič,**  
univ. dipl. in chemical engineering, spec.



Member of the Management Board – Works Director

**Filip Koželnik,**  
Master of Business Studies





## **The exceptionality and uniqueness of titanium dioxide**

*Titanium dioxide appears in all areas of our lives and due to its properties accelerates the transition to a green economy.*



# STRATEGIC ORIENTATIONS

Our five-year strategy for 2019-2023 expires in 2023. A new strategy for the five-year period 2024-2028 is under preparation, which will be based on long-term sustainable values and orientations, in line with circular economy models and the strategic objective of decarbonisation.

The Company will:

- Meet customers' needs comprehensively through the services provided by its business;
- Build partnerships with suppliers and customers;
- Continuously create value for its stakeholders;
- Maintain and develop a supportive environment for its employees; provide training and development for its staff; and progressively improve its age structure by recruiting young, professionally qualified staff;
- Create a partnership with the social environment, which is the basis for the long-term development of both the Company and the social community as a whole;
- Strive for sustainability in its activities.

The strategic objectives are:

- Maintain its position as a reliable supplier in the field of titanium dioxide pigment sales;
- Remain a dynamic, flexible and customer-oriented company;
- Ensure comprehensive customer service;
- Introduce modern technologies for efficient energy use and environmentally sound production;
- Pursue operational excellence, quality, and customer and employee satisfaction.

## PLAN FOR 2023

In the next financial period, we intend to stick to our long-term business strategy, which is primarily based on an active marketing approach to find and develop the most profitable buyers and markets, to increase market shares in the highest quality markets and to build long-term partnerships with key customers. We plan to adopt a more restrictive policy in the area of cost management of materials, raw materials, energy and services. At the same time, we recognise that employees are an important cornerstone of business success and we will continue to work with the representative trade unions and employee representatives to ensure that employee remuneration also adequately reflects the Company's performance and the quality of its results.

We focus on maximising production capacity, exploiting market potential to sell higher value-added products, optimising production costs and implementing investment plans. Financial management is traditionally conservative, the Company is financially stable, cash levels are high and allow for a smooth and timely coverage of all liabilities.

The Company's strategy will continue to be focused on ensuring the highest possible levels of volume production and sales and on exploiting the potential of the most profitable pigment markets. We will allocate sales volumes to the most profitable markets with a high degree of flexibility.

Traditionally, we have followed the principles of a conservative financial policy and a sound cash position, conscious of market volatility and the associated risks. At the same time, good performance, the existence of cash surpluses and forecasts also imply appropriate and adequate rewards for our owners.

In terms of enabling sales growth, investments will be made mainly in the procurement of new titanium dioxide production facilities and in maximising the availability of existing ones. Investments will be made on a programme-by-programme basis according to need, capacity and prospectivity, and in line with the five-year strategic plan. We will invest primarily in projects to remove bottlenecks, increase energy efficiency, reduce negative environmental impacts and improve safe and healthy working conditions. The largest share of our investments will be in titanium dioxide production.

The Company will also focus on managing the purchasing process in the face of unpredictable business cycles with significant changes in selling and purchase prices, which can have a significant impact on the operating result and cash flow.

In the coming years, a new cycle of investment will be made, which we need for stable ongoing operations. With the investment in expanding production capacity at the existing site, the production volume of titanium dioxide pigment is approaching the regulatory ceiling and alternative options will need to be sought in the future to further grow the business.

## INVESTMENTS MADE AND PLANNED

In 2022, we spent EUR 10.55 million on investments, the purchase of fixed assets and replacement equipment, and environmental investments, representing just under 70% of the planned budget for 2022.

Investment realisation was 56%. We are behind plan due to a number of factors, the most important of which are the search for an appropriate solution, the documentation procedures, the long delivery times and a lack of human resources. Realisation for replacement equipment is 108%. Here we slightly exceeded the plan, mainly due to the sharp increase in delivery times. In fact, stock-outs of materials can seriously jeopardise our operations. The largest deviations from the plan were in the area of fixed asset purchases, where we achieved a poor 43% realisation. The reasons for the underperformance are similar to those for investments.

### Investments made in 2022

As usual, in 2022, the largest share of the invested funds was earmarked for titanium dioxide production to continue the activities of the multi-year project.

The third line of the second stage of neutralisation of waste acid has been successfully completed with a technical inspection and an operating licence.

An additional sand mill for grinding the calcinate after wetting is supplied. Site preparation and installation will be completed in 2023. The mill is planned to be commissioned in the second quarter.

We continued with the planned work to implement dust control measures in titanium dioxide production.

An additional flocculant device has been installed to allow the addition of a different flocculant to accelerate the settling of the suspensions on the white part and the final processing.

We continue to successfully build solar power plants. In the energy field, we have also invested in optimising the steam pipeline and carried out activities to enable one of the calcination furnaces to burn extra-light fuel oil.

We also carried out investment work on the rehabilitation of individual facilities (TiO<sub>2</sub> operational maintenance building – phase III, replacement of windows in the powder varnish production plant at Kemija Mozirje).

The main part of the funds planned for the use of environmental provisions (36%) was earmarked for the rehabilitation of the Bukovžlak Non-hazardous Waste Landfill. A test field for the new C1 drainage under the Bukovžlak high embankment barrier was carried out and an expert report on the implementation was obtained, which is the basis for the design of the complete drainage line.

### Plans for 2023

The total planned investment in 2023 is EUR 20,479,040, which includes capitalised own products and services of EUR 1,401,325, but excludes the planned environmental decommitment activities of EUR 2 million. The planned value of investments, including capitalised own products and excluding the planned environmental decommitment, is 44% higher than the 2022 plan, representing 10.2% of planned sales in 2023 and 157% of depreciation.

69% of the total investment will be for capital expenditure, 24.6% for the purchase of replacement equipment and 6.4% for the purchase of individual fixed assets.

### Chart: Proportion of funding to planned investments in 2023



Investments will be made on a programme-by-programme basis, according to need, capacity and prospectivity, and in line with the five-year strategic plan. With the aim of increasing energy efficiency and self-sufficiency, a significant part of the investment funds will be earmarked for:

- Projects to build additional solar power plants, an electricity grid and transformer substations to connect the solar power plants to the grid;
- Developing projects to cogenerate electricity from the steam produced by burning sulphur;
- Preparing the project, obtaining the building permit and ordering the equipment to install a battery storage system;
- Better utilisation of steam peaks;
- Better use of waste heat;
- Implementing measures to reduce electricity consumption (replacing lighting and energy-wasting electric motors, installing frequency converters, optimising the operation of compressors for compressed air production).

As a precautionary measure against the foreseen possibility of a partial reduction of natural gas supply, we will rehabilitate the extra-light fuel oil tank, carry out the necessary installations and equip one calcination furnace with a burner that allows the consumption of extra-light fuel oil in addition to natural gas.

A significant part of the investment will also be devoted to the implementation of connections that will allow the internal recycling of a large part of the process water.

While our investment focus has shifted to energy transformation in the current circumstances, we continue to invest significantly in projects to address bottlenecks, reduce negative environmental impacts and improve safe and healthy working conditions. The largest share of our investments will be in titanium dioxide production, where we will continue to prepare projects and permits and partially implement investments:

- Installation of an additional 12.10 C storage tank for the discharge of the solution from the unloading towers;
- Modernisation of the storage and preparation of lime and calcite slurry;
- Installation of a central vessel for the third vacuum cooling line;
- Installation of a fifth sulphacide reactor for the treatment of calcination flue gases;
- Expansion of capacity in surface finishing 2.

To address the bottlenecks in titanium dioxide production, we continue to invest in:

- Pumping the solution from 12.01 A into the unloading towers;
- A third filter press for spinning metatitanic acid;
- The completion of the project to install a third sand mill for wet grinding of calcinate.

Some major investments are also foreseen in 2023 in the implementation of preventive measures to reduce dust at BU Titanov dioksid.

We will upgrade the data transmission network for the production processes at BU Titanov dioksid and upgrade the control and management of at least two processes with the most outdated software. The upgrade of the production information system Spekter is underway. To enhance information security, a virtual environment of PCS7 servers and operating stations is planned to be set up, thus enabling the establishment of a redundancy system.

In the sulphuric acid production unit, absorption tower 1 and heat exchanger IT2 will need to be replaced during the next overhaul.

At BU Kemija Celje, we will modernise the blowing system of reactors for the production of copper preparations and set up automated addition of sodium hydroxide.

We are not planning any investments in BU Kemija Mozirje, but we will prepare a project to install a new line for white masterbatches and purchase some fixed assets.

BU Polimeri will replace an obsolete CNC lathe with a new one.

Investments will also take place at our Bukovžlak and Za Travnikom sites. At Bukovžlak, the design and construction of drainage C under the high embankment barrier and the sealing curtain on the NE barrier of the Bukovžlak Non-hazardous Waste Landfill (ONOB) will be carried out. At the Bukovžlak high embankment barrier, it is planned to design and start construction of a drainage ditch with a gauging point and a dewatering facility, and at the Za Travnikom high embankment barrier, to design, obtain permits and possibly to start implementation of the rehabilitation of the eastern and western flanks. Environmental provisions will be used for these purposes.

The Ministry of the Environment is planning to rehabilitate plot 115/1 of Teharje, where our gypsum pipeline runs, in the coming year. In order to avoid subsequent restrictions on rehabilitation in the event of a leak, we need to relocate our gypsum pipeline at the same time as the rehabilitation of plot 115/1.

In line with plans, actual needs and financial possibilities, we will also develop and implement new projects during the year, as well as procure replacement and new individual items of fixed assets.



Major investments for the purchase of replacement equipment and fixed assets will include:

- Renewal of at least one processing tower;
- Replacement of the first of two filter presses for pigment wringing;
- Renewal and upgrade of the sand filters in the Water Treatment Plant.

We also invest every year in measures to improve fire safety. We will also purchase some additional equipment for quality control.

We plan financing from our own resources.

A more detailed overview of the investments foreseen is contained in the Investment, Fixed Assets and Replacement Equipment Plan for 2023.



*Investments in 2023 include: updating the network for data transmission of production processes in BU Titanium Dioxide, a project to install a new line for white masterbatches in BU Kemija Mozirje, and investments in better utilization of surplus steam and waste heat.*

# ANALYSIS OF RESULTS AND PERFORMANCE

## SALES

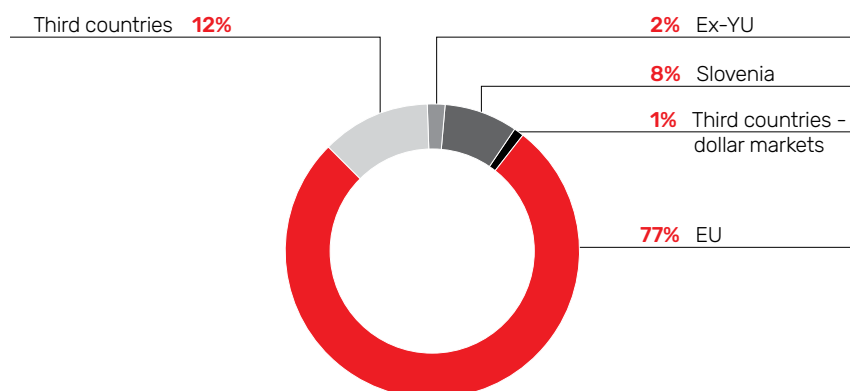
Total sales in 2022 are 18% higher than the comparable period in 2021, with total sales or net sales revenue reaching EUR 227.2 million. One of the highest monthly sales in 2022 was achieved in May, when sales amounted to EUR 23.6 million, an all-time monthly record.

Total sales to foreign markets increased by 18% compared to the previous year. The increase in sales to foreign markets is undoubtedly due to higher pigment selling prices. In absolute and relative terms, the most significant increase in sales is to EU markets.

Table: Sales by market in 2021-2022 (in EUR)

Market	2021 (in EUR)	2022 (in EUR)	ΔPY %
Slovenia	17,355,361	18,781,919	+8
EU	142,500,353	173,950,706	+22
Ex-YU	4,383,469	4,959,791	+13
Third countries	24,693,293	27,117,372	+10
Third countries – dollar markets	3,529,624	2,343,328	-34
<b>Total</b>	<b>192,462,100</b>	<b>227,153,116</b>	<b>+18</b>

Chart: Share of sales by market in 2022



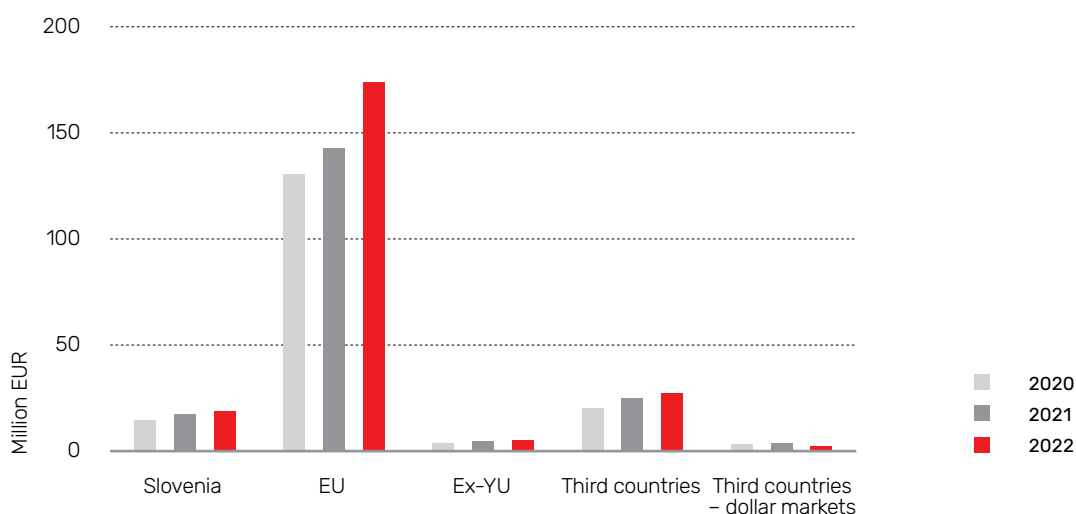
Sales to the EU market are 22% higher than in the previous year. The outperformance was mainly driven by higher pigment sales prices and volumes, as well as higher exchange prices for metals, i.e. copper and zinc, which consequently impact the sales price of the product groups zinc alloys and wires and copper fungicides. One of the key markets is Germany, where we generate 29.7% of our export sales and 27.2% of our total sales. The importance of the German market has decreased slightly compared to the previous year due to the objective maturity of the market.

Sales to the markets of the former Yugoslavia increased by 13%, due to higher value sales of pigment, zinc products and copper fungicides.

Domestic sales are up 8% compared to the same period in 2021. Sales growth was driven by sales growth in all business units except BU Polimeri.

Sales to third country markets are up 4% overall compared to the same period of the previous year. Again, the main contributor was the higher selling price of pigment. We continue to maintain minimum control market shares in the US dollar markets, as larger volumes would be unsustainable due to the specific conditions, which are certainly less favourable than in the European markets.

**Chart: Sales value by market in 2020-2022 (in EUR)**

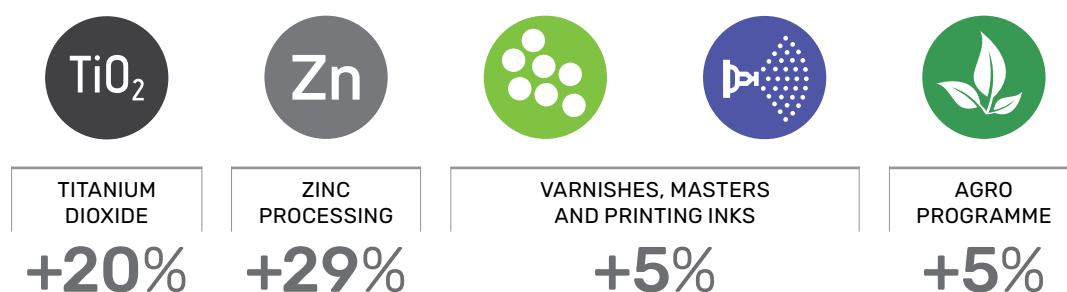


The share of total exports in the Company's total sales in the year under examination was 91.7%, an increase of 0.7 percent compared to the previous year. The increased share of exports relates to an increase in value sales to the key markets of Germany, Italy, France and Turkey. The main share is achieved through exports of titanium dioxide pigment.

The structure of sales by national market varies quarterly according to the conditions prevailing in each market. Roughly speaking, the structure is determined by the profitability of the markets, the marketing strategy, and the political-economic security and reliability of the markets.

Table: Sales by production programme in 2021-2022 (in EUR)

Production programme	2021 (in EUR)	2022 (in EUR)	ΔPY %
Titanium dioxide	156,788,783	187,495,664	+20
Zinc processing	6,364,355	8,240,209	+29
Varnishes, masters and printing inks	17,687,588	18,516,808	+5
Agro programme	7,990,692	8,399,825	+5
Other	3,630,682	4,500,610	+24
<b>Total</b>	<b>192,462,100</b>	<b>227,153,116</b>	<b>+18</b>



During the period under review, sales of the **titanium dioxide pigment** flagship programme reached EUR 187.5 million. The EUR 30.7 million increase in value sales is due to higher average selling prices. Pigment contract prices in Europe have been rising steeply until 2021, reaching a series of quarterly records. The upward trend in pigment selling prices has moderated or reversed at the half year. There is no doubt that consumption is moderating due to inflation in Europe and changing consumer sentiment. In industry, reduced purchasing interest is expected, also influenced by the uncertainty of natural gas supply, which increases concerns about the European industry's operational performance. Amongst others, some competitors have announced or already reduced pigment production in Europe, mainly global producers with a portfolio of plants around the world that have leased energy products at significantly lower prices in America or Asia. The price of energy is correlated with the price of the ancillary raw materials needed to produce the pigment.

The **zinc processing** sales programme combines the product groups zinc wire, anodes and alloys. The performance is 29% higher than in the comparable period of the previous year. The increase in sales is mainly attributable to higher zinc exchange prices.

During the period under review, there was a 5% increase in sales of the **varnishes and masters** programme on a comparable basis, mainly due to higher selling prices of masterbatches and powder varnishes. This is the result of higher input prices.

Sales of the **agro programme**, which includes sales of copper fungicides, Pepelin, Copperas and Humovit, increased by 5% compared to the comparable period in 2021. The increase is due to higher sales prices of copper fungicides. These are higher on account of higher copper exchange prices and an improved sales structure. In 2022, we continued to produce the highly marketable active ingredient tribasic copper sulphate (TBCS). Sales of Humovit are at the level of the comparable period in 2021. We are dependent on local and nearby market conditions for our soil sales as the product does not bear the additional cost of transport to enter distant markets.



The **"other" programme** includes sales of thermoplastics, polymers, elastomers, aggressive media transport systems (STAM), sulphuric acid, CEGIPS, merchandise, services and sales of discontinued products and product groups. The value sales of this group are 24 % higher on a comparable basis. The value sales of STAM are at a similar level. The value sales of sulphuric acid are 34 % higher. In the case of the programmes of this group or category, it is also worth highlighting CEGIPS, which is 72% higher. 164.4 thousand tonnes of CEGIPS were sold, which is important in the context of the life extension of the Za Travnikom facility.

Over the period under review, it can be seen that the relative proportions have changed again. The share of BU Titanov dioksid is higher by 1.3 percent. In line with the higher value sales of metallurgical products, BU Metalurgija's share is 0.3 percent higher. The other BUs show a decrease in their shares.

BU Polimeri's share declined comparatively, as business volumes coincided with investment activity in the regional pharmaceutical and petrochemical industries. It is therefore essentially a contract-based, fully customised production of technological systems, which is directly dependent on the investment cycles of the industry in the region.

There are changes in the sales structure by business units. In the short term, the substantive changes result in a smaller number of business units and, in the longer term, an increase in the relative importance of the core programme, i.e. titanium dioxide.

## OPERATING RESULT

In 2022, an **operating result** of EUR 53.2 million was achieved, 33% above the 2021 operating result of EUR 40 million. Operating performance was therefore better than last year, but significantly above the level of the business plan. This outperformance was driven by good volume sales and an increase in the selling prices of the underlying product. The operating result including depreciation and amortisation, or EBITDA, amounted to EUR 65.3 million, representing 29% of the sales achieved. Compared to the previous year, EBITDA is 27% higher.

After accounting for the impact of financial income and expenses, a **pre-tax result** of EUR 52.7 million is reported in 2022, with a profit of EUR 40 million in 2021. The pre-tax result is up 32% on the previous year. A negative financing balance of EUR 460.1 thousand is achieved in 2022 (2021: negative financing balance of EUR 20.1 thousand). This financing balance is the result of a negative exchange rate balance of EUR 457.6 thousand, a negative balance of investment income, and interest expense of EUR 2.5 thousand. The negative financing balance comes from the forward purchase and sale of dollars. The negative balance nevertheless represents an effective use of hedging instruments throughout the financial year to manage the volatile movement of the USD/EUR currency pair in the procurement of titanium-bearing ores.

**The net result for the period** amounts to EUR 43.4 million and is 31% higher than the result for 2021 (EUR 33.2 million). Taking into account the developments in the international economy on the titanium dioxide pigment market and, in particular, the results of our competitors in the titanium dioxide industry, we consider the result to be above average and above expectations. The net result comprises the profit before tax and income tax of EUR 8.8 million (effective tax rate of 16.7%).

THE NET RESULT FOR THE PERIOD

**43,4 mio EUR**

THE NET RESULT FOR 2022  
ACCORDING TO THE 2021

**+31 %**

## SHARES – VALUE AND TURNOVER

The share capital of Cinkarna Celje d.d., amounting to EUR 20,229,769.66, is divided into 8,079,770 ordinary freely transferable bulk shares. The shareholder structure is disclosed in the section General Meeting/Capital structure.

The shares of Cinkarna Celje d.d. are listed on the standard quotation of the Ljubljana Stock Exchange under the designation CIGG. The single quotation price on the first day of trading, i.e. 6 March 1998, was EUR 33.71 per share, or EUR 3.37 taking into account the share split in 2022.

The total number of shareholders as at the last day of 2022 was 2,321 and the total number of shares in issue was 8,079,770, comprising 7,815,120 voting shares and 264,650 treasury shares.

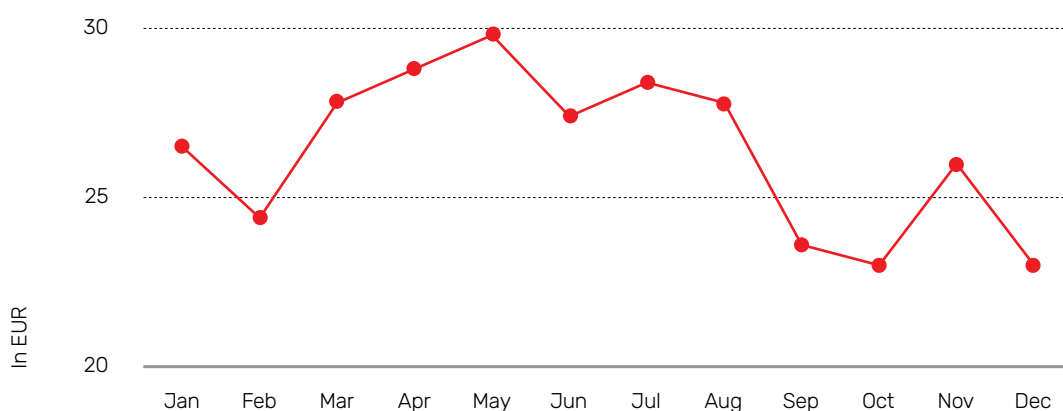
The value of Cinkarna Celje d.d.'s share, listed on the Ljubljana Stock Exchange's first quotation (CIGG), fluctuated between EUR 22.4/share and EUR 32.0/share in 2022.

The market capitalisation of the Company on the last trading day of 2022 was EUR 185.8 million. The market capitalisation of the Company on the last trading day of 2021 was EUR 209.3 million.

**Table: CIGG share price evolution in 2022 by month (single month-end price) and in 2019-2021**

Year	2019	2020	2021	2022											
Month	12	12	12	1	2	3	4	5	6	7	8	9	10	11	12
CIGG price in EUR	18.75	17.80	25.90	26.50	24.40	27.80	28.80	29.80	27.40	28.40	27.80	23.60	23.00	26.00	23.00

**Chart: CIGG share price evolution in 2022 (in EUR)**



The average cumulative monthly turnover of Cinkarna Celje d.d.'s shares in 2022 was EUR 1.9 million, 58% higher than the average monthly turnover of EUR 1.2 million in 2021. The total annual turnover was EUR 22.5 million (EUR 14.2 million in 2021). The Company has a liquidity maintenance agreement in place for the shares.

**Table: Share price and cumulative monthly turnover outliers in 2020-2022 (in EUR)**

Year	2020		2021		2022	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
Share price in EUR/share	20.30	12.50	25.90	17.40	32.00	22.40
Cumulative monthly turnover in EUR 000	3,317.1	495.4	1,966.4	701.1	3,381.2	1,231.5

## DIVIDENDS

On 15 June 2022, the General Meeting of Shareholders of the Company voted in favour of the counter-proposal of the shareholder, the Association of Small Shareholders of Slovenia, to use the balance sheet profit for 2021, which amounted to EUR 25.0 million. In accordance with the approved and voted proposal/agreement, the major part of the balance sheet profit amounting to EUR 24.9 million was paid out in the form of dividends. The dividend per share amounted to EUR 31.89 gross or EUR 3.19 after the share split, which is 52% higher than the dividend in 2021 and represents a dividend yield of 11%. The remainder, i.e. EUR 0.1 million, was carried forward as a profit carried forward.

The General Meeting of Shareholders granted the Company's Management Board the authority to acquire treasury shares for a period of 12 months from and including 18 June 2022. The treasury shares on the last day of 2021 comprised 26,465 shares or 264,650 shares after the split. No repurchases were made in 2022.

The dividends paid and the P/E ratio with the corresponding calculation are shown in the Condensed Business and Alternative Performance Measures section.

## EXPENDITURE AND COSTS

The analysis of expenditure and costs below relates mainly to the costs of materials, raw materials, and energy and labour. The most significant impact on the Company's performance is the trend in the costs of materials, raw materials and energy, as the Company is capital intensive. Labour costs are mainly determined by constructive dialogue between the social partners and business performance. The Company did not incur any interest costs in 2022 due to the full deleveraging and cancellation of financial debts before the end of 2014. The most important factor in the volume and dynamics of costs is the situation in the global and European economy. Uncertainties related to the energy market and supply chains are increasing. Prices of key commodities in the so-called "commodities" markets (non-ferrous metals, steel, energy, basic chemicals) are on an upward trend. The gradual rise in energy prices has been contained to the best of our ability, but further increases are inevitable. Price levels for titanium-bearing raw materials are at higher levels.

The combination of the above macroeconomic situation and the situation in the titanium dioxide pigment industry has led to a closing of the upstream price cuts, with further closures expected in the coming quarters. The upward pressure on labour costs has increased due to the situation in Slovenia and the understandable rise in employee expectations, but the Company's remuneration policy has enabled us to remain within our business performance plans.

The structure of consumption of raw materials, packaging and energy shows a deviation from 2021. This is due to the different dynamics of change of the individual categories of direct production costs. In relative terms, the most significant increase is in energy costs, which have risen significantly by 67% due to energy risks. Similarly, the increasing bargaining power of suppliers

is up by 2%. The dynamics of raw material costs corresponds to the dynamics of production volumes. Packaging costs are lower due to the focus on the B2B segment and the associated bulk packaging.

At the end of the period, raw materials accounted for the largest share of production costs (84.6%), followed by energy (13.9%) and packaging (1.5%). Compared to the previous year, there has been a marked change in the structure, with an increase of 2.3 percent in the share of energy.

In line with the increase in efficiency and profitability of the titanium dioxide industry and Cinkarna Celje d.d., we implemented a motivating remuneration policy in 2022 and, within the realistic possibilities, followed the dynamics of the business results, which exceeded both last year's and the planned results. The starting points for the formulation of the remuneration policy were the agreements and guidelines of the social partners at national and company level.

In 2022, we paid employees a holiday allowance of EUR 1,923.92 gross/employee in March. Due to the excellent performance, we paid a Christmas bonus to all employees up to the average salary of EUR 2,024.03 as at the date of the decision, together with a bonus of EUR 890/employee.



HOLIDAY ALLOWANCE

**1,923.92 EUR**

CHRISTMAS BONUS

**2,024.03 EUR**

BONUS

**890 EUR**

The company-wide labour costs achieved are 2% higher in 2022 compared to 2021, and the labour costs per employee are 8% higher in 2022 compared to 2021.

In 2022, the amount of depreciation charged is 8% higher than in the previous year, as a result of the level of investment in 2021, which is below the level of 2018, when the EUR 22.6 million invested significantly exceeded the amount of depreciation charged in that year. We plan to invest a comparable amount in 2023.

In 2022, the Company did not incur any interest expense as it had no financial debt (the last time the Company recorded interest expense was in 2014 for bank borrowings). Interest expense is therefore not a factor in the Company's performance and the Company is no longer exposed to risk in the context of potential changes in interest rates. The minimal negative balance of exchange rate differences and other financial expenses of EUR 460,1 thousand still represents the effectiveness of the use of hedging instruments to manage the volatile movement of the USD/EUR currency pair in the purchase of titanium-bearing ores.

Otherwise, we performed above average during the period under review. We generated a net profit of EUR 43.4 million. Corporate income tax for 2022 was levied at EUR 8.8 million.



**Table: Operating expenses in 2021-2022 (in EUR and %)**

Operating expenses	Year 2022		Year 2021	
	Value in EUR	Share in %	Value in EUR	Share in %
Cost of materials and services	151,383,601	76	111,491,064	71
Labour costs	29,483,416	15	28,888,986	18
Depreciation and amortisation	12,150,684	6	11,281,415	7
Other expenses	5,265,971	3	5,497,719	3
<b>Total operating expenses</b>	<b>198,283,672</b>	<b>100</b>	<b>157,159,184</b>	<b>100</b>

## ASSETS AND RESOURCES

The source of financing of the achieved volume of operations in 2022 consisted mainly of own funds accumulated in the ordinary course of business and, to a lesser extent, of corporate debt. The financing of the additions and upgrades of production and operating equipment and buildings and of investments in progress was carried out exclusively using own funds accumulated in the ordinary course of business. In the past year, we have not used bank resources. We have paid particular attention to the management of net current or short-term assets, thereby ensuring a reliable, secure and stable cash position or liquidity at all times.

**Table: Funding in 2021-2022 (in EUR and %)**

Assets	Year 2022		Year 2021	
	Value in EUR	Share in %	Value in EUR	Share in %
Non-current assets	108,559,530	43	110,511,613	46
Current assets:	142,388,473	57	131,373,196	54
- Stocks	72,754,823	29	40,298,476	17
- Trade receivables	24,290,543	10	31,172,903	13
- Cash	45,210,098	18	59,746,594	25
- Other current assets	133,009	0	155,223	0
<b>Total assets</b>	<b>250,948,003</b>	<b>100</b>	<b>241,884,809</b>	<b>100</b>

The **share of non-current (long-term) assets** in total assets decreased by 2.4 percent to 43.3% in 2022 compared to the end of 2021. The largest category of non-current assets is tangible fixed assets (95.9%). They decreased in value by EUR 1.8 million or 2% in 2022 for the difference between the amount invested in tangible fixed assets and the actual depreciation charged. Long-term investments increased by EUR 0.3 million in 2022 due to the revaluation to fair value and comprise shares and interests in companies. Deferred tax assets decreased by 36% due to the reversal and utilisation of provisions and due to the tax-recognised valuation allowance on receivables created in previous years. Other non-current assets consist of emission allowances obtained free of charge from the State. Their value as at 31 December 2022 is EUR 15 thousand higher than the value as at 31 December 2021 due to the positive balance between the acquisition of the allowances for 2022 and their surrender to ARSO for CO<sub>2</sub> emissions for 2021.

The share of current assets in total assets increased by 2.4 percent compared to the end of the previous year to 56.7%. The most important categories in the structure of current assets in terms of value are stocks (51%), cash and cash equivalents (32%), and trade receivables together with other current assets (17%).

**Stocks** increased by 81% compared to the end of 2021, with a 68% increase in the value of material stocks (including advances), a 32% increase in work-in-progress stocks and a 122% increase in the total value of the Company's finished goods and merchandise stocks (all compared to the end of 2021). The main reason for the increase in finished goods stocks is the reduced volume sales of pigment in the last quarter of 2022.

**Current financial receivables** have no balance as at 31 December 2022.

**Current trade receivables** comprise current trade receivables from buyers and current trade receivables from others (mainly from the State for input VAT). Compared to the situation at the end of 2021, receivables have decreased by 22%. Trade receivables decreased by 24%, while other current receivables increased by 9%. The maturity breakdown of trade receivables later in the report shows that the age structure of receivables continues to be of good quality and secured with an external institution or other form of collateral.

**Cash** (and cash equivalents) represent 32% of total current assets, with a 24% decrease in cash compared to the previous year due to the dividend payment of EUR 24.9 million at the end of June 2022 and the repayment of strategic purchase commitments at the end of December 2022. The remaining value of cash is mainly due to the excellent performance of the full year.

**Other current assets** comprise prepaid expenses accrued. The value decreased by 14%.

**Table: Capital and liabilities in 2021-2022 (in EUR and %)**

Capital and liabilities	Leto 2022		Leto 2021	
	Value in EUR	Share in %	Value in EUR	Share in %
Capital	209,010,148	83	190,165,790	79
Non-current liabilities	18,831,718	8	23,273,002	10
Current financial liabilities	59,392	0	197,503	0
Current operating liabilities	19,518,145	8	23,242,724	10
Other current liabilities	3,528,600	1	5,005,790	2
<b>Total capital and liabilities</b>	<b>250,948,003</b>	<b>100</b>	<b>241,884,809</b>	<b>100</b>

The **value of capital** in the structure of liabilities to sources of funds as at 31 December 2022 represents 83.3%, an increase of 4.7 percent compared to the end of 2021. The amount of capital has increased by 10% compared to the situation at the end of 2021. The increase (EUR 18.8 million) relates to the difference between the net profit in 2022 of EUR 43.4 million and the payment of dividends on 24 December 2022. As at 31 December 2022, the Company holds 264,650 treasury shares after the split of 1:10 on 15 August 2022 (no purchases of treasury shares were made by the Company in 2022). There were no other significant movements in capital.

In total capital, the share capital amounts to EUR 20,229,769.66 and, as at 15 August 2022, consists of 8,079,770 ordinary freely transferable bulk shares (of which 264,650 are treasury shares, subscribed in the treasury share pool), after a split of 1:10. The book value per share as at 31 December 2022 amounts to EUR 25.9 (up 10.2% since the beginning of the year, when it stood at EUR 23.5).

**Provisions and deferred income** account for 7.5% of the liabilities to sources of funds. Provisions for pensions and similar liabilities were made as at 1 January 2006 (severance and jubilee payments) and are adjusted annually on the basis of actuarial calculations. Other provisions were established in the course of the ownership process under the environmental provision. In recent years, the following additional environmental provisions have been made: EUR 5 million in 2010 for the rehabilitation of the Bukovžlak solid waste landfill and EUR 7 million and EUR 5 million in 2011 for the rehabilitation of the Za Travnikom landfill and the destruction of low-level radioactive waste. At the end of 2017, the provisions were reviewed in detail, verified and only the provision for the elimination of old burden risks of EUR 6.4 million was re-established. At the end of 2022, similarly to the end of 2021, the extent of the provisions was reviewed and the provisions were re-established or eliminated as appropriate in light of the actual market conditions and the reasons for their existence. The volume of environmental provisions decreased by 21% or EUR 4 million in the period under review, due to the earmarked increase and at the same time the earmarked coverage of the costs of the remediation projects mentioned above, as well as the necessary release of provisions for which the underlying basis for their creation no longer existed, which occurred in 2022. Non-current deferred income increased by 70% (obtaining funds for the co-financing of the installation of solar power plants).

**Financial and operating liabilities** decreased by 19% compared to the end of the previous year due to a 16% decrease in operating liabilities. Trade payables decreased by 20% due to repayments to suppliers and a 1% decrease in other current liabilities due to taxes and contributions from payables to employees. The liability for income tax for the 2022 financial year as at 31 December 2022 is 39% lower than the balance at the end of 2021 due to prepayments made in 2022. All financial and operating liabilities are current. The Company's gross gearing ratio is 16.7%, a decrease of 4.7% compared to the balance as at 31 December 2021.

**Current financial liabilities** as at 31 December 2022 amount to EUR 59 thousand, compared to EUR 198 thousand at the end of 2021. The Company's gearing ratio is therefore 0.24‰ (0.82‰ at the end of 2021).

**Current trade payables** decreased by 16% over the period. Current trade payables to suppliers amounted to EUR 14.9 million at the end of 2022, down 20% compared to the end of 2021, due to repayments to suppliers of strategic raw materials. Other payables increased by 1% (or by EUR 67 thousand), mainly consisting of EUR 2.6 million payables for net salaries and other net employment benefits, EUR 2 million payables for contributions and taxes from and on remuneration, and payables for VAT and to other institutions.

**Other current liabilities** decreased by 1% in the period under review, mainly consisting of accrued liabilities for annual leave and other labour costs, accrued environmental contributions and taxes, and VAT on advances made.





Hidrolizna ka





## Continuous monitoring

*We produce titanium dioxide 24 hours a day all year, under the watchful eye of our process controllers.*





## Consistent testing

*Titanium dioxide as a final product is always carefully examined in our laboratories with the latest equipment.*

# RISK MANAGEMENT AND OPPORTUNITIES

The risk management process is a key process and the cornerstone of the Integrated Management System (IMS). Risks are managed through regulations, performance targets or objectives, the implementation of which is tracked through protocols.

The risk management system includes risk identification, risk assessment and classification, action, monitoring and reporting. Monitoring and analysis of the external and internal environment provides input for the identification of key risks and opportunities, which is crucial for our operational, tactical and strategic planning in line with the sustainable development goals.

## Identification procedure

The key factors in identifying risks are the uncertainty and significant negative financial consequences that must be perceived by the risk owners in the business unit.

There are two ways to identify risks:

- Bottom-up recognition is the responsibility and right of all employees in the company. Anyone who identifies a risk to the business in the course of his or her work must immediately inform his or her supervisor, who in turn informs the risk owner, who then enters the risk into the risk database for each risk group.
- Top-down identification is carried out by risk owners on the basis of information they may receive from the Management Board at the time of any major business decision, project or material change that may have the effect of altering an existing risk or creating a new one.

The sources for identifying the risks that have occurred and are recorded in the codebook are:

- own observations of risks in the performance of regular work tasks and assignments,
- records and reports on operations,
- statistics and incident investigation reports,
- findings of internal and external audit and inspection services, auditors or assessors,
- analyses of the economic, political, legislative and operational environment,
- brainstorming with staff or external participants,
- business process studies and
- other sources.

We group individual risks into the following categories:

- III. Sales and procurement risks
- IV. Production risks
- V. Financial risks
- VI. Spatial and environmental risks
- VII. Human resources and organisational risks
- VIII. Support process risks



### Risk assessment and classification procedure

For each of the identified risks, we determine what its negative consequences are. The assessment of risks is carried out by defining the frequency and impact in terms of financial consequences, which are made up of three factors:

- incurrence or increase of costs,
- loss or reduction of revenue,
- mitigation of financial consequences.

The frequency (probability) of occurrence of risks is based on an assessment of the frequency with which each adverse event/risk has occurred in the past or is expected to occur in the future. The impact (financial consequences) of each event is quantified in monetary units according to how the individual risk affects the Company's results or the amount of damage it may cause.

The basis for calculating the financial implications is the annual revenue plan for the Company and for the individual organisational units.

The qualitative score is calculated using the following formula:

**Risk assessment** = frequency or likelihood of occurrence \* (incurrence or increase of costs + loss or reduction of revenue – mitigation of financial consequences)

The assessed risks are classified on the basis of a graduated risk scale, which is defined in terms of value at two levels:

- Corporate risks are risks that, if they materialise, have a significant impact on the Company as a whole or even threaten its existence. Their management is the responsibility of the management of the business units and departments, the Management Board and the Supervisory Board.
- Operational risks are risks that may affect the performance of individual units, but do not represent a significant risk to the business as a whole. They are part of day-to-day operations and work processes. They are managed at the level of one or more organisational units.

### Identification of the level of risk (potential impact) – corporate risks

Level	1 - LOW	2 - MEDIUM	3 - HIGH
Percentage of revenue at Company level of the annual plan in the current year	> 2.5% < 5%	> 5% and < 10%	> 10%

Note: The definition of corporate risks at company level represents the sum of the individual assessments for a given risk at the level of business units (BU).

### Identification of the level of risk (potential impact) – operational risks

Level	1 - LOW	2 - MEDIUM	3 - HIGH
Percentage of revenue at the level of the business unit of the annual plan in the current year	< 1%	> 1% and < 5%	> 10%

The process of identifying, assessing and ranking risks is carried out on a regular basis at the end of each quarter of the year and, on an exceptional basis, immediately prior to the preparation of the Company's business plan, whenever a major business decision, project or material change occurs that may have the potential to change an existing risk or create a new one.

#### Adoption procedure, implementation of measures

The risks identified and classified in the Risk Register are managed through performance targets (POICs for the current year) and objectives.

#### Monitoring and reporting

Risk owners report results in writing and verbally at the Management Board's quarterly Broader Expert Colleges.

#### Responsibilities for the risk management system

The Management Board is directly responsible for the risk management system and its effective functioning. The Board defines the process, oversees it and takes decisions on strategic development, investments, divestments, portfolio of business lines, etc. The risk management system is managed by key areas and is the responsibility of the team leaders for each risk group. Risks at the corporate level are reviewed quarterly by the Risk Committee, which is composed of all team leaders and a member of the Management Board. The Supervisory Board monitors and is informed of the performance and findings of the risk management and internal control system in accordance with the provisions of the Companies Act (Companies Act-1). The external audit verifies the establishment, maintenance and operation of the risk management and internal control system in accordance with the Auditing Act.

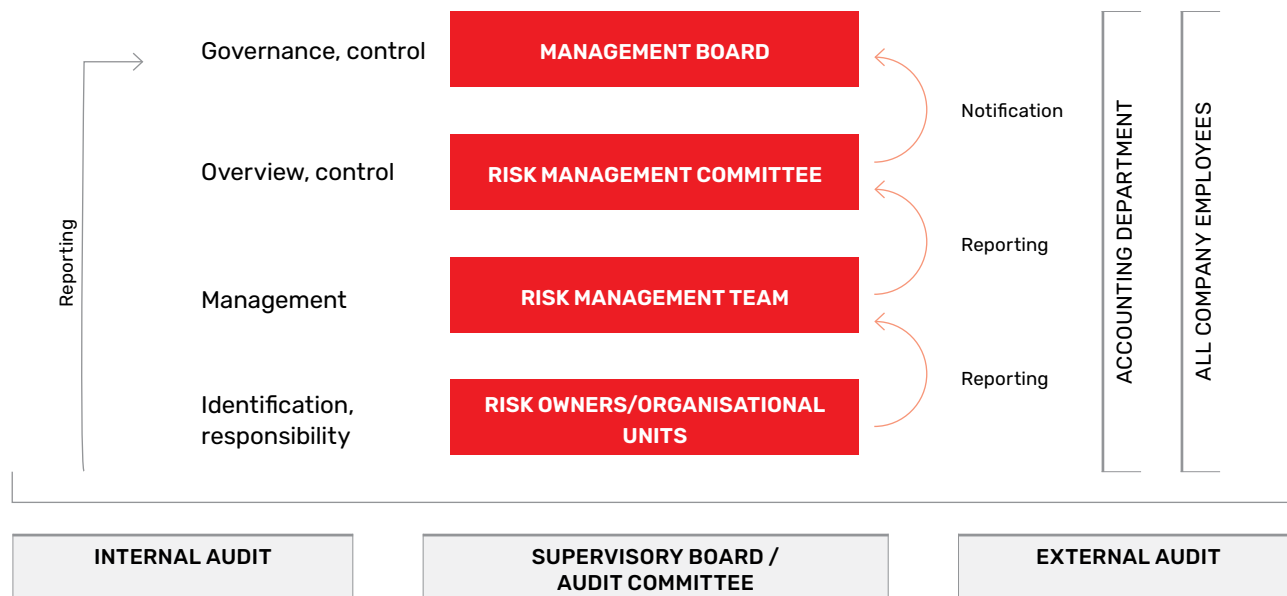
The successful operation of a risk and opportunity management system requires the coordinated action of all stakeholders in the system to ensure the successful integration of risk management into the Company's strategic, business and operational processes.



We also communicate to external audiences about the risks of our business and how we manage them in our quarterly and annual reports. The reports are published publicly on SEOnet and on the Company's website [www.cinkarna.si](http://www.cinkarna.si)



Diagram: Responsibilities in the risk management system of Cinkarna Celje d.d.



Here are the responsibilities and accountabilities at each level:

- **Supervisory Board / Audit Committee of the Supervisory Board:**
  - monitors the effectiveness and efficiency of the overall risk management system,
  - supervises risk-taking,
  - monitors exposure to particular types of risk,
  - monitors the management of key corporate or business risks.
- **Management Board:**
  - sets the strategy and objectives for risk management,
  - defines and monitors the risk management process,
  - defines and delineates responsibilities and accountabilities in the risk management process,
  - defines different responses for each type of risk under certain conditions.
- **Risk Management Committee:**
  - defines the methodology and improvements in the assessment and ranking of risks, with the aim of ensuring uniform criteria across the Company,
  - reviews and defines revenue percentages for determining risk scores at company level and for organisational units,
  - reviews and defines corporate risks at company level,
  - reviews and validates the results of the assessment and ranking of mainly corporate risks,
  - informs the Management Board on corporate risk management,
  - monitors the results of external and internal audits, inspections, assessments and evaluations.

The Risk Management Committee is composed of the Head of the Risk Management Committee and the team leaders for each risk group, i.e. the members. The Head and the members of the Committee are appointed by a resolution of the Company's Management Board.

- **Risk management team:**  
Risk management teams are formed for all the risk groups that the Company manages. Each

risk group has a designated team leader who is part of the wider risk management team and has the following responsibilities:

- Defines risk designations and generic risk descriptions at company level within the risk group for which it is responsible;
  - Enters the identified and approved risks in a specific group into the risk codebook, which is the basis for risk owners to then define the relevant specific data in their organisational units;
  - Monitors and reviews the risks arising in the risk pool from the organisational units identified and defined by them into individual groups;
  - Coordinates and convenes meetings to identify, define and prioritise individual risks. He/she may also convene the Risk Management Committee in the case of significant risks;
  - Communicates with risk owners on identified risks and changes;
  - The team leader ensures, through professional oversight, that risks are appropriately recorded, classified and managed in his/her team and verifies the appropriateness of the assessment of individual risks, if they have been identified by different organisational units;
  - The risk team leader proposes corporate risks to be defined in the system. The Risk Management Committee reviews the proposals, agrees on them and aligns the risk type;
  - Reports quarterly results to the Risk Management Committee on all corporate risks for the team's risk group.
- **Risk owners:**
    - Identify risks in their organisational unit process area and communicate this to the team leader for the specific risk group;
    - Define specific risk profiles in their organisational units based on the overall risk identified;
    - Are responsible for risk management in their organisational units (they are responsible for the appropriateness of entries, assessment and management of identified risk);
    - Report on the identified risks to the team leader for each risk group over a three-month period through performance targets or objectives.

Risk owners are Directors and Heads of Departments, or their deputies in their absence. They may also be team members of individual risk groups.

- **Internal Audit Department:**
  - Audits the risk management process and reports to the Management Board and the supervisory body on its effectiveness and efficiency;
  - Audits the effectiveness and efficiency of internal controls in business processes, focusing on the management of key risks;
  - Assesses the adequacy of reporting on key risks;
  - Plans audit reviews based on the applicable risk assessment;
  - Communicates to the Management Board, the supervisory body and the responsible auditors the findings on the management of key risks in the context of the internal audit engagements performed, and, subject to limitations in accordance with the rules of the internal audit profession, may advise on the establishment and implementation of a risk management process.
- **Accounting Department:**
  - Provides the basic data for calculating revenue and cost shares at company level and by organisational unit;
  - The Head of the Accounting Department coordinates the definition of the revenue percentages with the Risk Management Committee before the start of the planning process (revenue percentages are defined for corporate and operational risks);
  - The person responsible in the Accounting Department enters the relevant parameters and values, which are the basis for the further calculation of the risk assessment.
- **All company employees**

Employees must be involved in identifying risks in their workplaces or in the Company and informing their supervisors, who are obliged to take appropriate action.

## CORPORATE RISKS IDENTIFIED IN 2022

### I. SALES AND PROCUREMENT RISKS

Risk name	General description at company level	Risk management	Risk level
Energy sources	Price uncompetitiveness of our products due to high energy prices (natural gas and electricity)	<p>We conclude contracts, monitor trends and carry out forward purchases of energy products.</p> <p>We negotiate PPAs - long-term power purchase agreements.</p> <p>We implement measures to increase energy efficiency.</p> <p>We systematically increase our own electricity production from renewable sources - solar power plants on buildings, cogeneration of electricity from steam.</p> <p>We are planning to install an EE battery storage to balance consumption during peak periods.</p>	Low
Key buyers	Loss of market share and revenue due to (price) non-competitiveness with customer expectations compared to price-aggressive competitors	We choose optimal marketing strategies, appropriate sales channels, pre and post sales service, competitive selling prices and quality products, while increasing productivity and reducing production costs. We are also increasing our customer portfolio in so-called spot markets.	Low
Work items	Loss of revenue due to unforeseen extensions of delivery times throughout the supply chain	<p>We place orders on time, make supplier reservations, look for alternative suppliers and alternative testing procedures.</p> <p>We ensure timely planning of raw material requirements and ordering, adherence to the experience time reserve and, where necessary, increase minimum stock levels. We will develop a "business case" and a "check list" for all strategic raw materials.</p>	Low
Work items	Loss of production due to failure to supply work items from monopoly suppliers	<p>We pursue the objective of adequate protection by contract. In critical cases, we provide larger stocks. We carry out thorough market research on raw materials and potential substitutes and act on our findings in a timely manner.</p> <p>We undertake accelerated procurement and negotiation activities with existing suppliers to secure the planned quantities of PFA material. We are expanding our supplier base with new suppliers.</p> <p>We are looking for alternatives to PFA.</p> <p>We follow the announcements of alternative technologies for the processing of titanium bearing ores.</p> <p>We are examining the feasibility and advisability of introducing technological changes to enable the production of titanium dioxide from ilmenite alone.</p> <p>We seek, test and introduce new sources of raw materials for production.</p>	Low

Risk name	General description at company level	Risk management	Risk level
Legislative compliance	Loss of revenue due to proposed changes in legislation for food contact materials (packaging)	<p>Through the supply chain, we obtain information from customers on the intended use of the product and the requirement to meet the standard.</p> <p>We carry out testing and analysis of titanium migration from masterbatches into model solutions.</p> <p>We are looking for opportunities to offset potential lost sales for incorporation in food contact products with sales for other applications (e.g. agro films, automotive).</p> <p>As a long term measure, we are looking at the possibility of manufacturing the product from suitable raw materials that allow the obtaining of a standard/certification (FDA).</p>	Low
Legislative compliance	Revenue loss due to new chemical sustainability strategy	<p>Within the Titanium Dioxide Manufacturers Association (TDMA), we follow the requirements of the new legislation with a working group and initiate the necessary/possible actions both at the EU level and individually within the Company.</p> <p>Within the TDIC consortium, we are in the process of updating the REACH dossiers in line with the requirements of the European Chemicals Agency (ECHA). To this end, we are also carrying out a broad scientific programme within TDMA, which includes studies on the potential impact of nano and pigmented forms of titanium dioxide on human health.</p>	Low

## II. PRODUCTION RISKS

Risk name	General description at company level	Risk management	Risk level
Storage and production capacity	Shortfall in volumes due to under-utilisation of production capacity	<p>We are taking measures to increase the efficiency and availability of facilities.</p> <p>We organise multi-shift working.</p> <p>We are increasing our search for missing staff.</p> <p>We are adapting storage capacity (additional silos and tanks) and logistics to production needs.</p>	Medium

### III. FINANCIAL RISKS

Risk name	General description at company level	Risk management	Risk level
Credit risk (payments by buyers)	Loss of revenue due to non-payment by buyers whose receivables are not secured, which represents about 2% of receivables.	<p>The Company applies internal credit control for each individual buyer, who is assigned an individual credit limit based on payment discipline, credit rating and good standing with the Company. The credit risk monitoring and management process was further enhanced in mid-2021 with the advent of receivables insurance with an external institution where credit limits are set, monitored and changed on a daily basis.</p> <p>In addition to the regular monitoring of the credit limit for each buyer, the payment discipline of the buyer and the publication on Ajpes of proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act are monitored on a daily basis.</p> <p>Also, as the receivable becomes due, the buyer is reminded of the due date of the receivable by a reminder, firstly by telephone and then in writing, and default interest is charged from the due date until the date of payment.</p> <p>Updated information is obtained on a regular basis for more accurate cash flow planning.</p> <p>Detailed, well thought out and accurate cash flow.</p>	Low
Liquidity risk (payments by buyers)	Loss of payments within agreed deadlines due to customer insolvency or indiscipline, which may cause liquidity problems for the Company	<p>Traditional payment discipline of a company with no bank debts and stable cash flows. The Company's business is traditionally conservative with high cash flow. Liquidity management comprises, among other things, planning expected cash commitments and covering them on a daily, weekly, monthly and annual basis, ongoing monitoring of the solvency of buyers and regular collection of overdue receivables.</p> <p>Updated information is obtained on a regular basis for more accurate cash flow planning, which is elaborate, deliberate and precise.</p> <p>We have a detailed, well thought out and accurately designed cash flow.</p>	Low
Currency risk	Loss of revenue and higher costs due to the euro/dollar exchange rate on the purchase of materials and raw materials in US dollars (titanium-bearing raw materials, partly copper compounds)	<p>We continuously monitor the movements and forecasts regarding the dynamics of the EUR/USD currency pair. Basically, we limit the short-term risk of adverse changes in the dollar exchange rate through the standardised and consistent use of financial instruments (dollar futures).</p> <p>We regularly obtain more accurate data for forward purchases of foreign exchange.</p>	Low



## IV. SPATIAL AND ENVIRONMENTAL RISKS

Risk name	General description at company level	Risk management	Risk level
Climate risks	Occurrence of acute or chronic physical risks caused by climate change (drought, heat waves, storms, etc.)	<p>For process water, we are increasing the use of water from internal recycling, thereby reducing the use of water from natural sources such as the Hudinja River and the Za Travnikom spring. For more information, see the Integrated Water Management Project section.</p> <p>We are implementing a project to supply production with an alternative source of process water, namely to test the feasibility of reusing waste water from the Celje Central Wastewater Treatment Plant as a source of process water.</p> <p>We maintain facilities, address deficiencies, identify and eliminate potential hazards by upgrading fire safety and other safety measures, maintaining existing flood protection measures, inspecting the condition of installations and optimising processes.</p>	High
Security	Negative impact on the Company's business due to a natural disaster (such as an earthquake or major flood, lightning strike, sleet, etc.)	<p>We carry out activities in accordance with the preventive actions set out in the Register of Potential Hazards to the Environment and Employees (Rules, organizational regulations, compliance with storage instructions in the flooded part of the site, ongoing cleaning of shafts and maintenance of facilities, instructions for work, measurements, preventive and periodic inspections, etc.).</p> <p>When designing new buildings, we take into account earthquake protection standards and regulations. Existing ones are inspected and maintained.</p> <p>The Company is flood-proofed with a wall to prevent water ingress in the event of flooding. We have pump stations in place to pump out any excess water.</p> <p>We regularly inspect and maintain lightning conductors and earthing systems.</p>	Medium
Security	Negative impact on the Company's operations due to an industrial accident (fire, explosion, spillage, etc.)	<p>Risk is managed by systematically evaluating the impact on the environment and employees, periodic fire risk assessments and by organising jobs according to risk assessment.</p> <p>In the area of environmental impact reduction, we have systematically implemented European environmental standards by applying the principles of the "Responsible Care Programme" and harmonising our operations with the requirements of the IED and the SEVESO Directive.</p> <p>We carry out internal assessments of the adequacy of the implemented measures required by the SEVESO permit and remedy the identified shortcomings.</p> <p>We update our Environmental Risk Reduction Plan (ERRP) in light of changes. We carry out our processes in accordance with BAT (Best Available Techniques).</p> <p>With regard to fire safety, we have our own fire brigade and the Company is adequately fire-protected.</p> <p>In the area of accidents at work, we have a professional service organised to monitor compliance with health and safety rules and measures. We provide regular training and education for our employees. The Company is insured against liability for damages.</p>	Low

Risk name	General description at company level	Risk management	Risk level
Security	Negative impact on the Company's operations due to an industrial accident (fire, explosion, spillage, etc.)	<p>We conclude written agreements with external contractors and train them. We have engaged a permanent Health and Safety Coordinator. We have introduced work instructions for carrying out maintenance operations in terms of fire prevention, accident prevention and improving the cleanliness of the working environment.</p> <p>Since 2009, we have ISO 14001 environmental management systems and ISO 45001 health and safety management systems in place, certified and monitored by an accredited institution.</p>	Low
Old burdens	Removing old environmental burdens	<p>The Bukovžlak Non-hazardous Waste Disposal Site (ONOB) and the barrier bodies, with their specific materials, are old burdens. We have also created an environmental provision for them and are carrying out rehabilitation activities.</p> <p>Technical observation and monitoring is regularly carried out in the area of the high embankment barriers (Bukovžlak and Za Travnikom).</p> <p>Based on the results of the monitoring, systematic and long-term maintenance measures are implemented to ensure the stability of the barrier bodies.</p>	Low
Legislative compliance	Loss of production and increase in costs due to non-compliance with spatial planning acts	<p>We are in the process of confirming amendments to the building plan documentation for the red gypsum fill site at the Za Travnikom waste disposal facility.</p> <p>We have submitted an amendment petition to all three municipalities concerned. The terms and conditions for the signing of the contract between the municipalities are being coordinated.</p>	High
Legislative compliance	Imposition of penalties in the event of non-compliance with the requirements of the Soil Contamination Assessment	<p>We are implementing the measures set out in the findings of the Report on the Review of Technical Measures to Prevent Contamination of Soil and Groundwater. We need to ensure that catch basins, platforms, storage soils, drains, and transport routes are fully sealed to prevent contamination of soil and groundwater with the hazardous substances concerned.</p>	Low
Loss of reputation	Loss of reputation of the Company due to various factors (inadequate communication, negative environmental impacts, etc.)	<p>The Company has processes in place by department and designated individuals responsible for investor relations, environmental prevention, health and safety, marketing, product sustainability and recruitment.</p> <p>We collect and consider stakeholder feedback and address it in our enterprise risk management process. We behave in a socially responsible way. We are developing an ESG strategy.</p>	Low

## V. Human resources and organisational risks

Risk name	General description at company level	Risk management	Risk level
Competence and availability of staff	Loss of production and revenue due to incomplete succession policies and inadequate staff competences	<p>We have a recruitment system in place - each post has a job training programme and a mentor.</p> <p>As part of the 2023 performance targets, we are establishing a system to inventory all specific and generic skills in the Company for all business units/services, a renewed onboarding system for new hires, and a verification of existing skills for employees with a simultaneous revision of the competency model.</p> <p>Based on the revised competencies by job, employees will be trained in areas with competency gaps.</p> <p>The training plan includes a number of additional external training courses for employees in the areas of planning, lean production and IT.</p> <p>We ensure that the active status of existing approved engineers is maintained.</p> <p>We have inventoried the key positions in the Company, identified possible successors, defined the time until the necessary replacement and the additional competences required.</p> <p>For the most promising candidates, we run a leadership development programme, the Leadership Academy.</p>	Low
Competence and availability of staff	Loss of production and revenue due to staff shortages, untimely replacements and inadequate organisation of work	<p>We strive to identify staffing and recruitment needs in a timely manner, with the aim of ensuring an appropriate education, skills and age structure.</p> <p>We continuously implement organisational change and adapt agilely to new circumstances.</p> <p>In addition to traditional recruitment methods, we use innovative recruitment solutions via social networks to find new employees.</p> <p>We have staff scholarships available. We have deepened our cooperation with secondary schools. We provide students with compulsory internships and student work. We give students the opportunity to work on their bachelor's, master's and doctoral theses in the Company.</p>	Low
Legislative compliance	Imposing penalties on the Company and the persons responsible and compensation for breaches of labour law	<p>We regularly monitor changes in legislation and implement them in our system.</p> <p>We organise meetings with business units, keep each other informed and take action to correct any non-compliance.</p> <p>We maintain an open dialogue with our social partners.</p>	Low
Corruption, theft, fraud	Potential loss of credibility and damage to the business	<p>In making business decisions and in all actions on behalf of the Company, employees must consider the best interests of the Company before their own interests or those of third parties, subject to competing only fairly and honestly.</p> <p>We have a system in place to prevent corruption in procurement.</p> <p>The appropriate and expected conduct of employees is set out in the Code of Ethics and Conduct. A mechanism is in place to disclose or report misconduct.</p>	Low

## VI. SUPPORT PROCESS RISKS

Risk name	General description at company level	Risk management	Risk level
Digitalisation	Loss of production and competent workforce due to slow digitalisation of control and management processes	The implementation targets cover the implementation of a new maintenance information system and the introduction of a predictive maintenance system. We are continuously updating, upgrading and integrating existing IT systems.	Low
Security	Outage due to failure of the server system for the management system	We are continuously upgrading critical infrastructure.	Low

We also highlight and explain the following risks that the Company faces:

- **Risks of cyber attacks**

In response to the increased risk of cyber attacks, we have upgraded existing measures and put in place a number of new measures to ensure cyber security. We are focusing on raising awareness of information security among our employees (phishing test, dedicated training, etc.). In 2022, we adopted an internal document on Information Security, which includes the following key points to increase security:

- MFA – MFA On for all employees for access outside Cinkarna was implemented as part of Microsoft's MFA On for All Users campaign, which increases the security of systems based on Microsoft Cloud solutions;
- The upgrade of workstations to Windows 10 and Office 365 was completed in 2022, due to the delay caused by the COVID-19 pandemic;
- Check Point Harmony Endpoint Protection must be installed on all workstations. The measure is under implementation. In a phishing attack simulation we carried out in December 2021, the protection proved its proactivity and level of protection, as it did not let any malicious messages through from the start. In order to actually run the test on users, we had to temporarily disable the system with a security exception, which is a testament to its quality and reliability;
- We piloted CyberVision to monitor the performance of an industrial network. This gave us a more detailed insight and guidance for improvements in the area of network cybersecurity;
- We have implemented the Cisco ISE security mechanism, which will protect the internal network of Cinkarna Celje against intrusions by external actors by connecting unauthorised devices to our network.

In 2022, we did not record any hacking or attempted cyber attacks.

- **Russia's invasion of Ukraine**

Cinkarna Celje's exposure to the Ukrainian markets is insignificant as the Company has no sales to Ukraine. However, indirect exposure is not negligible, as Ukraine is an important supplier of ores to a number of titanium dioxide producers (Cinkarna Celje does not have any supplies from Ukraine). A war situation may temporarily prevent or even stop the supply of ores, forcing their customers to find an alternative supplier, which may trigger an increase in the price of titanium-bearing ores and increase the purchase price of Cinkarna Celje's main strategic raw material.

- **Risks related to energy sources**

Another important factor accounting for a significant share of Cinkarna Celje's costs is energy, which means that the Company is more exposed to energy prices. Developments on the Russian market could lead to an increase in the already increased prices of energy products or to the extreme of interrupting the supply of the energy product natural gas, which would seriously jeopardise the production and operations of Cinkarna Celje. In order to secure the supply of electricity and natural gas for the coming years, we have concluded forward contracts with energy suppliers for the bulk supply of energy products. The Company balances the purchases and sales of long-term forward products of banded electricity on the German (EEX) or Hungarian (Hudex) OTC market and the remaining balance of the purchases/sales difference (additional or excess quantities) of electricity on the daily market (BSP), which is accounted for each hour of the day. The Company dynamically adjusts its purchases/sales according to the expected electricity consumption during the year by buying/selling long-term forward products (annual, quarterly, monthly). The required electricity volumes are adjusted due to the active construction of its own solar power plants (PS2 connection), the rationalisation of electricity use and the saving of electricity consumption, which is also a policy of the European Commission and the Republic of Slovenia.





## **TiO<sub>2</sub> is an indispensable ingredient for various products**

*The titanium dioxide pigment is also carefully tested for use in plastics. Our customers can rely on first-class pigment quality.*

# INTEGRATED MANAGEMENT SYSTEM

An integral part of the management of Cinkarna Celje d.d. is an integrated management system covering the basic elements of management and operations for all the Company's activities, in accordance with the requirements of ISO 9001 – Quality Management System, ISO 14001 – Environmental Management System, ISO 45001 – Occupational Health and Safety Management System and, for the Mozirje site, the EMAS regulation. The compliance of the system's operation with the requirements of the standards is verified on an annual basis by the certification body SIQ (Slovenian Institute of Quality and Metrology). One non-compliance was identified and corrected in the year 2022. Recommendations for improvement were made and followed. In accordance with the requirements of the EMAS Directive, an environmental statement was drawn up for the business unit Kemija Mozirje.

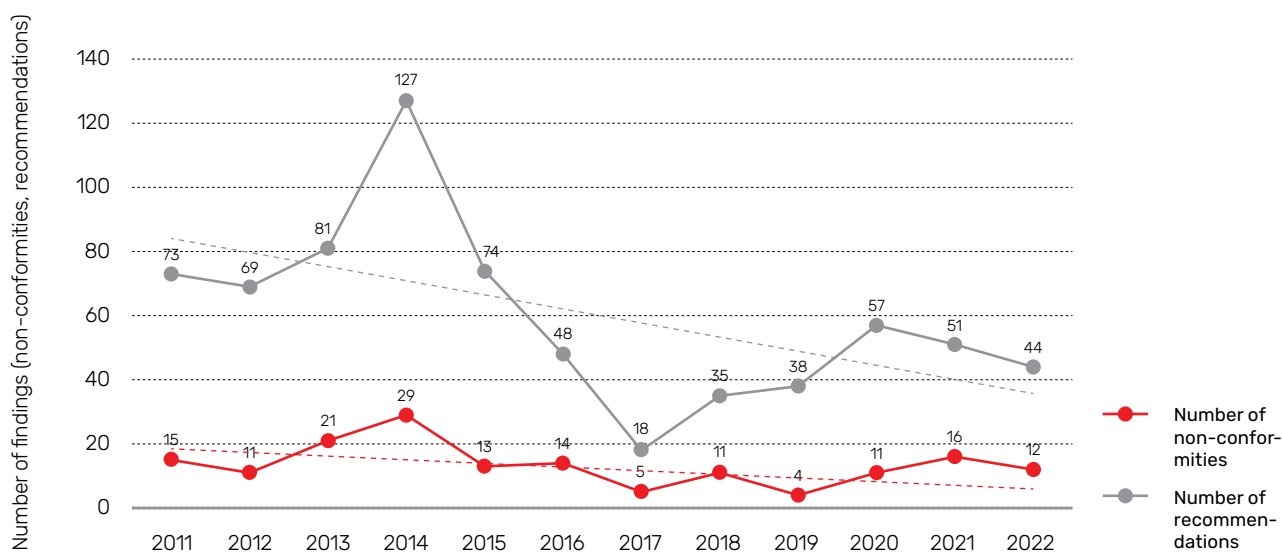
## INTERNAL AUDITS

According to the annual internal audit plan, eight audit areas were planned for 2022 (BU TiO<sub>2</sub>, BU Metalurgija, BU Kemija Mozirje, BU Vzdrževanje in energetika, BU Marketing – Sales, BU Marketing – Warehouse/Transport, Occupational Health and Safety, IT Department), as well as preliminary audits (covering 12 organisational units). 24 auditors participated in both internal and preliminary audits. The internal audits were carried out in the following areas. The internal audits checked compliance with the requirements of the standards and legislation, and in the case of Kemija Mozirje, with the EMAS Regulation. The auditors identified 12 non-conformities and made 44 recommendations, totalling 56 findings. The managers of the audited areas did not follow 12 recommendations. The overall proportion of recommendations not followed amounts to one fifth or 21% of the total findings. For each recommendation not followed, a detailed justification was provided by each business unit or organisational unit. The implementation rate of the actions reviewed was 16% by the end of 2022.

As part of a preliminary audit, the implementation of outstanding actions from the 2021 internal audits and the SIQ audit was reviewed, as well as the implementation of SIQ recommendations in 2022. By the end of 2022, 80 outstanding non-conformities/recommendations from previous audits had been reviewed. 45 non-conformities/recommendations have been implemented and 35 are under implementation. The implementation rate is 56%.

A review of outstanding actions (first time or repeated) was carried out in February 2023 and the annual audit report will be completed before the annual management review.

Chart: Internal audits in 2011-2022

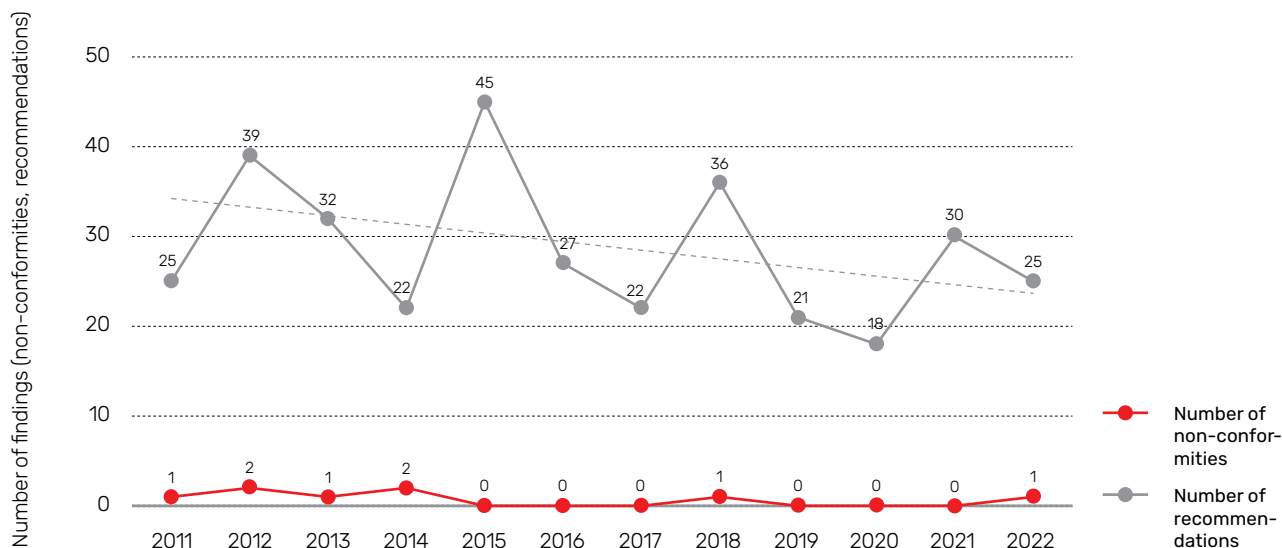


### EXTERNAL AUDITS

The Company is audited each financial year by an external auditor. Each year we review and submit a signed list of related parties in accordance with International Accounting Standard 24, a list of officers, directors and controlling shareholders on the audited side. The Company's Management Board responds annually to the management questionnaire and declares that it is not related to the external auditor or its partners, professional staff and individuals who would have a significant role in the accounting or financial reporting.

Members of the management and supervisory bodies are required by law to declare the absence of conflicts of interest, disclose potential conflicts of interest or, in the case of conflicts of interest, report them when taking up their duties.

Chart: Trend of non-conformities and recommendations in external audits in 2011-2022





The external audit of the integrated management system according to ISO 9001, ISO 14001, EMAS Regulation and ISO 45001 for 2022 was carried out at the end of May 2022. The auditors reported one non-conformity with the requirements of ISO 14001 and made 25 recommendations. The non-conformity was corrected within the agreed timeframe and 18 recommendations were implemented by the end of 2022, which is a 72% implementation rate.

## FINANCIAL AND LEGAL DUE DILIGENCE

We do not have a specific policy on financial and legal due diligence. In the case of financial and legal due diligence, the procedures are carried out in accordance with the needs of the Company and information is disclosed in accordance with positive legislation in the relevant areas.

## INFORMATION SECURITY

At Cinkarna Celje d.d., we are aware of the importance of information security, which is why in 2006 we prepared an information security policy containing the basic rules and principles to ensure the smooth and secure operation of our Company. The information security policy also established an information security team, which regularly works on the preparation of measures to mitigate information security risks. The tasks of the team, which is made up of members from different organisational units, are:

- validation of strategic guidelines for information security,
- validation of information security policy documents,
- assistance in the implementation of major information security projects,
- monitoring major changes in the exposure of information assets to security threats,
- monitoring and evaluating security effectiveness and performance.

Activities carried out by the information security team in recent years include:

- checking and responding to incidents on an ongoing basis,
- reporting of detected incidents,
- external review of the production information system,
- external review of the business information system with external and internal hacking attempts,
- implementation of actions and recommendations of external reviews,
- assistance in the implementation of major IT projects,
- preparation of appropriate rules for communication between different networks in the Company,
- updating the information security policy to ensure regulatory compliance,
- regular communication with management and reporting on identified risks,
- preparing a report for the annual management review,
- educating employees and raising awareness of the importance of information security,
- organising a targeted phishing attack to raise awareness and educate employees.

We regularly inform employees about information risks, including through leaflets, and ask them to forward suspicious messages or content to our dedicated e-mail address.





## Greening our environment

*We planted many trees and shrubs on the company's premises. Three colleagues from the organizational unit Maintenance and Energy take care of the surroundings, trees, shrubs, lawns and flowers.*



# SUSTAINABLE DEVELOPMENT

We recognise the importance and urgency of implementing the principles of sustainable development, which we see as a commitment and fundamental responsibility towards society and the environment, while pursuing diligent corporate responsibility and strengthening economic performance. We are also driven to do so by the increasing demands of our owners, customers and legislation. In 2022, we have therefore taken a strategic and holistic approach to sustainability. In our forthcoming five-year strategy, which we will prepare in 2023, we will place even more emphasis on the areas of environment, society and governance (ESG) and will also refine our sustainability targets.

The highest decision-making bodies, such as the Management Board and the Supervisory Board, are also involved in sustainability activities, ensuring that the area receives strategic attention and is included in operational and decision-making processes. A Sustainability Team was established at the beginning of the third quarter of 2022 to act as a consultative body and lead the sustainability reporting project. A tripartite sustainability governance structure has been put in place:

- The Sustainability Team leads the sustainability reporting project and advises the Management Board;
- The Management Board takes a position on sustainability initiatives and adopts a sustainability report, which is also presented to the Supervisory Board;
- The Supervisory Board monitors the implementation of ESG factors and discusses this topic at its meetings.

As part of our sustainability performance, we recognise the impacts we have both in relation to our key stakeholders and in relation to the natural environment in which we operate. We continuously strive for improvements in all areas of our operations, seeking innovative solutions that we implement in our operating model to achieve a balance between economic performance, energy efficiency, environmental protection and social responsibility.

We have already implemented sustainability indicators to some extent in relation to our suppliers, and we will further develop this area in the future in order to manage our supply chain and enable our customers to achieve their sustainability goals, while at the same time encouraging our suppliers to become more sustainable.

## ABOUT THE SUSTAINABILITY REPORT

In the face of increasing climate change and our competitiveness in the global market, we are developing a plan for a comprehensive sustainable transformation. We recognise that only through a strategic approach will we be able to manage and implement it effectively, and we have therefore taken the approach of preparing a sustainability report, which is included in our regular annual report, and a sustainability strategy. Accordingly, we have also prepared a sustainability report, where we present our approach to sustainable management, our relationship with our employees and the wider social environment, and our management of environmental issues in the context

of our annual report. We report in line with GRI standards. We are committed to transparency in disclosing information, ensuring the credibility of data and pursuing clarity in reporting.

The reporting includes a materiality matrix, which we have established for the first time. To this end, we held an internal team workshop to identify our important sustainability themes and conducted an e-survey among key stakeholders. The matrix shows the attitudes of internal and external stakeholders towards significant environmental, social and economic issues, by ESG area. We also report in line with the European Taxonomy Regulation, where we disclose information on how and to what extent our activities are linked to economic activities that are considered environmentally sustainable. We report on the first two environmental objectives, which relate to climate change mitigation and adaptation.

To prepare the sustainability report and to manage the Company in a sustainable way, we have set up a team of employees from different areas to carry out all the necessary activities in the area of sustainability. We have also engaged an external consultancy firm to assist in the preparation of the documents, and to train the management team and employees in key positions. This has included a number of training sessions on the role of sustainable development and the legislative framework in this area, presentations on the GRI standards and approach to sustainability reporting, the materiality matrix and taxonomy regulation compliant reporting. The workshops also included the identification of the persons responsible for reporting in each area. Bernarda Podgoršek Kovač, Head of the Environmental Protection Department, is responsible for the implementation of the project.

## AREAS OF PRIORITY SUSTAINABILITY ACTIVITIES OF CINKARNA CELJE IN RELATION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS BY 2030

United Nations Sustainability Goals	Areas, activities	Objectives
<b>Eradicating hunger</b> 	<ul style="list-style-type: none"> <li>• Manufacture of agro products for chemical plant protection, also suitable for organic farming</li> <li>• Once a year food collection for the SIBAHE food bank for distribution to people in need</li> </ul>	<ul style="list-style-type: none"> <li>• Increase organic production through the production of organic plant protection products</li> <li>• Contribute to reducing the proportion of socially disadvantaged people in the local environment</li> </ul>
<b>Health and well-being</b> 	<ul style="list-style-type: none"> <li>• ISO 45001 – Occupational Health and Safety Management System introduced</li> <li>• Caring for employees' health and implementing occupational health and safety measures</li> <li>• Implementing the Minute for Safety among production employees</li> <li>• Implementing a workplace risk assessment system</li> <li>• Activities to identify, record and eliminate potential hazards and near misses in the work environment</li> <li>• "CC um" app for employee suggestions on health and safety at work</li> <li>• Getting a Responsible Care Programme certificate</li> <li>• Annual development of an employee health promotion programme</li> <li>• Funding or co-funding sports activities for employees outside working hours</li> <li>• Soil environmental analysis to protect the local environment</li> <li>• Supporting socially responsible actions and sponsorship of sports activities in the local environment</li> </ul>	<ul style="list-style-type: none"> <li>• Zero injuries at work</li> <li>• Provide the healthiest and safest possible environment for employees and all external visitors</li> <li>• Minimise employees' exposure to hazardous working conditions</li> <li>• Encourage employees to lead healthy lifestyles and exercise</li> <li>• Eliminate or reduce potential risks to the health of the local population as a result of Cinkarna's operations to a minimum or below acceptable limits</li> <li>• Promote health and exercise among young people and older people in the local area</li> </ul>
<b>High-quality education</b> 	<ul style="list-style-type: none"> <li>• Conducting regular training courses for staff in various areas of expertise</li> <li>• Running a mentoring programme for new employees</li> <li>• Scholarship opportunities for technical students</li> <li>• Opening up compulsory traineeships for students</li> <li>• Organising competitions for young people in the local environment on the role of chemistry for sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain and improve employees' skills and competences to work safely</li> <li>• Develop staff competences to manage processes and develop new products</li> <li>• Facilitate effective knowledge transfer between employees</li> <li>• Develop young people's interest in chemistry skills and careers and open up opportunities for their career development</li> <li>• ☑ Raise awareness among young people in the regional environment on the importance of chemistry in various fields for sustainable development</li> </ul>

## Gender equality



- Diversity Policy adopted
- Ensuring equal pay, not according to gender, but according to position
- Ensure equal opportunities for employment and promotion regardless of gender
- Prevent and eliminate discrimination in the Company

## Clean water and sanitation



- Regular monitoring of wastewater, surface water and groundwater
- Implementation of the projects Integrated Water Management and Alternative Source of Process Water Supply from the Tremerje Sewage Treatment Plant
- Eliminate or minimise the risks of pollution of local watercourses from which water is extracted for production processes
- Conserve local water resources and their habitats and maintain the favourable status of watercourses
- Reduce water extraction from watercourses and increase internal water recycling

## Affordable and clean energy



- Energy management systems
- Implementing targeted energy monitoring
- Implementing energy efficiency and renewable energy measures and investments
- Installing solar power plants on the roof of production facilities
- Optimise energy use in the Company
- Increase the share of energy generated from own renewable sources
- Lowering energy costs and increasing business competitiveness
- Reduce CO<sub>2</sub> emissions from our activities

## Decent work and economic growth



- Employment of people with disabilities
- Code of Ethics and Conduct adopted
- Coordinating the collective agreement with the Company's two representative trade unions
- A funding plan for supplementary pension insurance for all employees adopted
- Rules on the prohibition of sexual and other harassment and ill-treatment in the workplace adopted
- Enable decent work also for people who have any health limitations due to the long-term nature of their work
- Develop an excellent culture of professional and ethical behaviour among employees in all aspects of our business
- Create an effective dialogue with employee representatives on employee rights
- Enable employees to live with dignity after retirement
- Ensure a safe and decent working environment for all employees and prevent any sexual or other harassment and ill-treatment in the workplace

## Industry, innovation and infrastructure



- Development of new products with improved properties in the field of TiO<sub>2</sub> pigments, powder varnishes, masterbatches, etc.
- Fostering innovation among employees by creating an environment for suggestions (CC um)
- Provide high-quality products with high added value
- Contribute to the competitiveness of the European economy in TiO<sub>2</sub> and the value chain
- Ensure environmentally sound products
- Get as many useful suggestions as possible from employees on how to improve internal processes
- Build partnerships and open new links for cross-industry networking
- Raise awareness of the importance of sustainable development and to promote a culture of responsible behaviour to bring about the necessary changes



### Sustainable towns and communities



- Production of TiO<sub>2</sub> as an important building block for green technologies and sustainable construction
- Contribute to the sustainable transformation of society and the low carbon transition (as an enabling activity)

### Responsible consumption and production



- Investments in new product development, best available technologies and environmental process improvements
- Reuse of materials in production processes
- Manufacture of CEGIPS and RCGIPS by-products
- Optimise the use of materials in the value chain
- Reduce waste in the value chain
- Reduce environmental impacts from production processes
- Increase the reuse of waste materials in the Company

### Climate measures








- ISO 9001 – Quality Management System and ISO 14001 – Environmental Management System implemented
- EMAS implemented for the Mozirje site
- Company carbon footprint calculation
- LCA calculation of the TiO<sub>2</sub> carrier product at TDMA level
- Monitoring emissions to air
- Monitoring ambient air quality
- Manage and reduce our own climate and value chain impacts through a standardised approach
- Measure, monitor and reduce the carbon footprint of the Company and individual products
- Control emissions from our activities
- Monitor the impact on air quality




### Life on land



- Implementing pollution prevention measures and controlling our own impact on the environment through regular monitoring
- Introducing technological change with minimum impact on the natural environment
- Participation in the Nature 2000 LIFE project for the revitalisation of an old riverbed
- Contribute to improving the management of Natura 2000 sites in Slovenia
- Contribute to improving the status of species and habitats in the Volčkeke Natura 2000 site

## OBJECTIVE IN THE FIELD OF SUSTAINABLE DEVELOPMENT IN 2022

Objective	State
Build a power plant to generate at least 2 additional MW of electricity from a renewable source, i.e. the sun.	
Reduce the specific water consumption of our main product – titanium dioxide. By 5% in the plan year.	
Pursue the goal of re-use. With refurbished equipment and recycled wastewater. The latter is a medium-term objective that requires in-depth development work beforehand.	
Calculate the carbon footprint of all our main products and systematically reduce it in the coming years through analysis and consequent action.	 Calculated carbon footprint of the Company and of titanium dioxide, our main product
Reduce energy consumption by recovering waste heat. We will implement several improvements indicated by the 2021 energy audit. We will make a mathematical model for the mass and heat balance of our main production process. We will then use it to round off our waste heat recovery in a more optimal way.	

 Achieved     
  In progress     
  Not achieved

## THE CHEMICAL INDUSTRY – A KEY SECTOR FOR THE GREEN TRANSITION

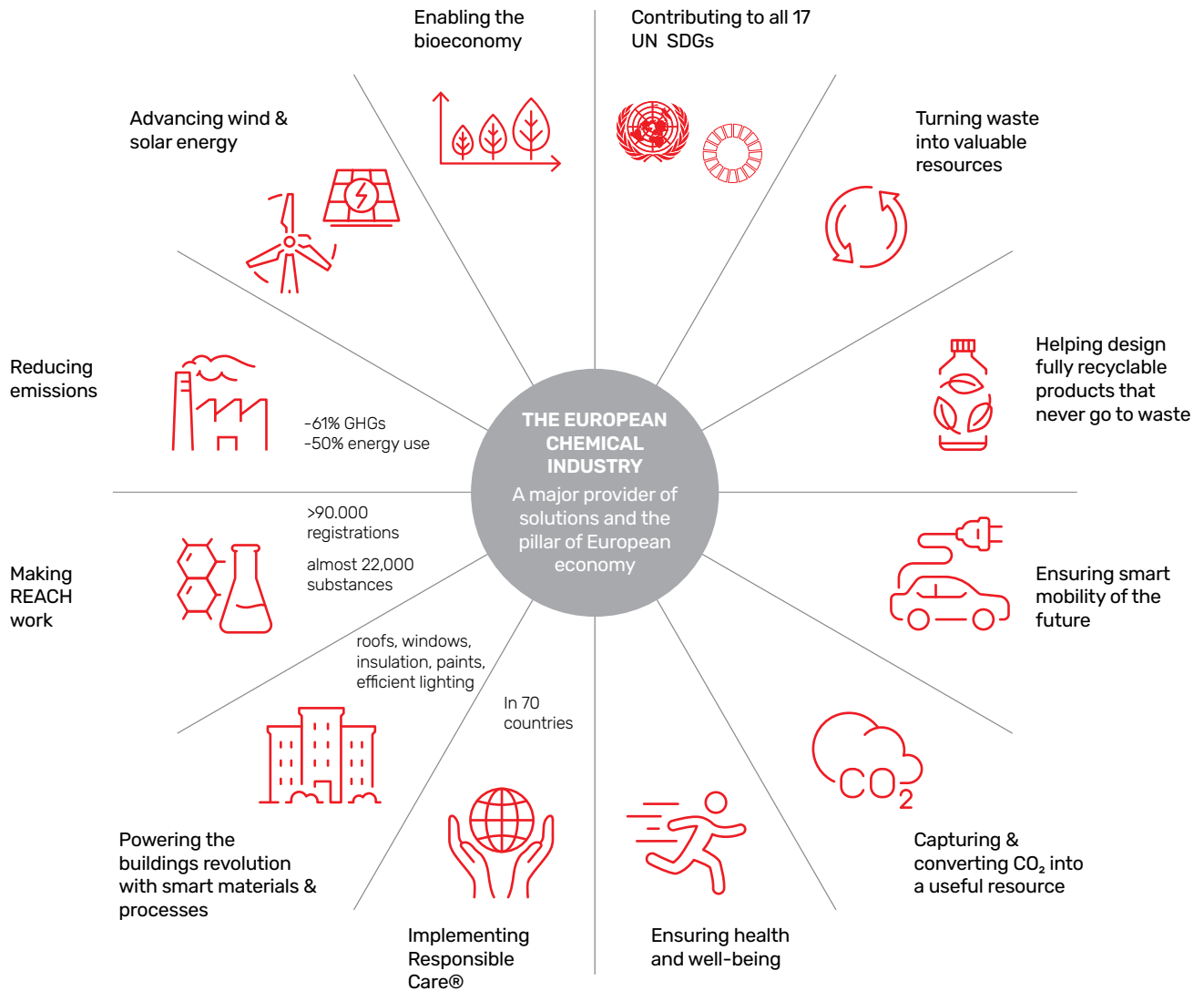
Cinkarna Celje d.d. is part of the chemical industry, which is a vital building block of the global economy. The chemical industry is the leading manufacturing sector in the EU, accounting for around 16% of the total value added of all manufacturing activities. It is one of the key industries in the green and circular transformation of European industry, economies and society, especially in the development of green technologies and in ensuring a secure future. It is part of many value chains through its materials, products and solutions. It develops solutions and products for applications in transport, building insulation, coatings, packaging, material recycling and many other areas where its solutions contribute to climate neutrality. It also plays an important role in ensuring health and safety in the fields of health and agriculture.

The added value of the chemical industry is reflected in European policy documents and strategies, in particular in the implementation of the European Green Deal, with the objective of making Europe climate neutral by 2050. To contribute to the green transformation of society, it must also transform itself to be green, digital and sustainable. Over the last few decades, the chemical industry has improved its processes in terms of environmental and human health impacts, including through voluntary initiatives that go beyond standard levels and regulatory requirements, such as the international Responsible Care Programme. Cinkarna Celje d.d. is also part of this programme.

The Slovenian chemical industry operates on a global market, generating around 25% of the added value of Slovenian industry and is the leading manufacturing activity in Slovenia. It generates the highest average value added per employee, and employees in the chemical industry account for 17% of employees in all manufacturing activities in Slovenia. Abroad, the Slovenian chemical industry generates 81% of the value of sales, mostly in Europe, and accounts for 22% of the value of Slovenian exports. This shows that the Slovenian chemical industry is competitive in the international environment and is recognised for its expertise and reliability.<sup>[9]</sup>

The chemical industry is an indispensable part of the European and global economy, as suppliers of raw materials are involved in many key value chains.

**Figure: Raw materials and products from the chemical industry are present in many value chains and play an important role in the path towards climate neutrality (Source: Chamber of Commerce and Industry - Association of the Chemical Industry).<sup>[10]</sup>**



[9] Source: Chamber of Commerce and Industry - Association of the Chemical Industry, available at <https://kemijska-politika.gzs.si/vsebina/Kemijska-industrija>

[10] Source: Chamber of Commerce and Industry - Association of the Chemical Industry, available at <https://www.gzs.si/Portals/306/How%20Can%20Europe.sl.pdf>



## The use of $TiO_2$ pigment in paints and coatings extends the life of products

*Colors with a high content of  $TiO_2$  pigment should have a higher opacity, which is why they provide exceptional coverage. At the same time, due to the  $TiO_2$  content, they are also more durable.*



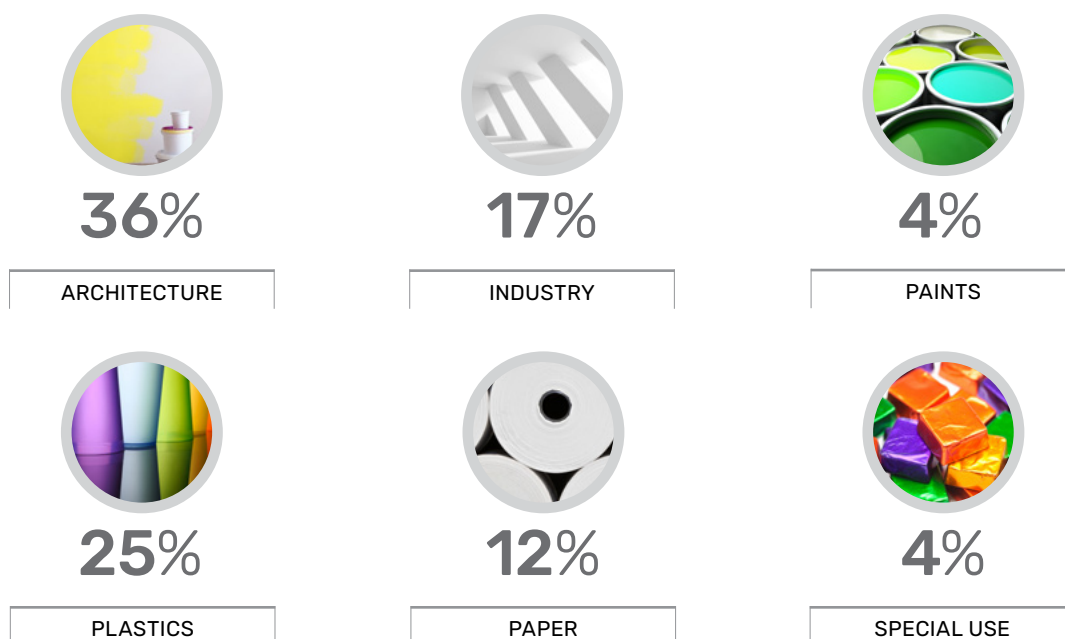
## SUSTAINABILITY CHALLENGES AND OPPORTUNITIES FOR THE TITANIUM DIOXIDE INDUSTRY

The EU Sustainable Chemicals Strategy is the leading initiative of the European Green Deal. It is a comprehensive plan to boost innovation in chemicals and the competitiveness of the EU chemical industry, while ensuring that chemicals are fit for the circular economy. The Titanium Dioxide Manufacturers Association, of which Cinkarna Celje d.d. is a part, is actively involved in contributing to the implementation of the European Green Deal.

The EU accounts for 20% of global titanium dioxide production - an estimated market value of €3 billion. Of this, around 68% is sold in the European Economic Area.

We are affiliated to the Titanium Dioxide Manufacturers Association (TDMA), which together underlines our commitment to ensuring that our products are manufactured and used in a sustainable way. This is very important as titanium dioxide is used in many different industries due to its unique properties. It is mainly used in everyday products such as paints, plastics, paper and inks. This wide use makes the question of its overall impact, particularly on health and the environment, an important issue.

Figure: Percentage of titanium dioxide use in different industries



### GREENER PRODUCTION OF CHEMICALS

Chemicals are essential to the way we want to live and are also the building blocks of our sustainable future, which is why the Sustainable Chemicals Strategy aims to implement greener production processes. The European chemical industry is investing in the decarbonisation of its industrial processes in close cooperation with the value chain. The industry is a driving force for achieving the European Green Deal. Titanium dioxide plays an important role in this effort.  $\text{TiO}_2$  is an essential chemical as it is a key ingredient in thousands of products we see and use every day. The  $\text{TiO}_2$  industry is reducing its carbon footprint

## RESPONSIBLE CARE

As members of the European Chemical Industry Council (CEFIC), we strive to respect and promote the Responsible Care® codes. Responsible Care is a global chemical industry initiative that commits companies, national chemical industry associations and their partners to continuously improve the environmental, health, safety and security knowledge and performance of their own technologies, processes and products. It commits to resource efficiency, responsible handling of chemicals and honest reporting.

## ECOLOGICAL FOOTPRINT OF TiO<sub>2</sub> PRODUCTS

As members of the Titanium Dioxide Manufacturers Association (TDMA), we support the life cycle assessment, a rigorous scientific method for assessing the environmental impact of a product throughout its entire life cycle – from the processes used in its production to the end of its useful life. In 2022, we refreshed the data within the association, which will be publicly available in 2023.

We have developed an accounting and reporting method to show the carbon footprint of titanium dioxide products. The Life Cycle Inventory (LCI) data generated by this method has been verified by an independent third party and is freely available in the European Life Cycle Database. TDMA also works in synergy with the European Council of the Paint, Printing Ink, and Artist's Colours Industry (CEPE) to ensure consistency between the methodology and the data in the relevant LCI databases. We also encourage our stakeholders to use our LCI data to help assess the carbon footprint of their own TiO<sub>2</sub> applications. LCI data is freely available by sending an email to [tdma@cefic.be](mailto:tdma@cefic.be).



## ENVIRONMENTAL FOOTPRINT OF PAINTS AND COATINGS CONTAINING TiO<sub>2</sub>

Paints and coatings are the main applications of TiO<sub>2</sub>. The European Council of the Paint, Printing Ink, and Artist's Colours Industry (CEPE) has commissioned an environmental product footprint of decorative paints used for coating interior walls and ceilings, exterior walls, and interior and exterior cladding, and an environmental product footprint over the lifetime of buildings. The results showed that high-quality paints formulated with a high TiO<sub>2</sub> pigment content have the lowest PEF compared to low-quality paints formulated with low TiO<sub>2</sub> and high filler content.

Colours formulated with a high TiO<sub>2</sub> pigment content have the highest opacity. This means that fewer coats of paint are needed to achieve the same coverage. The use of TiO<sub>2</sub> pigments in paints also helps to increase their durability, which in turn helps to extend their life.

The use of highly opaque and highly durable paints to decorate the product reduces the need for recoating over the product's lifetime, helping to reduce its overall environmental footprint.

## REACH REGULATION

Titanium dioxide is registered under REACH, the EU-wide regulation to protect people and the environment from the possible risks posed by chemicals.

## HEALTH SAFETY OF TITANIUM DIOXIDE

Strong scientific evidence shows that titanium dioxide is safe. Cinkarna Celje d.d. has been involved in industry-led research for decades and has monitored independent studies that have found no evidence of a potential cancer risk to humans from titanium dioxide. Current scientific evidence shows that the use of products containing titanium dioxide is safe.

Recently, there have been debates about whether it can be harmful to humans or even cause cancer. Following a proposal by the French Agency for Food, Environment and Health (ANSES) in 2016, the European Chemicals Agency's (ECHA) Risk Assessment Committee (RAC) concluded in 2017 that TiO<sub>2</sub> meets the criteria for classification as a suspected cancer-causing substance (category 2) if inhaled. In 2020, the EU classified titanium dioxide in powder form as a suspected

carcinogen by inhalation under the EU's Classification and Labelling Regulation (CLP). In the classification, the EU authorities highlighted that the suspected hazard could occur if the powder is inhaled in extremely high concentrations over a long period of time.

The classification is based on one inhalation study in rats conducted under overload conditions. TDMA (Titanium Dioxide Manufactures Associations) considers that this study is not an acceptable scientific basis for classification. A thorough assessment of the weight of the evidence confirms that TiO<sub>2</sub> does not cause cancer and does not have the intrinsic property to cause cancer. In addition, the RAC opinion ignores data for over 24,000 workers demonstrating that there is no association between cancer in humans and exposure to titanium dioxide. The RAC also concluded that the alleged hazard described for TiO<sub>2</sub> is not specific to the substance, but is common to all powders known as poorly soluble low toxic substances.

The titanium dioxide producers therefore took the European Commission to the European Court of Justice, which in November 2022 confirmed that the classification was unreasonable and annulled it. The annulled judgment means that titanium dioxide is not hazardous by inhalation and the classification obligations no longer apply.

The Regulation applied to titanium dioxide in the form of dust which, when inhaled, contains 1% or more of particles with an aerodynamic diameter equal to or less than 10 microns. None of the products of Cinkarna Celje met this criterion and consequently did not fall under the labelling obligation.

The main reasons for repealing the Regulation were therefore:

- that the requirement that the classification of a carcinogen must be based on reliable and acceptable studies has not been met in the present case,
- that the classification and labelling at issue violated the criterion that only a substance that has the intrinsic property (a property that a substance has in itself) of causing cancer can be classified as a carcinogen.

Although there is no direct evidence of harm from titanium dioxide as a food additive E 171, the EFSA (European Food Safety Authority) banned the use of this additive in June 2022. The decision was mainly based on a precautionary measure and on the classification of titanium dioxide under the CLP Regulation (Classification, Labelling and Packaging of Substances and Mixtures thereof), which, as already mentioned, was repealed at the end of 2022.

## **SUSTAINABLE USE**

Titanium dioxide can also bring wide-ranging environmental and consequent health benefits. These benefits can include:

- Energy efficiency in reflective coatings and "cool roofs";
- Cheaper renewable energy with efficient colour-sensitive solar cells;
- Resource efficiency with durable building materials;
- Waste reduction with lightweight packaging films;
- TiO<sub>2</sub> is also being used to tackle one of the planet's most pressing environmental problems – air pollution, which is thought to cause more than 450,000 premature deaths every year in Europe alone. The special titanium dioxide particles used in coatings can be activated by light to neutralise air pollutants.

## TITANIUM DIOXIDE AS A CATALYST FOR THE TRANSITION TO A GREEN ECONOMY



### Titanium dioxide helps create transparent solar cells

The climate transition requires green energy solutions. A new study has opened the way to the affordable production of the first transparent solar cells by combining the unique properties of titanium dioxide (TiO<sub>2</sub>) and nickel oxide (NiO). Thanks to their transparent nature, such solar cells can be integrated into windows, vehicles, mobile phone screens and other everyday products.

Professor Joondong Kim and his colleagues from Incheon National University in South Korea published their findings in the *Journal of Power Sources* in January 2021. The team pointed out that TiO<sub>2</sub> is an ideal semiconductor in solar cells because it absorbs ultraviolet light invisible to us while still transmitting visible light. It is also environmentally friendly. The study could lead to a wave of innovation in the field of photovoltaic cells. Current solar panels tend to be opaque.



### Titanium dioxide drives innovation in green hydrogen technology

Researchers have discovered a new method for producing green hydrogen, made possible by TiO<sub>2</sub>. The traditional method of producing hydrogen for fuel is based on electrolysis, which splits water molecules into oxygen and hydrogen. However, industrial electrolyzers are energy intensive and require large investments.

To replace this method, Canadian and French researchers have used a natural mechanism known as photocatalysis. In a joint study, the team developed specially designed and structured electrodes that use sunlight to split water molecules into oxygen and hydrogen. TiO<sub>2</sub> was key to the development of this scientific advance. TiO<sub>2</sub> is a semiconductor known for being photosensitive to UV light, but this accounts for only 5% of solar irradiation.

The research team has been working on the atomic composition of TiO<sub>2</sub> to extend its photosensitivity to visible light, which could enable the production of electrodes that can absorb up to 50% of sunlight. This could make the production of green hydrogen without electrolysis much more efficient. Green hydrogen is often referred to as the fuel of the future. It is the building block to unlock the decarbonisation of industry and heavy vehicles needed to meet ambitious climate targets. This new technology can help to increase the role of green hydrogen in the energy mix of the future.



### Titanium dioxide benefits the circular economy

The success of the EU's circular economy agenda depends on components such as titanium dioxide, which improves the resource efficiency of many products and services. With its Circular Economy Action Plan, the European Commission aims to lead the EU towards a much more sustainable future, where resources used for production are minimised, materials are preserved for as long as possible in the economy, and waste is minimised.

Titanium dioxide (TiO<sub>2</sub>) makes a major contribution to this, as its properties improve our products in many ways:

- **Efficiency:** high standards of gloss, colour strength and opacity can be achieved with fewer resources by using TiO<sub>2</sub>. For example, without TiO<sub>2</sub> in the paint formulation, higher quantities of paint would be needed to achieve the same level of opacity;
- **Resistance and protection:** resistance to heat, light and weathering helps extend the life of products. TiO<sub>2</sub> achieves a high level of performance in these areas by scattering visible and near-infrared light and absorbing UV radiation, resulting in key protective properties. This makes products last longer and, over time, generates less waste. The use of TiO<sub>2</sub> in everyday products increases their durability to the benefit of the environment and the economy.



## MEMBERSHIP IN ASSOCIATIONS

We are aware of the importance of partnerships in order to achieve sustainable goals and to act together in the market, and we are members of several associations, namely CEFIC (European Chemical Industry Association), ESA (European Sulphuric Acid Association), TDMA (Titanium Dioxide Manufacturer Association), the European Union Copper Task Force and the Green Network of Slovenia.

In the Association of the Chemical Industry (Chamber of Commerce and Industry of Slovenia), Marko Cvetko, Head of General Human Resources Department and member of the Management Board, is also a member of the Management Board of the Chemistry Section of the Association of Employers of Slovenia. In the Celje Regional Chamber of Commerce, Aleš Skok, President of the Management Board, is a member of the Management Board. Miran Špegel, Assistant General Director, is a member of the Management Board of the Association of Metallic Materials and Non-metals of the Chamber of Commerce and Industry.

We are members of the Slovenian Accreditation Council, and the representative of the conformity assessment bodies is Lorna Fajšman.

We are committed to responsible, safe and sustainable TiO<sub>2</sub> production through the TDMA/Titanium Dioxide Manufacturers Association.



[www.tdma.info](http://www.tdma.info)

## STAKEHOLDER RELATIONS

We cannot operate successfully without good and cooperative relationships with our key stakeholders. We strive to create honest and long-term relationships at all levels of our business. In doing so, we follow our Code of Ethics and Conduct and respect human rights. We communicate regularly with our stakeholders and involve them in our business processes where appropriate. Stakeholders are also our source of feedback, so we take all their responses and any complaints with care and address the content appropriately. We build relationships on constructive dialogue.

## STAKEHOLDER INVOLVEMENT

Our activities have an impact on a wide range of stakeholders, the most important of which are our owners and supervisors, employees, suppliers, customers, the local community and other interested publics. We communicate with our stakeholders through a variety of communication tools, with the aim of transparency in the Company's operations and stakeholder engagement in the local and global environment.

All activities are communicated to external stakeholders in accordance with an annual communication plan approved by the Company's Management Board. This includes communication tools and channels such as press conferences, press releases, news releases, publications on the website and social media, company speeches or articles in the annual reports of sponsorship/donation recipients. We also inform the public about specific events by e-mail, invitations, and regularly inform the Municipality of Celje, city councillors and representatives of the city districts or invite the interested (local) public to a public presentation.

Table: Overview of communication with stakeholders

Stakeholders	Communication objectives	Communication channels	Communication frequency
Owners and supervisors	<ul style="list-style-type: none"> <li>• Effective governance and strategic decision-making</li> <li>• Notification of changes</li> <li>• Monitoring, implementing and improving activities</li> <li>• Identifying and managing risks and opportunities</li> </ul>	Annual management review	1 time per year
		Wider Management Board College of Experts	4 times per year
		Meeting of internal auditors of integrated management systems	2 times per year
		Meeting with external auditors of integrated management systems	1 time per year
		Meeting of project management teams	The frequency of meetings is set out separately for each project in the project definition
		Internal audit reports	For each area audited, according to the annual plan
		Minutes of business units and departments	Weekly or monthly
		Quarterly and annual report	Quarterly and annually
Employees	<ul style="list-style-type: none"> <li>• Strengthening company loyalty and creating good team relations</li> <li>• Building relationships between employees and managers</li> <li>• Creating a good working climate</li> <li>• Employee involvement in work process improvements</li> <li>• Building employee competences</li> <li>• Professional and personal growth and staff development</li> <li>• Informing employees about new developments and changes in the company, in their field of work, etc.</li> <li>• Caring for the health of our employees</li> </ul>	Internal newsletter Cinkarnar	2 times per year
		Annual interviews	1 time per year
		Regular training courses	Several times per year
		Picnic	1 time per year
		Electronic notifications	Regularly
		CC um	Regularly
		Social networks	Several times per week
		Regular health checks	Depending on the risk assessment for the workplace
		Open door to the Works Director's office	Designated office hours
Suppliers	<ul style="list-style-type: none"> <li>• Supplier compliance check</li> <li>• Notification of changes and news concerning our suppliers</li> <li>• Coordinating purchasing arrangements, resolving challenges, etc.</li> </ul>	Supplier evaluation questionnaires	1 time per year
		Electronic notifications	Regularly
		Phone calls	Regularly
		Supplier assessments	Occasionally according to needs

Stakeholders	Communication objectives	Communication channels	Communication frequency
Customers	<ul style="list-style-type: none"> <li>• Creating long-term relationships</li> <li>• Awareness of new product developments</li> <li>• Authentic information about our products</li> </ul>	Satisfaction survey	1 time every two years
		Electronic notifications	Regularly
		Phone and video calls	Regularly
		Personal meetings	Several times per year
		Labelling of products	Regularly
Local community (municipalities, municipal communities)	<ul style="list-style-type: none"> <li>• Building relationships and cooperation with the local community</li> <li>• Communicating how processes work, monitoring environmental impacts, changes affecting local populations</li> <li>• Supporting activities in local communities</li> <li>• Local community development</li> </ul>	Company website	Regularly
		Social networks	Several times per week
		Press conferences	Several times per year
		Open Door Day	Occasionally
		Press releases	Several times per year
		Electronic notifications	Occasionally
Specialised public (professional associations, institutions, schools, institutes, financial institutions, etc.)	<ul style="list-style-type: none"> <li>• Involving the professional public in research and development activities</li> <li>• Raising awareness of company processes, products and environmental impacts</li> <li>• Participation in events</li> <li>• Professional skills development</li> </ul>	Company website	Regularly
		Social networks	Several times per week
		Competitions for schools	1 time per year
		Press releases	Occasionally
		Electronic notifications	Occasionally
		Professional events	Occasionally
		Quarterly and annual report	Quarterly and annually
		Investment events of the Ljubljana Stock Exchange	2 times per year

## MATERIALITY MATRIX

In the context of responsible impact management, identifying the important content and interests of all key stakeholder groups is central. Relevant topics are those that directly or indirectly affect a company's ability to create, maintain or reduce environmental, social and economic value for itself, its stakeholders and society at large. The importance of these topics or themes for Cinkarna Celje d.d. and its stakeholder groups is shown in the materiality matrix. The creation of the materiality matrix is part of the sustainability management and reporting of Cinkarna Celje d.d. and reflects the assessment by internal and external stakeholders of material, environmental, social and economic issues in relation to the Environment, Society and Governance (ESG) domains and their insight into their real significance.

Through the materiality assessment, we identify and rank areas where the greatest sustainability impact and value can be achieved, identify the greatest opportunities and risks from the perspective of different stakeholders, manage stakeholder relationships and sustainability materiality areas based on these identifications, and improve our services, products, end-use and disposal over the long term.

We are revealing the materiality matrix for the first time. The process leading up to the materiality assessment followed the following steps: identification of relevant sustainability themes across the Environment, Society and Governance (ESG) domains, survey of key stakeholders (e-questionnaire method), analysis and development of the materiality matrix.

We have identified six main stakeholder groups: owners, supervisors (Cinkarna Celje d.d.), employees, suppliers, customers, the local community (municipalities, municipal communities) and the specialised public (professional associations, institutions, institutes, financial institutions, etc.). A total of 362 respondents answered the electronic questionnaire between 20 October 2022 and 18 November 2022. Stakeholders from Slovenia and abroad participated in the survey. In order to create a materiality matrix, stakeholders were grouped into two groups when analysing the responses. One group included owners and supervisors (important for Cinkarna Celje d.d.) and the other group included employees, suppliers, customers, the local community and other publics (important for stakeholders). The questionnaire covered all three strands of sustainability management, namely the natural environment (13 indicators), the social environment (19 indicators) and corporate governance (20 indicators).

The indicator with the highest scores in all categories is financial stability and long-term growth, which Cinkarna Celje rates as 92% important, while stakeholders rate it as 80% important. For stakeholders, quality is the top priority (83%), with Cinkarna placing it a high second (84%). Both agree that ethics and compliance, commitment to sustainable development and a high level of safety are other priority categories. For Cinkarna Celje, customer focus is of high importance (80%), while for stakeholders it is of lower importance (70%). Stakeholders, on the other hand, place higher importance on preventing corruption and bribery (73%) than Cinkarna Celje (62%), which does not rate this area as high risk.

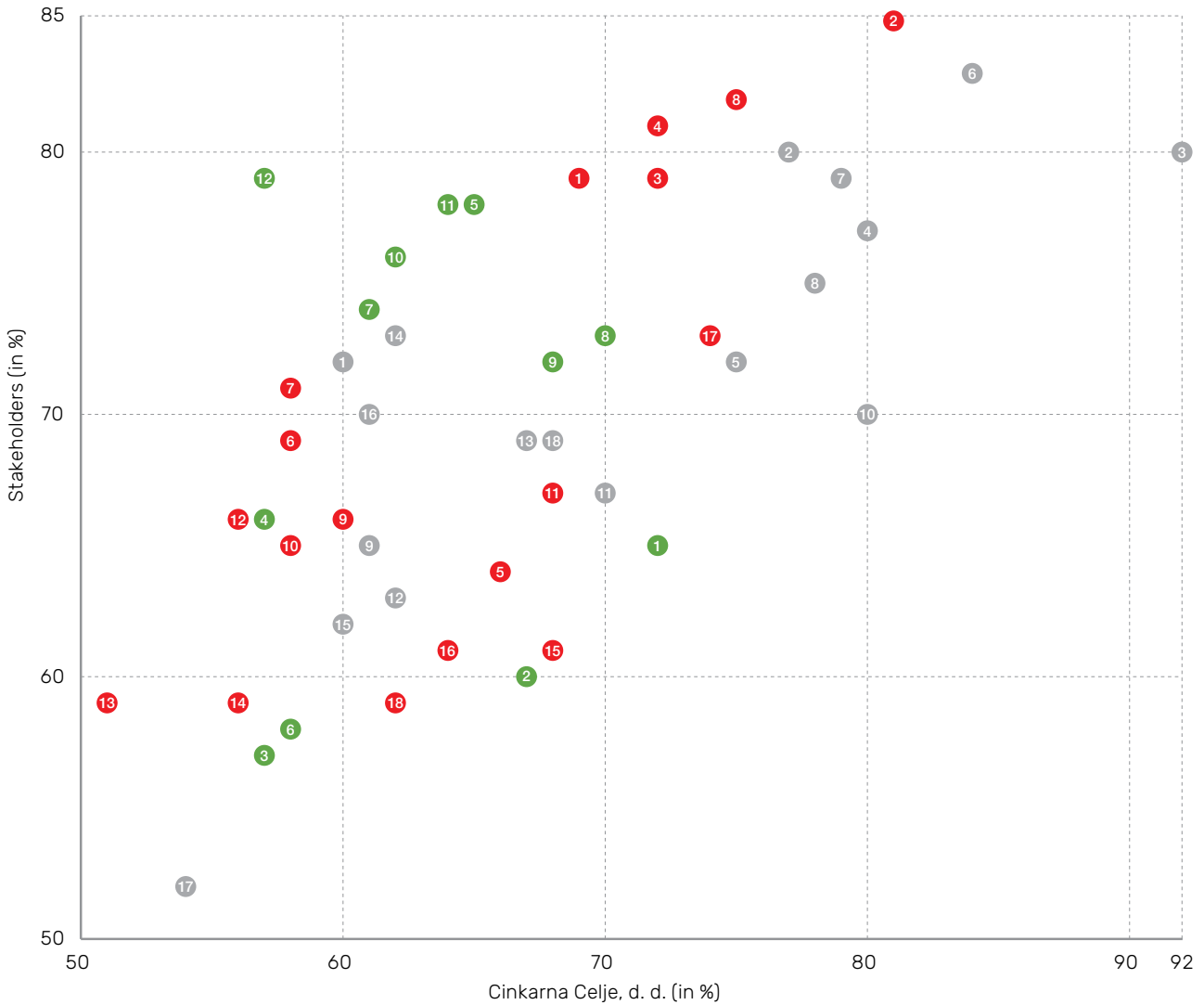
In the social area, the materiality assessments between Cinkarna Celje and its stakeholders are fairly consistent. Both rank fair pay as the most important issue (85% for stakeholders and 81% for Cinkarna). Health and safety at work of employees is a high second for both Cinkarna Celje and stakeholders. This is followed by equal pay for men and women and equal opportunities for employees. Respect for human rights also ranks high (74% for Cinkarna Celje and 73% for stakeholders).

Cinkarna Celje's most important environmental indicator is energy consumption (72%), followed by pollution incidents (70%) and waste management (68%). Respondents rank air pollution highest (79%), followed by water pollution and protection of water resources (78%). Cinkarna Celje gives these issues slightly lower importance (64% and 65%), as it considers that these areas are managed at a high technological level. For the respondents, soil pollution is among the indicators of high importance (76%), while Cinkarna Celje rates this indicator with 62% importance. Stakeholders rate the management of harmful substances - 74% (Cinkarna Celje 61%), as well as pollution incidents (73%) - slightly higher in importance than Cinkarna Celje. Stakeholders rate the use of energy (65%), slightly lower in importance than Cinkarna Celje, and the carbon footprint of the company and its products even lower.

All of these aspects are classified as important and are therefore managed strategically by the Company in the long term.



Diagram: Materiality matrix of Cinkarna Celje d.d.



● ENVIRONMENT

- 1 Energy use
- 2 Carbon footprint of the Company and its products
- 3 Company commitment to transition to a climate-neutral economy
- 4 Water management efficiency
- 5 Protection of water resources
- 6 Primary resource consumption and circular economy models
- 7 Management of harmful substances
- 8 Pollution incidents (spills, uncontrolled discharges, etc.)
- 9 Waste management
- 10 Soil pollution
- 11 Water pollution
- 12 Air pollution

● SOCIETY

- 1 Rewarding or incentivising employees
- 2 Fair pay
- 3 Equal pay between men and women
- 4 Equal opportunities for employees
- 5 Privacy at work
- 6 Open dialogue with employees
- 7 Training and skills development for employees (career development)
- 8 Health and safety at work of employees
- 9 Employment of disabled persons
- 10 Employee working hours
- 11 Work-life balance
- 12 Due diligence on respect for workers' rights in the value chain
- 13 Promoting sustainable opportunities for customers and end-users
- 14 Open dialogue with customers and end-users
- 15 Information and communication aimed at the safety and health of customers and end-users
- 16 Action to prevent or mitigate significant impacts on the local community
- 17 Respect for human rights
- 18 Open communication with stakeholders in local communities (to raise concerns, suggestions for managing impacts)

● GOVERNANCE

- 1 Open corporate inter-stakeholder dialogue
- 2 Ethics and compliance
- 3 Financial stability and long-term growth
- 4 Commitment to sustainable development
- 5 Culture of business conduct
- 6 Quality
- 7 High level of safety
- 8 Innovation
- 9 Reputation in society
- 10 Customer focus
- 11 Providing professional information
- 12 Digitalisation
- 13 Transparency of governance
- 14 Prevention of corruption and bribery
- 15 Personal approach
- 16 Business excellence
- 17 Diversity policy
- 18 Development and sustainable partnerships



## Special chemical knowledge of our experts

*The production of titanium dioxide pigment is a complex industrial chemical process that requires the top skills of our employees.*

## SOCIAL ASPECT

*We build genuine relationships with our employees, build long-term partnerships with our suppliers, open new routes to connect with our customers and engage with the local environment.*

### EMPLOYEE RELATIONS

We recognise that employees are the engine and heart of the Company and its most important ambassadors, which is why we create honest and open relationships with our employees, foster innovation and inclusiveness, and build on positive interpersonal relationships.

Recruitment and staffing is based on the principle of non-discrimination and equal opportunities, ensuring conditions for the personal and professional development of all staff. We create the conditions for well-being at work, paying particular attention to the personal and professional development of our employees. In line with the Diversity Policy, we respect the principle of inclusion and equal opportunities, including in the composition of supervisory and management bodies. In recruitment and staffing, we act in accordance with the Recruitment and Training Policy, which improves and enhances the qualification structure of our employees and facilitates internal transition between jobs.

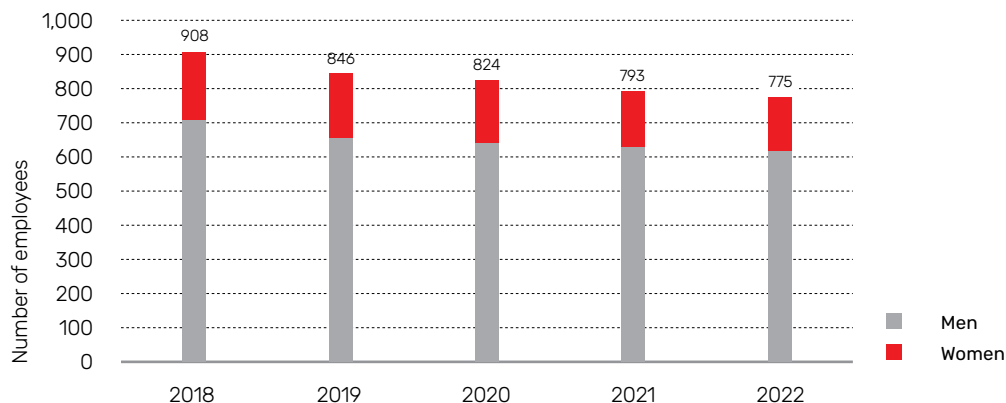
In 2022, human resources activities were subordinated to the achievement of the basic objectives of the business policy, where particular attention was paid to finding innovative ways of recruiting and to the social cohesion of the Company, which was under considerable pressure in terms of labour costs due to the situation on the titanium dioxide market, the general situation in the country, high inflation and the rise in interest rates. We continued our rational policy of external recruitment, covering the needs of professional and highly-educated workers and university graduates, while most of the other needs were addressed by internal redeployment and recruitment of professional staff. We have focused on rejuvenating the workforce in individual organisational units, replacing critical posts, finding employees with deficit occupations, especially in the natural sciences, and intensively negotiating retirement with those employees who have already fulfilled their retirement conditions and those who will be able to meet these conditions at the Employment Service (maximum 25 and 19 months, respectively until the condition is fulfilled).

In the future, further optimisation of the staffing structure is foreseen, through rehiring and recruitment of new young and technically qualified staff. Investments in development, training and further improvement of the working environment of employees will also continue.

**Table: Employees by gender in 2018–2022**

	2018		2019		2020		2021		2022	
Employees by gender	Number	%	Number	%	Number	%	Number	%	Number	%
Men	706	77.7	655	77.4	640	77.7	629	79.3	617	79.6
Women	202	22.3	191	23.6	184	22.3	164	20.7	158	20.4
<b>Total</b>	<b>908</b>	<b>100</b>	<b>846</b>	<b>100</b>	<b>824</b>	<b>100</b>	<b>793</b>	<b>100</b>	<b>775</b>	<b>100</b>

**Chart: Employees by gender in 2018-2022**



As at 31 December 2022, Cinkarna Celje d.d. had 775 employees, 79.6% male and 20.4% female. This gender structure is understandable, as certain production processes involve more demanding working conditions, as well as specialised technical occupations, which are more popular among the male gender. The number of men is steadily increasing in relation to women as a result of the optimisation of the organisational structure. The number of total employees decreased by 2.3%, or 18 employees, taking into account the business policy of the Company's Management Board, the diversified business results of the individual business units, and the planned recruitment. In 2022, 48 employees left the Company, of which 17 were retirements.

**Table: Employees by age in 2018-2022**

Percentage of employees by age (%)	2018			2019			2020			2021			2022		
	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T
Under 30 years	9.1	1.3	10.4	10.3	1.5	11.8	9.2	0.1	9.3	10.8	1.0	11.9	12.3	1.4	13.7
30-50 years	31.6	4.6	36.2	35.2	5.6	40.8	37.0	6.6	43.6	35.4	6.2	41.6	35.9	6.3	42.2
Over 50 years	36.0	17.4	53.4	31.9	15.5	47.4	31.4	15.7	47.1	33.0	13.5	46.5	31.5	12.6	44.1
<b>Total</b>	<b>76.7</b>	<b>23.3</b>	<b>100</b>	<b>77.4</b>	<b>22.6</b>	<b>100</b>	<b>77.6</b>	<b>22.4</b>	<b>100</b>	<b>79.3</b>	<b>20.7</b>	<b>100</b>	<b>79.7</b>	<b>20.3</b>	<b>100</b>

M = Men W = Women T = Total

The largest age group in 2022 was employees aged 50 and over, accounting for 44.1%. This was followed by employees aged between 30 and 50, who accounted for 42.2% of the workforce. The smallest group of employees is made up of employees aged under 30. We are aware of the rising average age of our employees and we are taking several measures to encourage the recruitment of younger staff and to enable young people to develop their professional competences, including by creating a stimulating working environment. We provide students with full-time work placements and offer scholarships for training as chemical technicians, mechanical technicians, tool-makers, chemical engineers, mechanical engineers and electrical engineers. We run mentoring programmes for new recruits to transfer skills, and we try to raise interest in chemistry among young people by engaging with the wider community.



**Table: Employees by level of education in 2018-2022**

Level of education	2018		2019		2020		2021		2022	
	No	%	No	%	No	%	No	%	No	%
VIII	23	2.5	20	2.4	18	2.2	19	2.4	19	2.4
VII	135	14.9	134	15.8	137	16.6	139	17.5	142	18.3
VI	58	6.4	53	6.3	54	6.5	56	7.1	58	7.5
V	299	32.9	280	33.1	277	33.6	269	33.9	263	34.0
IV, III	291	32.1	275	32.5	265	32.2	250	31.5	236	30.5
II, I	102	11.2	84	9.9	73	8.9	60	7.6	57	7.4
<b>Total</b>	<b>908</b>	<b>100.0</b>	<b>846</b>	<b>100.0</b>	<b>824</b>	<b>100.0</b>	<b>793</b>	<b>100.0</b>	<b>775</b>	<b>100.0</b>

**Table: Number of student work placements and scholarships in 2018-2022**

	2018	2019	2020	2021	2022
Work placements	60	71	52	76	50
Scholarships	20	26	27	19	12

Recruitment and training policies have a positive impact on the skills structure, which is growing despite long-term staff optimisation. In addition to internal redeployment and job pooling, the recruitment policy has a slower but positive impact on the matching of actual and required qualifications. We invest in those staff whose education is of benefit to the Company and meets the needs of the work process, and in those who are identified as key to the future development and growth of the Company.

Going forward, we will continue our policy of productive redeployment within the Company, optimising our organisational structure and reducing the proportion of unskilled labour through selective recruitment. We will also seek to optimise the share of administrative staff through consolidation and redeployment. We will improve the skills structure of our workforce by recruiting at higher qualification levels and by supporting and promoting education among our employees. In particular, we aim to reduce the percentage of employees at qualification levels I and II and increase the number of employees with qualification levels V, VI, VII and VIII, or with secondary and higher education qualifications.

All employees are assessed on their performance, and 6% of employees have career plans. Management encourages the search for new solutions and accepts suggestions for improvement. Innovation is rewarded accordingly.

**Table: New employees by gender in 2018-2022**

New employees	2018	2019	2020	2021	2022
Men	11	7	7	23	28
Women	31	13	23	2	4
<b>Total</b>	<b>42</b>	<b>20</b>	<b>30</b>	<b>25</b>	<b>32</b>

**Table: Staff turnover by gender in 2018-2022**

Turnover	2018	2019	2020	2021	2022
Men	17	17	13	30	38
Women	21	66	46	21	10
<b>Total</b>	<b>38</b>	<b>83</b>	<b>59</b>	<b>51</b>	<b>48</b>
Turnover rate (%)	4.2	9.0	6.3	6.3	6.2

In 2022, we recruited 32 new employees in various professional fields such as chemistry, electrical engineering, mechanical engineering and economics, generally with IV, V and VII level professional education. The turnover rate was 6.30%. The number of employees in a given year depends on the needs of the work process, terminations of employment contracts for various reasons, and specific needs.

The recruitment plan is based on the production and sales plan (including investment plans), taking into account the possibility of retirement and in correlation with the modification of the change in the Company's organisational structure, optimising the economics of production processes and increasing activity in specific areas of expertise. The remaining staff is recruited according to the needs of the work processes and the introduction of new technologies.

Cinkarna Celje d.d. also employs people with disabilities. In 2022, they accounted for 7.2% of all employees. This is a relatively high proportion, exceeding the legal quota for companies by less than one percent. These are employees with varying degrees of disability and their work or workplace is adapted to enable them to perform their work according to their level of disability, in line with their abilities.

**Table: Percentage of employees with disability status in 2018-2022**

Employees with disabilities	2018	2019	2020	2021	2022
Number	76	63	58	55	56
Percentage (%)	8.4	7.4	7.0	6.9	7.2

Over the years, we have seen an upward trend in the number of workers restricted from work due to a medical condition. Thanks to an active policy of cooperation with the Occupational Medicine, Transport and Sport and the ZPIZ Disability Commission, the proportion of disabled people in the total number of employees has decreased for the fifth consecutive year. The positive trend is therefore continuing.

Taking into account the age structure of the workforce and the changes in legislation, which is more restrictive towards the retirement of disabled people, we do not expect any significant improvement in this structure at this stage. The main reason for the increase in the number of people with disabilities is the nature of production in the past. Despite technological modernisation, no improvement can be expected in the near future.

**Table: Employees by employment status in 2018–2022**

Employees by employment status	2018			2019			2020			2021			2022		
	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T
Permanent	649	184	833	616	181	797	615	180	795	593	158	751	583	155	738
Fixed term	57	18	75	39	10	49	23	4	29	36	6	42	33	4	37
Full-time	703	199	902	652	187	839	636	176	812	625	157	782	612	151	763
Part-time	3	3	6	3	4	7	4	8	12	4	7	11	4	8	12
Agency work	12	7	19	29	9	38	21	7	28	9	22	31	17	11	28
Student work	8	5	13	6	5	11	9	4	13	8	0	8	3	2	5

M = Men W = Women T = Total

The majority of employees (95.2%) in 2022 were permanent and full-time (98.5%). A smaller percentage of employees (1.5%) worked part-time. Employees receive the same benefits regardless of whether they are permanent or fixed-term, full-time or part-time. We also employ agency workers, with the possibility of regular employment with the Company. In 2022, agency workers accounted for 3.6% of total employees. These are mainly production, warehouse and cleaning jobs. In this way we provide more flexibility and screen potential employees.

We also open up work opportunities for school and university students through temporary student work. In this way, they can gain experience and work habits, as well as new skills, which can lead to a regular job with the Company later on, after they have finished their studies.

**Table: Maternity and paternity leave in 2018–2022**

Maternity and paternity leave	2018	2019	2020	2021	2022
Number of employees	7	14	12	6	10
Number of working days	933	1,420	1,656	681	1,088

In 2022, 10 employees took maternity or paternity leave, which is 1.3% of the workforce. This represented a total of 1,088 working days.

### COLLECTIVE AGREEMENTS

Employment and working conditions are defined in collective agreements, which cover all employees, including agency workers and those doing student work. The Company's collective agreement and the Employment Relations Act also lay down notice periods.

Active dialogues and collective bargaining are held with the Company's workers' representatives to define additional rights for workers or to amend and supplement the Company's collective agreement. We have cooperation agreements with the Company's representative trade unions and the Works Council, under which we respect employees' right to freedom of association.

## REMUNERATION AND FREEDOM OF ASSOCIATION

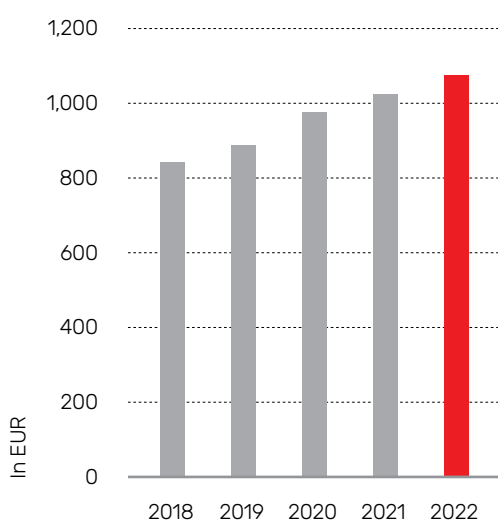
Employee remuneration is also defined in accordance with the Company's collective agreements. For the management and supervisory bodies, a remuneration policy was adopted in 2022 but not approved by the General Meeting. Based on the amendments, we are preparing a revised policy which will be submitted to the General Meeting for approval in 2023.

The minimum wage for employees in 2022 is EUR 1,074.43 gross. The average gross wage was EUR 2,603.06, 22.25 percent higher than the average gross wage (EUR 2,023.92) in Slovenia in 2022 (source: SURS). All employees are treated equally in wage setting, regardless of sex, nationality, racial or ethnic origin, national or social origin, gender, colour, health, disability, religion or belief, age, sexual orientation, marital status, trade union membership, wealth or other personal circumstances. The value of the standard starting salary is determined according to the evaluation of each position. Over the years, both the gross minimum wage and the gross average wage in the Company have been increasing steadily, as a result of keeping up with current national legislation, our responsibility towards our employees, and negotiating with the social partners to ensure that our employees can live in dignity in the face of the rising cost of living.

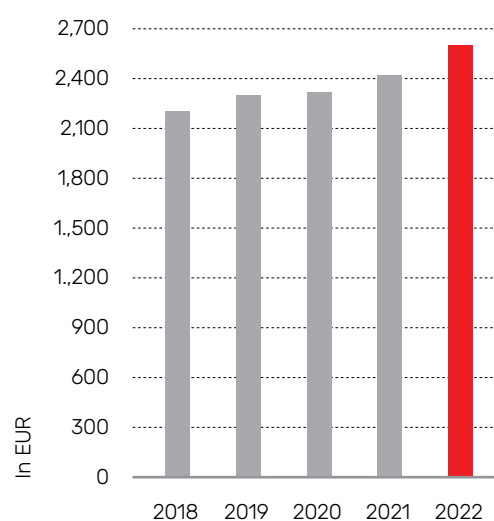
**Table: Gross minimum wage and average wage in 2018–2022 (in EUR)**

	2018	2019	2020	2021	2022
Gross minimum wage (EUR)	842.79	886.63	975.30	1,024.24	1,074.43
Gross average wage (EUR)	2,203.36	2,296.92	2,316.42	2,421.46	2,603.06

**Chart: Gross minimum wage in 2018–2022 (in EUR)**



**Chart: Gross average wage in 2018–2022 (in EUR)**





## SUPPLEMENTARY PENSION INSURANCE AND OTHER BONUSES

Cinkarna Celje d.d. has a supplementary pension insurance financing plan for all employees with Modra zavarovalnica, which is regularly complied with and the obligations under this plan are settled monthly. The minimum amount of the premium to be paid into the umbrella pension plan in accordance with the plan is:

- Employer – 2.90% of the average wage in the RS for the first half of the previous year;
- Employee – 1.45% of the average wage in the RS for the first half of the previous year.

Employees of the Company's professional firefighting unit are entitled to seniority benefits. They are subject to regular monthly contributions of 8.2%, which are reported to the insurance company Kapitalska družba pokojninskega in invalidskega zavarovanja d.d.

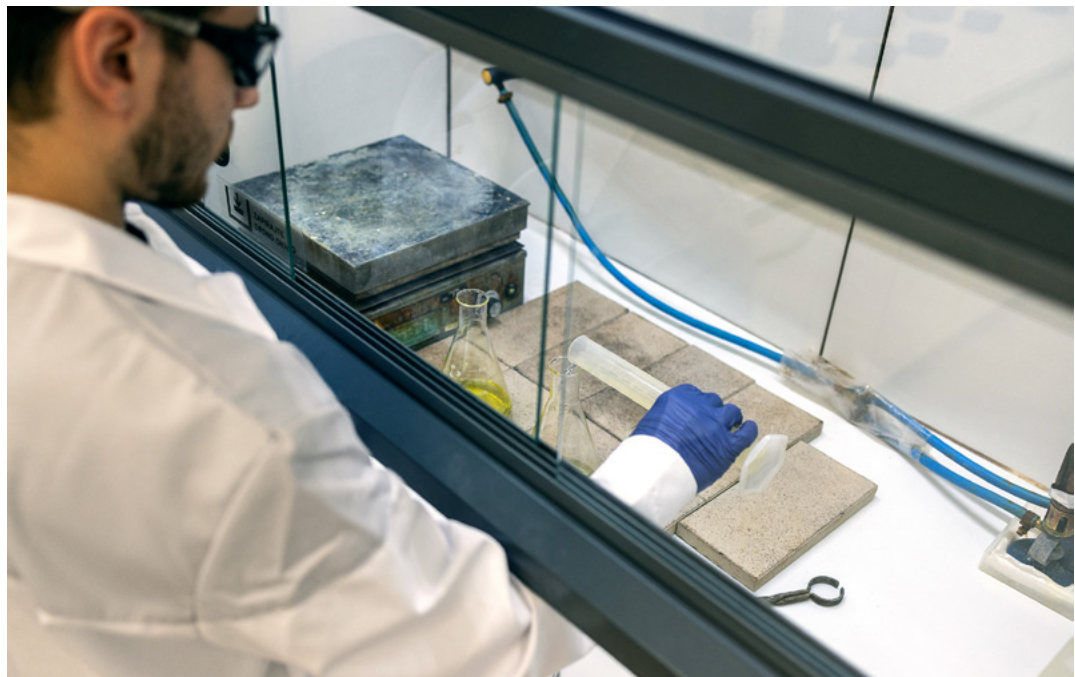
## PROTECTION OF PERSONAL DATA

We pay particular attention to the protection of personal data, which we protect in accordance with EU Regulation 2016/679 (GDPR – General Data Protection Regulation) or applicable domestic law, if different or stricter rules are required.

In the event of any perception of illegal or unethical conduct that damages the Company's reputation or business, or violates the dignity and personal integrity of an individual employee, it is our duty to report it immediately and to initiate appropriate proceedings or measures.

## EMPLOYEE TRAINING AND COMPETENCE DEVELOPMENT

We recognise the importance and value of skilled employees, which is why we provide regular training and competence development. The largest share of education and training is mandatory, mainly in the areas of occupational health and safety, handling hazardous chemicals, fire safety, environmental protection and standards management.



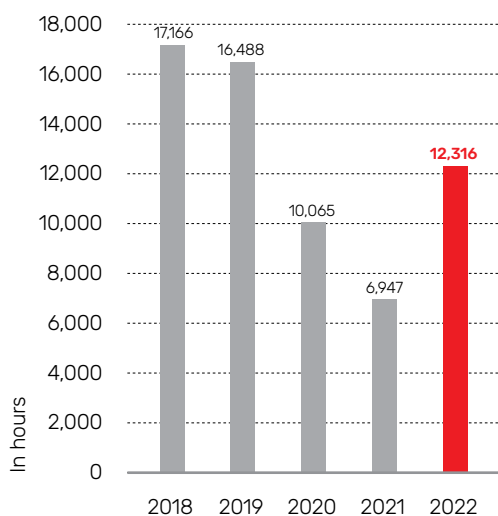
*Employees receive regular training in the field of mandatory knowledge of safety and health at work, work with dangerous chemicals, fire protection, environmental protection and mastery of standards.*

We have not provided human rights training in the past, and every new employee is informed of the Code of Ethics and Conduct upon recruitment.

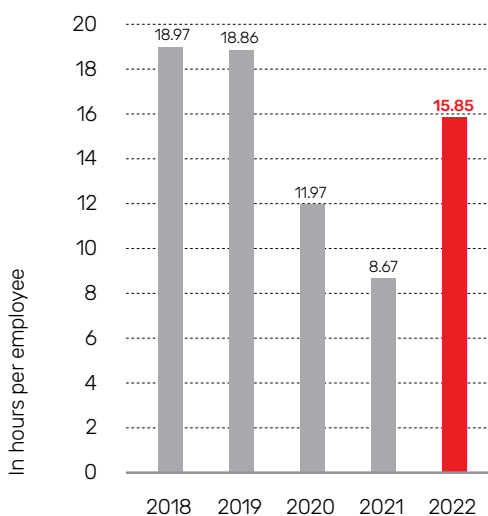
**Table: Employee training in 2018-2022**

	2018	2019	2020	2021	2022
Total number of employees participating in specific functional training	6,083	4,235	3,519	3,098	3,513
Total number of hours of content-specific training	17,166	16,488	10,065	6,947	12,316
Average number of training hours per employee	18.97	18.86	11.97	8.67	15.85
Average financial value of training per employee (in EUR)	466.30	446.10	273.80	206.20	435.77

**Chart: Total number of hours of content-specific training in 2018-2022**



**Chart: Average number of training hours per employee in 2018-2022**



In 2022, employees spent an average of 15.85 hours in training. The increase in the number of training hours compared to the previous year is due, among other things, to the relaxation of restrictions and measures in relation to the epidemic of COVID-19. This was also reflected in the content of the training, which was refocused on advanced training in the specific area of expertise of individuals and on mandatory regular training. In 2022, 3,513 participants attended specific functional training courses both in-house and outside the company, and the total number of training hours was 12,316, an increase of 77.3% compared to the previous year.

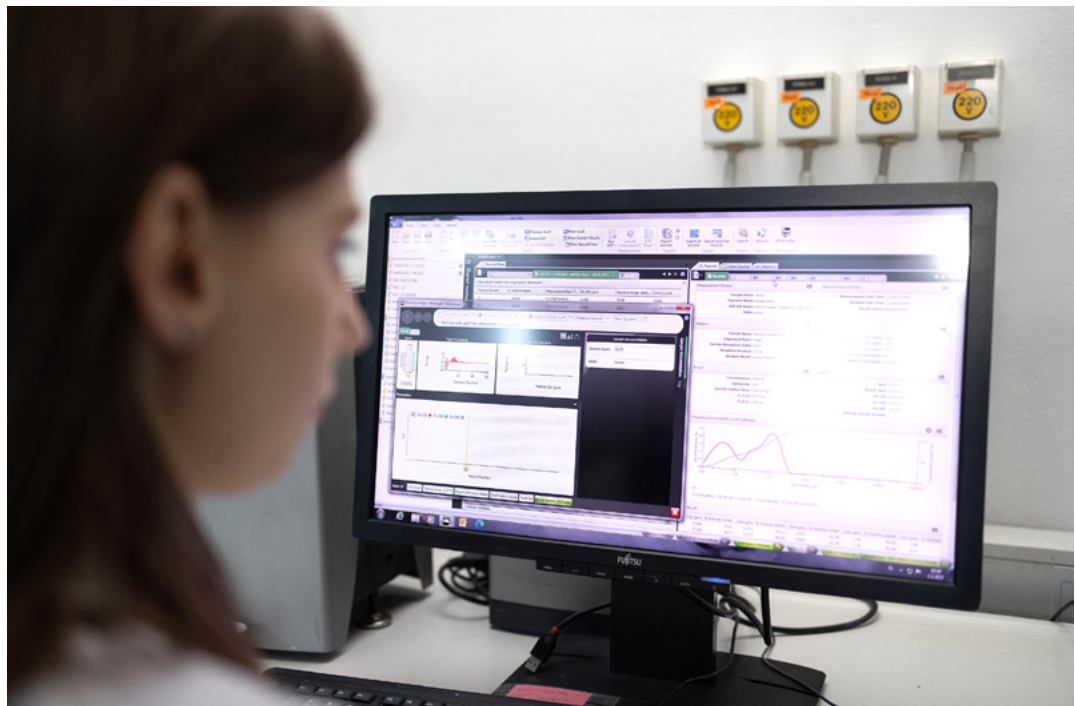
### Mentorship system

The Company has a well-established mentoring system for all external stakeholders (students, scholarship holders and pupils) who enter the Company to improve their knowledge and to carry out practical training. We have 125 internal mentors with a mentoring qualification. For new hires and job changes, we have a training programme in place for each job and for each individual.

### Recognising innovative employees

Motivated and competent employees are one of the most complex challenges of any modern management. We recognise that the concept of employee performance means that we also need to ensure that individuals are not only satisfied in their work, but also successful in their work. The idea "Clarity is the key, kindness is the way" gives us, in a very simple way, the basic guidelines on the way to achieving high levels of satisfaction, performance and thus employee engagement and motivation.

To achieve this, Cinkarna Celje d.d. has introduced a system of rewarding useful suggestions and innovations through the innovation office called CC um, where our employees are given the opportunity to express their innovative ideas and concepts. Through the electronic submission of ideas, we centrally collect suggestions from employees in all areas of activity, rank them, evaluate them and reward the useful ones accordingly. Suggestions that do not result in a benefit are also rewarded with a commendation, and all applicants are entered into a prize draw at the end of the year. The top innovators who submit the most useful ideas are awarded a bronze, silver or gold CC Mind of an Innovator badge. The best proposals are also published in Cinkarnar (the internal magazine of Cinkarna Celje d.d.), and the best innovators are personally received by the Company's Management Board at the start of the financial year. The best innovators in each year and throughout the lifetime of the CC um system are publicly praised and rewarded with useful prizes.



*For new hires and job changes, we have a training program for each position.*

## Leadership Academy

The main objective of the Leadership Academy development programme is to empower key and prospective employees to effectively and professionally perform the core competencies of team leadership, i.e. to develop systems, methods and practical implementation skills for successful leadership. In parallel with skills training, it is also about developing the personal capabilities to be a successful leader in the performance of his/her tasks and responsibilities, and in the achievement of the Company's objectives and strategies.

The entire development path consists of 10 content modules totalling 80 hours, which complement each other and together constitute a comprehensive development programme for upgrading leadership skills and personal development of the individual. These modules are:

- Leadership and its importance
- I must first lead myself in order to lead others
- Professional leadership communication
- Leading different individuals in different situations
- How to motivate an individual
- Effective time management
- Effective conflict management and stress management
- How to prepare an effective business presentation
- How to implement change effectively
- Effective teamwork

The development programme is delivered through live and virtual training sessions, complemented by individual or group work assignments between sessions and one-to-one coaching for all participants.

## MOJA CINKARNA APP

In April 2022, the Moja Cinkarna web and mobile app was launched and is available to all employees. Employees can use it on their work and/or personal computer and on their mobile phone. The main purpose of the app is to give employees easy and secure access to specific parts of the Oracle business information system. The application allows employees to view their annual leave balances and usage, view the status of their time registration hours, view and order lunch in all three canteens, issue a single exit pass, electronically validate documents and publish news for timely information. Employees have to register in the application to ensure the security of their personal data. The app aims to make processes quicker, easier and less paper intensive. At the end of 2022, 77.6% of employees were using the app.

## CINKARNAR INTERNAL NEWSLETTER

Twice a year, we publish an internal newsletter, Cinkarnar, which is distributed to all employees. It informs employees about news, achievements, events, competitions and other activities in the Company. At the same time, the newsletter highlights those employees who contribute to the Company's development through their innovations and dedication, as well as employees who have retired, certain new hires and others. We also present the work of individual departments and their role in our Company. We also educate our employees about new developments in the industry and provide useful information for working safely.



## OPEN DOOR OF THE WORKS DIRECTOR'S OFFICE

In 2021, we set up formal open hours in the Works Director's office, where employees can come with suggestions, ideas and initiatives to improve interpersonal relations or other topics of concern to employees, as well as problems that the Works Director is working to resolve and, where appropriate, raise.



The response from employees has been positive, as they have direct access to a member of the Management Board, who passes on certain matters at Management Board meetings.

### **EMPLOYEE ENGAGEMENT AND SATISFACTION SURVEY**

Well-being in the work organisation, or employee satisfaction, is very important for good quality work. Only satisfied employees perform optimally and conscientiously in their job and are a direct reflection of the higher or lower level of quality of working life in the Company. Every year, the Company conducts a survey entitled Analysis of the Quality of Job Satisfaction at Cinkarna Celje d.d., which is a very good way to determine either individual satisfaction with the work situation or to analyse the organisational climate in the Company and, on the basis of the analyses, to prepare objectives and measures to improve the state of employee satisfaction.

Employee engagement is measured alongside employee satisfaction, as it is an important factor of competitive advantage and contributes significantly to the performance of both individual employees and the Company. Engaged employees are more productive, more focused on quality customer service and bring more added value to the Company. Engaged employees are also less likely to leave the Company at the first new job offer.

The results of the survey are carefully reviewed and, based on the findings, tasks and targets are set to achieve a steady increase in the number of engaged employees and to create a work environment with happy employees.



*Every year we organize a picnic for employees.*



## Our fire department takes care of fire safety

*Preventive fire safety measures are used to prevent the occurrence of fires, and we regularly provide control, inspections and servicing of firefighting equipment.*



## HEALTH AND SAFETY AT WORK

We are constantly striving for improvement in occupational health and safety and set ourselves targets every year. Our overarching objective is "zero injuries at work". We regularly monitor progress towards this target and each year we set short-term performance targets to help us achieve our overarching goal. We operate in accordance with ISO 45001 – Occupational Health and Safety.

The occupational health and safety tasks are carried out by the Occupational Health and Safety Department, which is subordinate to the Company's Management Board, in such a way that the employees who carry out the occupational health and safety tasks are independent of the service users in their decision-making. We ensure compliance with legislative requirements in the field of occupational health and safety, and fire safety. We actively work to reduce accidents at work and improve working conditions by introducing activities to identify, record and eliminate potential hazards and near misses in the working environment. We take preventive fire-safety measures to prevent fires and regularly monitor, inspect and service fire-fighting equipment to ensure active fire protection.

In 2022, we again obtained the Responsible Care Programme certification. This demonstrates our voluntary commitment to continuous improvement in environmental, health and safety performance.

Three main objectives in the field of occupational health and safety:



### Zero injuries at work – overarching objective

It is a long-term objective to which all other objectives are subordinate. It is being pursued step by step through various preventive actions and improvements.



### Improvements in occupational health, safety and fire safety

We tackle the potential causes of occupational injuries by identifying and breaking down process risks that can have a negative impact on health and safety at work.



### Organising and implementing employee health promotion

We regularly promote employee health through a programme that is adapted every year.

Chart: Financial investments in occupational health and safety in 2022 (in %)

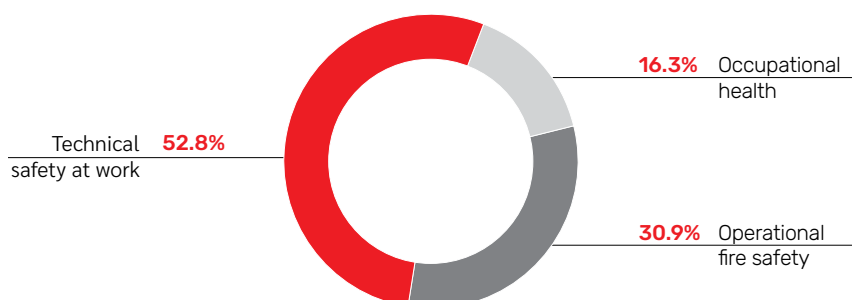


Table: Financial investments in occupational health and safety in 2021-2022

Field	Type of cost	2021		2022	
		Value in EUR	Value in %	Value in EUR	Value in %
Technical safety at work	Personal protective equipment	337,819	39.4	266,781	39.7
	Direct costs to the Company of work-related injuries – insurance pay-outs	260,349	30.5	4,673	0.7
	Cost of work-related injuries (employer contribution – BS)	64,705	7.6	44,597	6.6
	Warning signs (stickers, boards)	2,238	0.3	1,065	0.2
	Measurements in the working environment	20,260	2.4	17,960	2.7
	Health and safety training	3,360	0.4	1,946	0.3
	Inspections of work equipment	26,742	3.1	17,126	2.6
Occupational health	Preventive health checks	56,268	6.6	63,347	9.4
	Beverages	15,946	1.9	16,147	2.4
	Biological monitoring	2,418	0.3	984	0.2
	Health promotion	1,399	0.2	18,974	2.8
	First aid costs (lockers, sanitary supplies)	2,879	0.3	2,854	0.4
	Disinfection, disinsection, deratisation	5,854	0.7	7,561	1.1
Operational fire safety	Funds earmarked for fire safety (spare parts for fire extinguishers, fire extinguishers, hoses, couplings, protective mats, inspections, fire safety plans, installation of fire-fighting systems, upgrading of fire alarm systems, inspection of active fire protection systems, etc.).	52,763	6.2	208,029	30.9

The employer is obliged to provide employees with appropriate personal protective equipment. In workplaces where the risk of occupational injury and ill-health is higher, employees shall be provided with all personal protective equipment designed to prevent injury and ill-health. Which personal protective equipment is required in a particular workplace and what standards the equipment and employees must meet are set out in the Risk Assessment for each workplace.



## INJURIES AT WORK

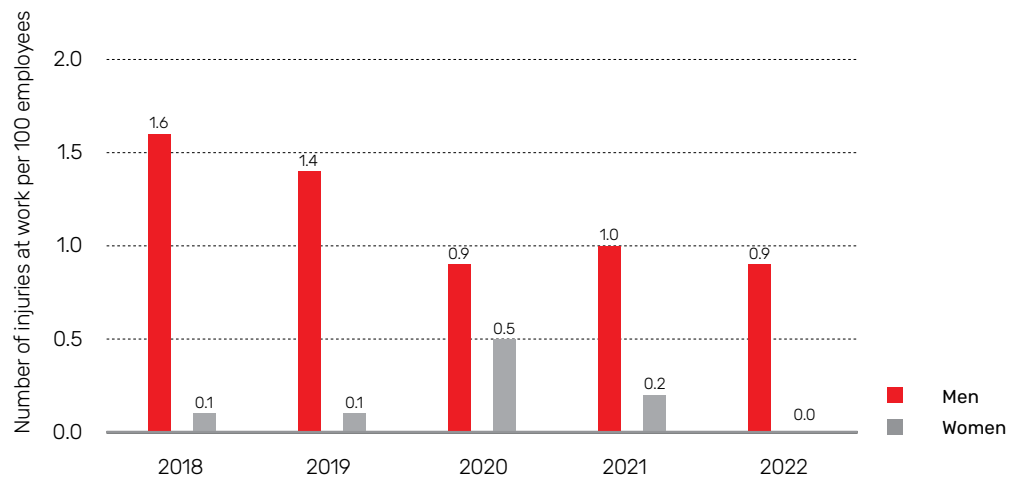
Occupational injuries are monitored using an index of frequency (IF), which represents the number of sickness absences per 100 employees. We also monitor the rate of working days lost due to sickness absence using the so-called PRP factor, which represents the ratio of the number of injuries at work to the number of sickness absences per number of employees.

**Table: Injuries at work in 2018-2022**

Event	2018	2019	2020	2021	2022
Number of injuries at work	14	15	13	12	7
Number of days lost	837	346	334	329	451
Number of injuries/100 employees	1.6	1.7	1.5	1.4	0.9
PRP factor*	13.0	5.7	5.0	4.7	4.0

\* PRP is a factor representing the ratio of the number of injuries at work to the number of sick days per number of employees.

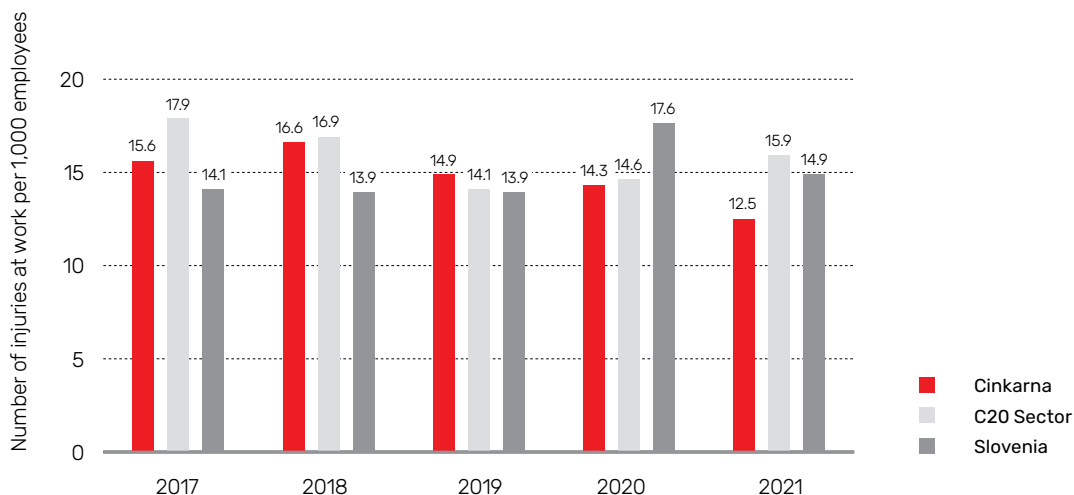
**Chart: Number of injuries at work per 100 employees in 2018-2022**



There were no serious injuries at work in the 5-year period, nor any deaths or occupational diseases. Injuries at work are also monitored for agency workers. In the 5-year period (2018-2022), there were 15 injuries at work, with a total of 251 working days absent.

As the graph shows, injuries at work per 100 employees are slowly decreasing, falling from 1.7 injuries per 100 employees in 2018 to 0.9 injuries per 100 employees in 2022.

**Chart: Comparison of injuries at work per 1,000 employees between Cinkarna Celje, C20 sector (manufacture of chemicals, chemical products) and Slovenia. Data are available on the NIJZ (National Institute of Public Health) website for 2021, so the comparison refers to the years 2017-2021.**



We have a system of rules in place that we use to record and report on incident statistics and to address identified deficiencies. In the event of an accident at work or sudden illness of a worker, the Company organises and provides first aid and rescue services at all workplaces, both during regular and shift working hours. In the event of an injury at work, the employee must immediately inform his/her supervisor, who must report the accident to the Occupational Health and Safety Department.

In addition to accidents at work, near misses and potential hazards are monitored and the causes or prevention of accidents are regularly recorded and addressed. In 2022, we identified 85 potential hazards, which we are addressing on an ongoing basis, and 7 near misses. In 2022, we identified almost 38% more potential hazards than the previous year, which is mainly due to a more systematic approach to identifying potential hazards in maintenance work. The Minute for Safety activity was conducted among production workers in various formats and time intervals, with the aim of briefly discussing the progress of the shift and any potential hazards identified in each production facility before the start of each shift. In addition, in the event of an injury at work, the causes of the incident are discussed, as well as other topical issues relating to safe and healthy work.

Identification and breakdown of process risks in the area of occupational health and safety and measures to reduce emissions into the working environment were carried out in all production business units.

**Table: Identified potential hazards and near misses in 2018-2022**

Event	2018	2019	2020	2021	2022
Potential hazards	61	56	47	32	85
Near misses	5	3	3	6	7

## ABSENTEEISM

The average absenteeism rate for employees increased by 1.53 percentage points to 23.67% in 2022 compared to the previous year, due to more sickness absences, mainly due to COVID-19, other illnesses and off-the-job injuries. The structure of the illnesses varied according to the course of the epidemic. The causes of absenteeism at Cinkarna Celje d.d. and the related sickness absence were mainly related to the epidemic of COVID-19 and the nature of the work (heavy, physically demanding work). Injuries outside work and maternity absences also increased. The high average age of employees (46.98 years), four- or multi-shift working (42.89% of employees work in several shifts), the higher number of disabled persons (7.2% of all employees) and the increasing number of long-term sick leaves, mainly due to serious illnesses, locomotor disorders and cardiovascular diseases, also have a significant impact on absenteeism.

## COVID-19

In the wake of the COVID-19 epidemic, we took a number of actions at the operational risk level, which were published, updated and managed on our extranet and intranet on an ongoing basis. During the epidemic, we had all coffee machines closed, banned non-urgent visits by external contractors and non-urgent travel outside the company, established a protocol of mandatory wearing of protective masks by drivers when entering freight transport, cancelled all non-urgent trainings, organised work in a way to keep employees in compliance with Article 137 of the Employment Relationships Act, sent employees on standby with 100% compensation, ordered homeworking due to exceptional circumstances, established protocols for the provision of personal protective equipment, and followed the instructions/recommendations of the National Institute of Public Health (NIJZ) and the Government of the Republic of Slovenia. On 15 September 2021, the Government of the Republic of Slovenia issued a Decree on how to comply with the condition of being sick, vaccinated and tested to contain the spread of SARS-CoV-2 infections, which introduced the PCT condition for all employees and external visitors working at the Company and was further supplemented during the year. The decree and the introduction of self-testing and the accompanying documentation and records were implemented accordingly. We also monitored all intervention laws and regulations issued by the Government of the Republic of Slovenia and, in certain parts, enforced or successfully implemented them in the Company.

**Table: Absenteeism in 2018-2022**

Absenteeism	2018	2019	2020	2021	2022
Sick leave (%)	5.43	6.70	6.43	7.27	7.45
Total volume of absences (%)	23.41	23.71	24.97	22.14	23.67

## WORKPLACE RISK ASSESSMENT

We have a system in place to assess workplace risks according to their incidence and intensity, which is ongoing. Based on the results, we produce a Risk Assessment for all workplaces and an Occupational Health and Safety Risk Register, which shows employees' exposure to physical, chemical, social and biological risks. Where risks are identified, we identify and take appropriate action to reduce employees' exposure to hazardous working conditions, assigning responsible persons and setting deadlines for the elimination or reduction of individual risks.

The Risk Assessments show that risks related to increased noise (list of noisy workplaces), unfavourable microclimatic conditions (increased temperature in workplaces during the summer months), and chemical and mechanical hazards stand out in individual workplaces.

## EMPLOYEE INVOLVEMENT

Workers and their representatives are given the opportunity to participate in all matters relating to ensuring safe and healthy work. They are involved in the assessment of risks for individual workplaces and in the preparation of Risk Assessments.

The Works Council has an Occupational Health and Safety Committee, which includes a safety engineer as an external contributor to help solve occupational health and safety issues.

## HEALTH PROMOTION AT WORK

Good health is a prerequisite for a good and successful life and work – both for the individual and for the organisation. Our annual health promotion programme aims to maintain and improve the physical and mental health and well-being of our employees, as well as to help with early detection of various medical conditions. It involves active support from the employer to improve the overall health and well-being of employees. The health promotion programme is developed on the basis of an assessment of employees' needs. Thus, the programme takes into account an analysis of the health status of employees based on periodic health checks and an analysis of sickness absence by disease group and economic activity.

Some of the most important activities:

- cardiovascular disease prevention (body composition measurements, blood fat control, no-cigarette day),
- support for the SVIT programme (lectures, leaflets, gut model),
- vaccination (tick-borne meningoencephalitis, influenza, COVID-19),
- sports games for employees,
- cycling to work,
- coping with stress – workshop with a psychologist,
- prostate screening,
- participation in the Zdravi project, organised and implemented by the Chamber of Commerce and Industry of Slovenia - Association of the Chemical Industry.

We also give employees the opportunity to take part in various sports activities outside working hours, such as working out at a gym, table tennis, badminton, boxing, tai bo, basketball, bowling, swimming, and fund their participation in sports activities, such as transport for the mountaineering section, entry fees for the cycling section or funding for the business football league. We also provide them with the possibility to use holiday facilities at a good price in various locations (Rogla, the sea, Atomske toplice, Logarska dolina) and co-finance subscriptions to the Slovenian Folk Theatre in Celje.

### Cycling to Work

For several years now, Cinkarna Celje has been encouraging its employees to take part in the Cycling to Work campaign. Every year, more than 150 cyclists cycle to work. Each of them receives a practical gift, a T-shirt with the Company logo and a healthy breakfast. They come from near and far around Celje, Slovenske Konjice, Laško, Rimske Toplice, Vinske Gora and even from Radeče, 30 kilometres away. Many employees cycle to work regularly.

The Cycling to Work campaign aims to encourage employees to use their bicycles to get to work, as it has many environmental and health advantages over other modes of transport.



## CC UM FOR MANY IMPROVEMENTS

Continuous improvement, dictated by quality standards and guidelines, is the driving force behind progress and continuous improvement in all areas of the Company's operations. Employees can also submit their ideas and suggestions for improving health and safety at work via the CC um app. The system for collecting useful suggestions has triggered 0.17 improvements per employee. The highest number of improvements was in the areas of work organisation and process, occupational health and safety, and reduction of energy and material consumption.



*As part of the Bike to Work campaign, more than 150 cyclists cycle to work every year.*







## **We analyze the ore precisely**

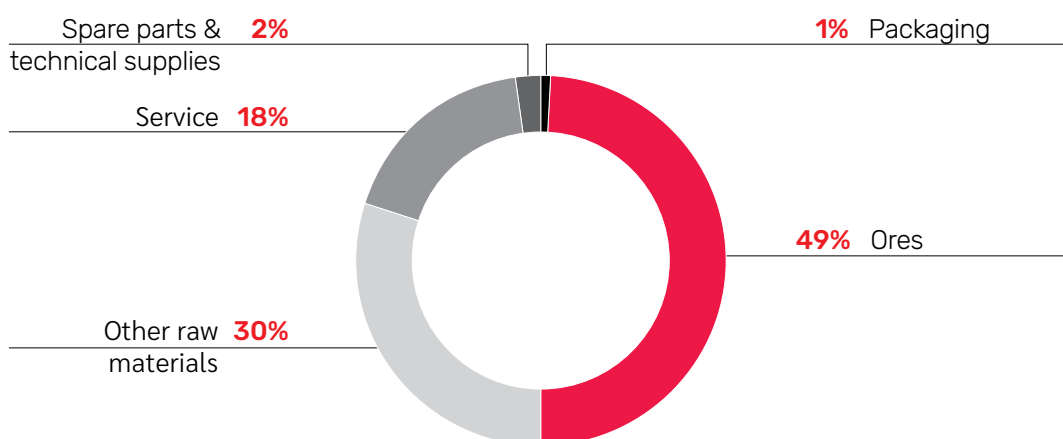
*We take care of the quality of titanium dioxide throughout the global supply chain. We are also preparing a Code of Sustainable Supplier Conduct.*

## SUPPLIER RELATIONS

Our products and raw materials are part of global supply chains. The supply chain includes suppliers of raw materials, packaging, spare parts, technical supplies and services. Suppliers and their activities vary by business unit. Suppliers are divided into five key groups:

- suppliers of titanium-bearing ores,
- suppliers of other raw materials,
- suppliers of packaging materials,
- suppliers of spare parts and technical materials,
- service suppliers.

Chart: Breakdown of procurement by five key groups in 2022



## SUPPLIER EVALUATION

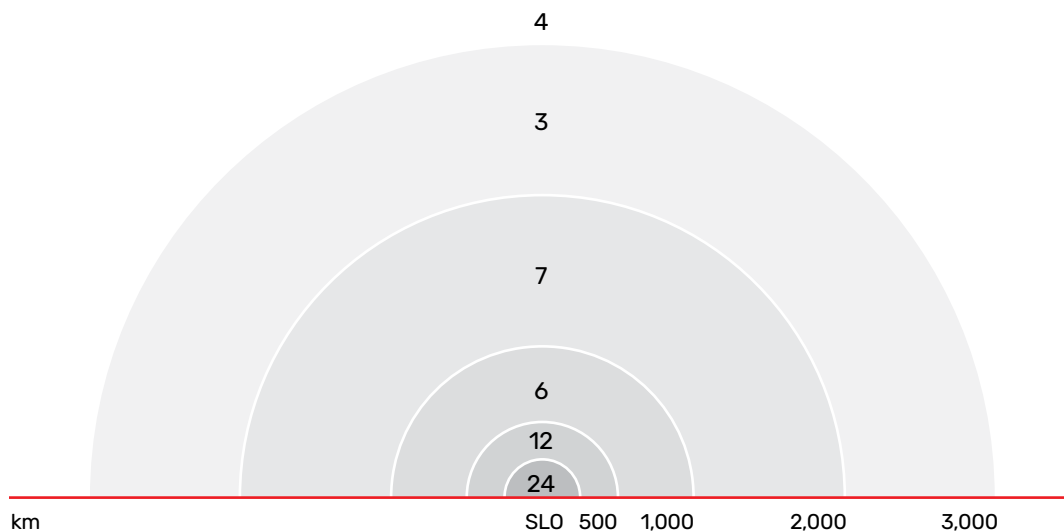
We evaluate our key suppliers annually on commercial and technical terms and whether the supplier is certified to ISO 14000 – Environmental Management Systems. If they are not ISO 14000 certified, we also check certain environmental indicators: whether their activities cause emissions to air or water and how they control these emissions. We also check the use of raw materials and energy inputs, the collection and recovery system for packaging waste and whether their activities cause excessive noise. In 2022, we also included supplier distance as an assessment indicator, which is also important in terms of reducing transport emissions.

A Supplier Sustainability Code of Conduct is in preparation, setting out our basic requirements of suppliers in line with our sustainability guidelines and targets. We aim to have at least 50 key existing and new suppliers familiar with the Code by 2023, and to have them declare their acceptance of the Code's terms and conditions.

In the context of the annual supplier evaluation, we evaluated 56 suppliers in 2022. In terms of location, 24 of the suppliers evaluated are from Slovenia, 12 are within 500 km, 6 are between 501 and 1,000 km, 7 are between 1,001 and 2,000 km, 3 are between 2,001 and 3,000 km and 4 are above 3,001 km. 64% of the suppliers are less than 500 km from our company.

35 suppliers are ISO 14000 certified and the remaining 21 suppliers were verified by a questionnaire that included environmental criteria. 20 suppliers answered the questions, 1 supplier did not answer.

Figure: Number of suppliers in 2022 in terms of location



Highlights of the supplier assessment against environmental criteria in 2022 show that 32% of the suppliers included in the assessment cause air emissions through their activities. The majority of these suppliers also monitor and control their emissions. 11% of suppliers have emissions to water from their activities and also monitor and control these emissions.

77% of the assessed suppliers manage their input material and energy recovery to the highest possible level, the rest do not or did not answer this question. 84% of the suppliers are involved in a system for collection and recovery of packaging waste, the rest are not. None of the suppliers assessed generates excessive noise and ionising or other non-ionising radiation to the surroundings.

Based on the results, we have assessed two suppliers as having a potential negative impact on the environment. Otherwise, we did not identify any significant actual or potential negative environmental impacts in the supply chain. In the event that any of our suppliers do not meet the criteria that we consider necessary, we inform them and encourage them to improve in the interest of a longer-term partnership.

The greatest risk of child labour is with suppliers from third countries such as African countries and China. Two of the 50 leading materials are thus exposed. One is ilmenite (titanium-bearing ore), which is mined in Mozambique. The supplier of this material, with whom we cooperate, has a zero tolerance policy for child or forced labour. The other material is zirconium oxychloride, for which we have several suppliers from China, so we consider that there is a risk here. We have not taken action in this area with these suppliers in the past, but we will include this area in the future as part of the process of familiarisation and endorsement of our Code of Ethics and Conduct on the part of suppliers.



## CUSTOMER RELATIONS

We aim to maintain long-term relationships with existing customers, and to attract new customers mainly by developing higher value-added products based on higher product quality combined with the right mix of speed, flexibility and price. We will continue to focus our sales mainly on European markets. Our customers are mainly companies (B2B).

Research and development activities are key to achieving our strategic objectives, maintaining our position and reputation in global markets, and finding new business opportunities, through which we develop new products and solutions in line with customer requirements and expectations.

## HIGH VALUE-ADDED PRODUCTS

In the titanium dioxide business, our core programme, we are focusing on winning new customers from the plastics and printing ink sectors. Higher customer sophistication allows us to achieve higher profitability in the long term and indirectly acts as a hedge against possible new entrants into the European market with lower quality products.

In other programmes, we are also focusing our development on new products with high added value and on vertically integrated products that offer technical, revenue and cost synergies and best exploit the competitive advantages of the business environments of the individual product programmes.

### Development of biopolymer-based masterbatches

Due to the negative impacts caused by synthetic polymers embedded in products (unstable global fossil hydrocarbon reserves and pollution caused by such plastic materials), we have taken a sustainable and more environmentally friendly approach to their replacement. We have developed a white PBAT-based masterbatch that can be produced by incorporating up to 75% titanium dioxide pigment. In addition to the biopolymer properties, white masterbatches also have the property of biodegradability, which is why we have obtained a biodegradability certificate for the 75% filled masterbatch. We are in the process of obtaining the Bio-compostable Soil certificate. This type of masterbatch has great potential for installation in the packaging industry, as more and more customers are switching to biodegradable materials



*Production of white masterbatch*



*Testing of powder coatings*





## We develop biodegradable and recyclable color concentrates for plastics

*With certification, we demonstrate the biodegradability and recyclability of products in accordance with the concept of a circular economy.*

### **Powder varnish with enhanced outgassing capability**

A powder varnish with enhanced outgassing capability has been developed for the niche market of customers who powder coat hot-dip galvanised surfaces. Its specific formula allows the release of gases which form in the hot-dip galvanised layer at elevated temperatures before crosslinking of the powder-coated layer occurs. As a result, no anomalies such as bubbles or tiny bumps are present on the coated surface. It is estimated that this product could account for 25% of our sales of conventional polyester grades of powder varnishes.

### **Matte smooth powder varnish quality with Qualicoat Class 1.5 requirements**

The Qualicoat Class 1.5 range of façade powder varnishes was further expanded in 2022 with the development and certification of a matte smooth version. This means that Qualicoat Class 1.5 is now certified for Category 1 for gloss smooth and (fine and coarse) textured varnishes and Category 3 for matte smooth powder varnishes. The sales potential is in areas where high weather or light fastness of the coated products is required (e.g. façade elements).

### **Application of chemically resistant thin-film dispersions suitable for explosion hazardous areas**

With the aim of finding materials on the market in the group of thin-film dispersions resistant to chemical influences and suitable for explosion hazardous areas, we have been working to find a suitable material, PFA MJ-610, and put it into production. With the successful implementation of the coating in production, we have managed to cover a segment of chemical protection that was currently not covered by our existing coatings. We estimate that it could account for 10% of sales in the fluoroplastics product range. A thin-film coating with good chemical resistance and suitability for installation in explosion hazardous areas is particularly suited for the protection of components for customers who require a very tight tolerance range for the protective coating.

## **LABELLING**

We pay particular attention to the classification and labelling of our products to ensure their health and safety. We regularly monitor current legislation and any changes related to labelling. When there is a change in classification and labelling, we align safety data sheets with them, revise safe working instructions and inform customers of the change. We publish safety data sheets, technical data sheets and other information on our website, which is accessible to everyone (customers and other interested parties), further enabling access to information about our products for their safe and healthy use. Our sales professionals are also informed of any changes and provide technical information and advice to customers on the use of the products. We place great emphasis on the feedback from our customers in the field and have not yet received any comments about negative impacts from the use of our products.

All our products are properly labelled in accordance with current legislation. The label on the packaging must be visible and the information on the label legible. Products labelled in this way provide the customer with all the information they need to work safely and healthily. In 2021, a regulation also introduced the inclusion of a unique formula identifier (UFI) on the label for hazardous mixtures to enable poison control centres to act quickly and efficiently in the event of poisoning. We also pay attention and care to packaging waste and unused products – to ensure that they are properly sorted, properly labelled and handed over to authorised collectors.

There have been no non-compliances with the labelling of our products by customers or inspectors. We have also had no incidents related to marketing communication. In the event that a non-conformity is identified internally, it is quickly rectified.



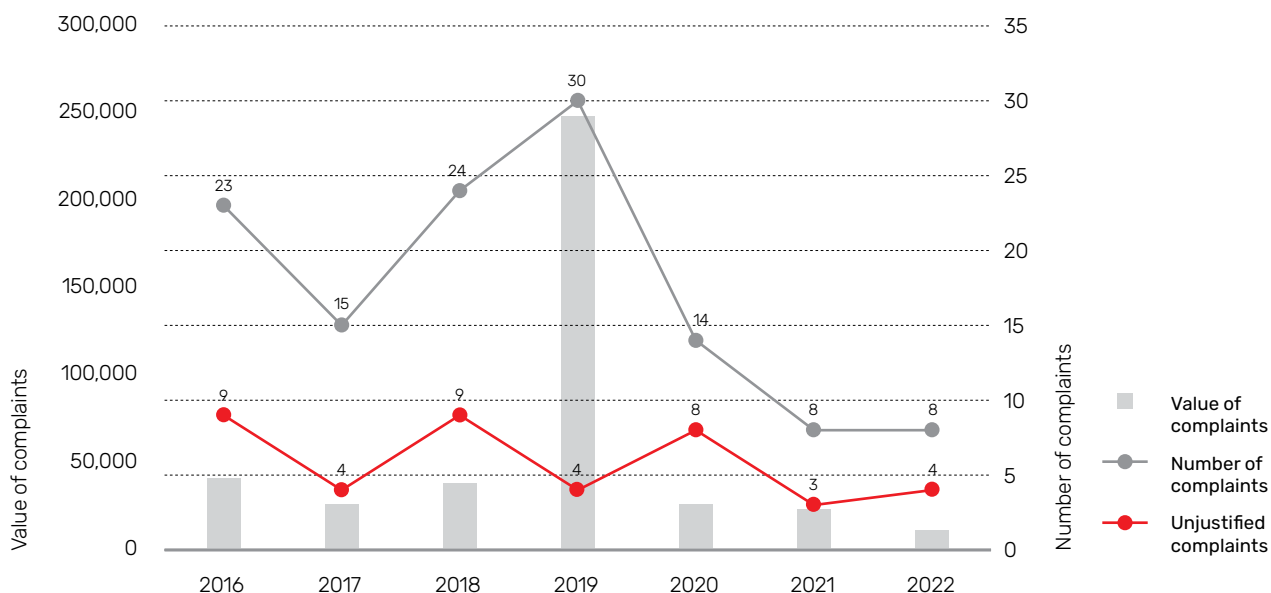
### Certificates of product conformity

We follow market trends and requirements in the production of copper-based products for the protection of plants against diseases and pests, complementing other preventive and cultural measures in agriculture, respecting the principles of good agricultural practice.

Humovit EKO is certified (003/2022) by the Institute of Organic Agriculture as suitable for use in organic production.

The number of customer complaints, claims and comments is regularly monitored and responded to with corrective action. In 2022, there were 8 complaints, 5 of which were unjustified, which were resolved to ensure customer satisfaction. The complaints related mainly to shipping errors and a smaller proportion to quality. A major increase in complaints was observed in 2019. This was due to damage to the packaging during transport, which was successfully resolved with corrective action.

Chart: Number and financial value of complaints in 2016-2022



### CUSTOMER SATISFACTION SURVEY

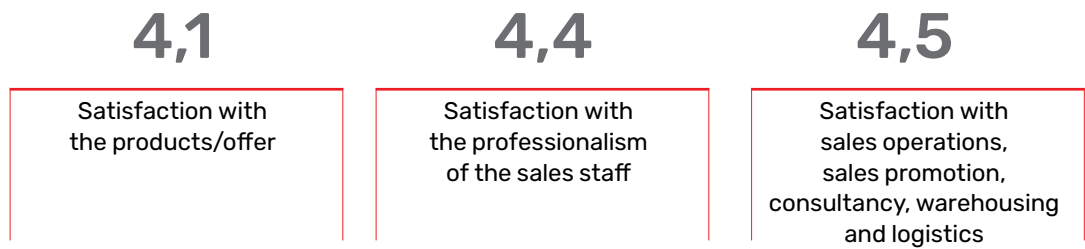
Every two years, we conduct an online survey on customer satisfaction. Seven sales programmes were included in the survey, which was carried out in 2022. The survey was sent to 243 email addresses, with a response rate of just over 50%, which we consider a success.

The survey showed a similar level of satisfaction as in previous years. Average customer ratings in 2022, on a satisfaction scale of 1-5:

- 4.1 for satisfaction with the products/offer: the highest score (4.4) was given to "Delivery times meet our expectations" and the lowest (3.9) to "Value for money is adequate";
- 4.4 for satisfaction with the professionalism of the sales staff: the highest score (4.7) was given to "As individuals they are tidy and well organised", the lowest (4.1) to "Product presentations are helpful";



- for satisfaction with sales operations, sales promotion, consultancy, warehousing and logistics: the highest score (4.6) was given to "If they make promises, they keep them", while the lowest score (4.4) was given to a number of answers on complaints and dispatch of goods.

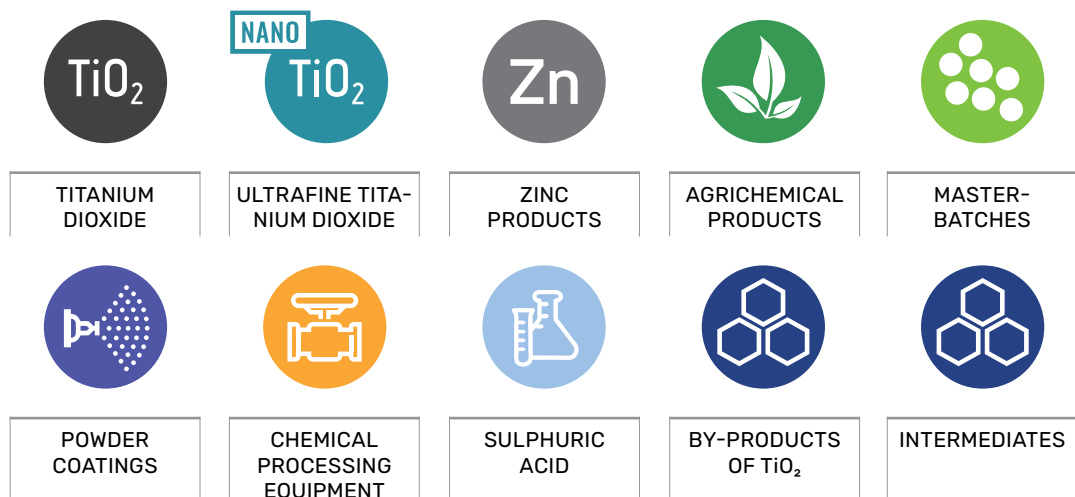


The words that customers used to describe their view of Cinkarna Celje d.d. were professionalism, reliability, quality, punctuality and trust. The majority of the respondents, 76%, did not perceive any problems in their cooperation or did not mention them, while a few had a comment on the price (9%) and on the delivery and sales conditions (6%).

The suggestions for improvement from the customers' side mainly concern the extension of the product range, the improvement of delivery conditions and product quality, and keeping abreast of market conditions, especially in terms of price comparability with competitors.

The results of the survey and detailed analysis by product programme provide sales managers with a more objective assessment of customer satisfaction (CSI – Customer Satisfaction Index) and improvement actions. The customer questionnaire is also modified or updated as necessary.

## Products and solutions





## We are sports fans

*We sponsor sports clubs at the local and national level. As much as 95% of our sponsorship funds are invested in sports activities.*

## RELATIONS WITH THE LOCAL COMMUNITY

We are part of the wider and immediate local environment, in which we are actively involved and support its development in sports, culture and other areas. We also invest in projects to preserve and enhance the natural environment in which we operate. We promote social and environmental responsibility and creativity.

### SPONSORSHIPS AND DONATIONS

Each year, we sponsor major basketball, football and handball clubs, and make donations to support fire brigades, the parish office, music schools, gymnasiums and other organisations.

In the past, we have contributed EUR 40,000 to the purchase of a defibrillator at Celje General Hospital and have also contributed to various infrastructure projects, such as the construction of the Bukovžlak pavement.

In 2022, as the general sponsor of the Kladivar Celje Athletics Association, we made it possible to purchase new athletics equipment, such as cushions and measuring devices for the pole vault. The new equipment was officially handed over for use during the Christmas Meeting of the Kladivar Celje Athletics School in December 2022. The equipment will provide better training conditions for the club members.

Sponsorships and donations are made to organisations that share our values, including:

- Sports associations and clubs: we are the general sponsor of the Celje Women's Basketball Club and the Kladivar Athletics Club, we financially support the Celje Pivovarna Laško Handball Club, the Gorenje Velenje Handball Club, the Celje Football Club, the Celje Basketball Club, the Šentjur Basketball Club, and the Celje Hockey Club;
- Art, cultural institutions and associations: SLG Celje, the Institute for Cultural Events and other cultural and artistic associations;
- Educational, training and charitable organisations and associations: voluntary fire brigades, schools, etc.



Women's basketball club Celje



**Table: Share of sponsorships and donations by area**

Sponsorship and donations	Share of funds
Sports	95%
Culture	3%
Other	2%

**Table: Financial commitments for sponsorships and donations in 2018-2022**

	2018	2019	2020	2021	2022
Donations and sponsorships (in EUR)	735,116	739,164	688,053	637,131	755,725

Over the last five years, we have provided around EUR 3.5 million in sponsorships and donations to sports clubs, associations, educational institutions and local communities. We will continue this policy of supporting the local environment in the future, given the appropriate growth and necessary development of the Company.

#### Assistance to vulnerable groups

Traditionally, in the pre-Christmas period, at the initiative of our kitchen, we participate in the food collection campaign of the SIBAHE (Slovenian Food Bank) association, where we collect a larger amount of food for people in need. In the central dining room of our Company, we offer the Sonček Association for Cerebral Palsy a place to sell their handmade gifts.

#### COOPERATION WITH SCHOOLS AND FACULTIES

We are proud of our multi-year project of intensive cooperation with primary and secondary schools, whose main objectives are to stimulate children's creativity in making and thinking, and to promote awareness of the wider societal importance of industrial production and development. Fourteen successive competitions have been held so far, and a fifteenth is under way.

Each year, the competition highlights a different theme related to our Company's products and our care for the environment. We invite all primary and secondary schools in the region where we have production to participate. Among the topics and areas we have addressed in the competition are the animals found at our waste disposal facilities. As part of this, we have donated a teaching beehive to one of the schools, from which they produce enough honey to use for their own snacks, make various products and even enough honey to take home, thus raising awareness of environmental responsibility among their parents, grandparents and neighbours. In competitions, young people painted flower pots, made benches out of scrap wooden pallets, reflected on the steps towards sustainability that the Company has taken over 150 years, refurbished scrap chairs, sowed honey plants, thought about protecting water resources, etc. At the end of each competition, we organise a closing ceremony to award prizes to the best ideas. The location of the ceremony and the prizes are also chosen in a meaningful way according to the content, making sure that local stakeholders are involved and informed about the competitions and the young people's creative ideas.

On average, up to 35 schools in the region respond to the competition, which means up to 1,400 young people taking part.

We open the door to students for their compulsory practical training and visits to production processes, waste disposal plants, water measurement (chemical technician programme, con-



struction technician programme), and respond to the local needs of educational institutions, with whom we collaborate on project days, research assignments, presentations on professions, etc.

### Local CFA Research Challenge

In November 2022, Cinkarna Celje d.d. was selected as a case study for the CFA Research Challenge, which provides students with practical knowledge in the field of business valuation from the perspective of financial analysis and professional ethics. Filip Koželnik, a member of the Management Board, presented Cinkarna Celje d.d. to the students and their mentors. The presentation was followed by questions from the students and mentors, with whom representatives of Cinkarna also participated throughout the competition process. The result of the collaboration is a detailed report and a model for the evaluation of Cinkarna Celje d.d., which the students developed with the help of their mentors from the faculty and industry. The competition involved teams from the Faculty of Economics at the University of Ljubljana, the Faculty of Economics and Business at the University of Maribor and the Ss. Cyril and Methodius University of Skopje.

The team of the Faculty of Economics of the University of Ljubljana consisted of students Ana Šenk, Gjorgji Gjorshevski and Viktor Kukunesh, and was advised by Prof. Dr. Igor Lončarski from the Faculty of Economics and a practical advisor, Matija Filiplič, CFA. The management members of Cinkarna Celje, Aleš Skok and Filip Koželnik, helped the students with valuable feedback after the local competition. The winning team advanced to further competition at the level of the Southern Europe sub-region.

### OPEN DOOR DAY

We organise an Open Door Day for external visitors. Due to coronavirus restrictions, we had a break of a few years, but in 2022 we organised it again and opened the doors of our production units in Celje and Mozirje to all interested parties. More than 600 people attended and visited the stands where employees from each of the Company's units presented sustainable solutions in each process (waste separation, water reuse, solar panels, etc.). Visitors were taken by bus on a tour of the production site and the Bukovžlak and Za Travnikom sites, where they could also see how gypsum filling is carried out. In total, about half of the visitors took part in the guided tour through the production and to the landfill site. The reaction of visitors and the media to the event was positive.

The Open Door Day was also attended by representatives of ŽKK Cinkarna Celje, NK Celje, RK Celje Pivovarna Laško, Celje Hockey Club, Kladivar Celje Athletic Association and many others.

With the Open Door Day, we want to show visitors our products and their use in everyday life in as practical a way as possible, while at the same time strengthening relations with the local environment.



More than 600 people attended our open Day in 2022.

## VOLUNTEERING AMONG EMPLOYEES

Volunteering is encouraged, valued and supported among our employees. Professional and volunteer firefighters employed by the Company can respond to a call for help in the local area at any time, with the full support of Cinkarna Celje. Our employees also took part in the fire intervention in the Kras region in 2022.

In the past, we have also organised a blood donation campaign among our employees, which we plan to organise again next year. Volunteering among employees is also encouraged through various activities throughout the year, such as the annual end-of-year food collection for the SIBAHE food bank, the purchase of items for donation from the Sonček Association of Cerebral Palsy Associations of Slovenia, and other activities that we carry out when the need arises.

## COMMUNICATING WITH THE PUBLIC

We communicate regularly and transparently with the public through various communication channels, such as our website, social networks, press conferences, direct contact via emails and phone calls, etc.

Events and other relevant information are communicated by invitations and press releases to the Municipality of Celje and surrounding municipalities, local and national media, and other relevant stakeholders in the local environment, depending on the topic and purpose of the message.

We also reach out and inform the local public through social media:

- Facebook: 49.2% of male followers and 50.8% of female followers. The highest proportion of men is between 25 and 34 years old, the highest proportion of women is between 35 and 44 years old. Approximately half of all followers are located in Celje and a post reaches an average of 5,000 people.
- Instagram: 56.5% men (28.6% aged 25–34) and 43.4% women (31.3% aged 35–44) follow our profile. 39.2% of followers are from Celje.

We use social media to communicate with internal and external audiences in a civil manner. Our posts explain the importance of the chemicals industry, and provide updates on renewable investments and sustainable solutions. We encourage followers to submit comments and feedback. In the last two years, we have recorded fewer than ten negative comments.

### Short film series

To make the local community and wider society aware of the importance of our products, we produced a series of short films in 2021, which present our individual products in a simple way, where they are present in everyday life and how they affect us. Each product is introduced with an interview with one of the famous Celje athletes we support. They were all happy to let us into their home and look for an item containing our product. Celje basketball players were excited to discover that masterbatches are also "hidden" in the basketball, Celje footballers discovered the importance of titanium dioxide in jerseys, Celje handball players found parts of the stands coated with powder varnishes, and Celje athletes enthusiastically talked about how, although it is difficult to maintain the flowers in their apartments because of their preparations, they love all home-grown fruit and vegetables when their parents take care of them.

By the end of 2022, the videos on our YouTube channel and on Facebook and Instagram had a total of around 12,000 views.



You can watch the videos on our YouTube channel @cinkarnacelje.

### Celje Firefighters' Association competition in Cinkarna

In June 2022, the Celje Firefighters' Association organised a memorial competition in the area of Cinkarna Celje, which takes place every four years. The two-day event included the Celje Firefighters' Association Youth Competition and the Celje Regional Youth Cup Competition on the first day, and the Celje Firefighters' Association Members' Competition on the second day. We have already provided the venue for this type of competition at Cinkarna Celje twice before, in 2009 and 2017.

### RECEIVING AND RESOLVING COMPLAINTS FROM THE PUBLIC

We have a system in place to receive and resolve complaints. Complaints are received via the email address of our PR or Environmental Protection department. All messages received are forwarded to the relevant authorities. We coordinate our decisions on individual complaints and the preparation of responses to them with the various responsible parties in the Company (depending on the content of the complaint), such as management, the Legal Department, the Environmental Protection Department or specific business units.

We receive up to three complaints or petitions a year via our public relations email address, mainly related to the resolution of a specific issue related to the living environment of the petitioner or complainant, land owned by the Company, etc.

In 2022, we received two complaints from the public about the Celje production site, one about black smoke, which, after checking the operation of the treatment and other facilities, did not come from Cinkarna Celje. The second complaint was about brown spots on a car that had been parked for several days in the car park of the Mercator Hudinja shopping centre. It was found to have no connection with the Company, as no sewage treatment plant outages or other irregularities were recorded at the time.

We also regularly monitor comments and messages on social media. We see 2-3 cases of negative comments per year, but not specific complaints. We never block social media messages or delete comments.

At Kemija Mozirje, we had one noise complaint in 2022. A silencer was installed at the outlet of the ACM10/ACM 25 mills, thus eliminating the cause of the complaint.

**Table: Public complaints in the environment in 2018-2022**

Year	Public complaints by area				
	Odour	Dust	Noise	Other	Total
2018	1	0	0	0	1
2019	1	0	1	0	2
2020	0	1	1	0	2
2021	1	0	1	0	2
2022	0	0	1 (Kemija Mozirje)	2	3





## We monitor air quality

*We perform daily air quality monitoring at two locations of the Cinkarne Celje industrial complex and use ecological monitoring to determine the state of the environment.*



## ENVIRONMENTAL ASPECT

*Cinkarna Celje d.d., as part of the chemical processing industry, is aware of its role in the transition to a green economy, and is part of a value chain that already plays an important role in raw materials for low-carbon, energy-efficient and long-lasting products, and may play an even greater role in the future.*

*Our activities have multiple environmental impacts, which we manage holistically within our own Company and, increasingly, along the value chain. We strategically manage raw materials, energy, air emissions, water, soil and biodiversity, all in light of responsible environmental management, a green and low-carbon economy.*

### OUR APPROACH TO THE ENVIRONMENT

Our environmental policy is part of the Integrated Management System Rules of Procedure, so that elements of the environmental management system are interwoven with all business processes in the Company. From the outset, we have been part of the Responsible Care Programme, the chemical industry's global initiative to improve health, safety and environmental management. It is a voluntary commitment that demonstrates our dedication to these areas, which often goes beyond just regulatory requirements. We regularly monitor and measure our environmental impact and put in place measures to reduce our own impact. Our approach also aims to influence our supply chain and the wider social environment through the integration of environmental criteria in the evaluation and selection of suppliers, and through various education and awareness-raising projects.

We improve our technological processes by investing in the best available technologies, thus minimising our impact on the environment. We integrate renewable energy sources and implement energy efficiency measures. We integrate tools and approaches for integrated energy management into our technological and business processes. In the development of existing and new products, we look for environmentally friendly solutions and opportunities for the beneficial use of by-products. We reduce water and energy consumption, greenhouse gas emissions, and develop a process to recycle waste water as much as possible. We follow a five-step waste management scale, where we aim to make the best use of materials, minimising waste and separating, recovering and reusing waste appropriately. We look for reuse potentials of secondary raw materials in our technological processes or other applications that can be sold on the market.

As part of our environmental policy, we are also addressing our commitment to climate change mitigation and adaptation, and the conservation of biodiversity in ecosystems. We demonstrate responsible environmental and climate stewardship by:

- Complying with environmental legislation;
- Identifying the hazards and risks of environmental impacts;
- Managing risks and implementing actions to prevent potential environmental damage;
- Planning and implementing activities to mitigate risks and responding and communicating quickly in emergency situations to prevent environmental pollution;
- Monitoring the life cycle of products;
- Calculating our carbon footprint at organisational and product levels;
- Contributing to climate change mitigation through various activities.

In 2023, we will develop our strategic commitments in the area of climate change, which are based on environmental business compliance, comprehensive identification and management of environmental impacts, risk management, implementation of activities to prevent environmental damage, and effective management and communication in emergency situations to prevent pollution of the environment.

### **QUALITY ASSURANCE, ENVIRONMENTAL, HEALTH AND SAFETY POLICY**

The policy is based on a vision for growth and the achievement of the Company's key strategic objectives, which are in line with the principles of sustainable development and aimed at achieving satisfaction of owners, employees, business partners and the environment in which we operate. The management system is designed to continuously improve the efficiency and effectiveness of the Company's operations, identifying opportunities and risks, taking into account the needs and requirements of all relevant stakeholders, ensuring adequate resources and compliance with legislative requirements. In doing so, we adhere to the fundamental principles of responsible management of employees and the environment. Through the implementation of the established management system and personal example, managers and executives motivate and involve all employees in contributing to improvements. The adequacy, sufficiency, effectiveness and ongoing implementation of the management system are regularly verified through internal audits and management reviews.

The policy defines basic principles and objectives in the areas of quality assurance, environmental management, safety and health, which relate to customer satisfaction of our products and services, selection of suppliers, consideration of the needs of relevant stakeholders such as employees, owners, the social community and others, qualified and motivated staff, ensuring the health and safety of our employees, responsible environmental management, energy management, ensuring the control and measurement of our products, services and processes, as well as planned development and continuous improvement in order to achieve the set objectives.



The full policy is available on our website at:  
<https://www.cinkarna.si/en/sustainability>.

### **MAJOR ACCIDENT PREVENTION AND REDUCTION POLICY**

We also handle hazardous substances in our operations, so we establish and maintain a high level of major accident prevention and mitigation in our processes as part of our safety management system. This commitment is reflected in the policies we implement with the support of management and the participation of all employees. The policy defines the activities we undertake to ensure safe operations, risk mitigation, adequate preparedness for major accidents, and public information. Incidents are also monitored, but there have been no significant spills or major accidents in the last five years.

The full policy is available on our website at: <https://www.cinkarna.si/en/sustainability>.

### **ENVIRONMENTAL COMMUNICATION, ISSUES AND COMPLAINTS**

We regularly communicate our plans and achievements to all our stakeholders through various forms of communication. Comments and complaints on environmental impacts are accepted at [varstvo.okolja@cinkarna.si](mailto:varstvo.okolja@cinkarna.si), which is published on the Company's website <https://www.cinkarna.si/en/sustainability>.

The Environmental Protection Department is responsible for receiving, registering and responding to questions or complaints from the civil public about environmental impacts. A register of questions and complaints received from the public is kept. Complaints are reported to the Management Board and are also addressed at the annual management review. The details of the accident and emergency notification system and the system for recording public issues and complaints are

set out in OP 183 – Emergency Management and Safety and Response System. Communication with the external public is the responsibility of the Management Board.

### **OBJECTIVES AND MEASURES**

Each year, the Company's management defines the main environmental policy objectives that we pursue in a particular year and on the basis of which we plan and implement actions. In 2022, we therefore focused on the following areas:

- Taking action to address environmental risks;
- Sustainable development and circular economy;
- Maintaining or ensuring regulatory compliance.

### **COMPLIANCE AND STANDARDS**

We comply with legal requirements and environmental permits. Environmental and other risks are managed through an established ISO 9001 quality system, ISO 14001 environmental management system and ISO 45001 occupational health and safety system, and at the Kemija Mozirje site we are registered in the EMAS environmental management and audit scheme, which is designed to assess and improve the environmental performance of organisations and to inform the public about its impact.

Over the last five years and more, we have not been fined or sanctioned for non-compliance with environmental legislation and regulations.

### **ENVIRONMENTAL MONITORING**

We regularly monitor wastewater, surface water, groundwater, soil, air emissions, noise sources, waste assessment, tank tightness and other required environmental monitoring. We are authorised to carry out environmental monitoring of wastewater (No 35435-19/2021-4) and accredited for sampling and testing (LP-050 Cinkarna Celje d.d.).

In 2022, the accreditation of the Quality Department's and the Environmental Protection Department's laboratories to ISO 17025 in the field of wastewater sampling and testing was reconfirmed with a successful external audit.

### **RESPONSIBLE CARE PROGRAMME**

We are members of the Responsible Care Programme® (RCP) group of the Chemical Industries Association. Each year we meet all our obligations, as evidenced by our Responsible Care Report. This demonstrates our voluntary commitment to continuous improvement in environmental, health and safety performance. We have been participating in the programme since the initiative's inception in 1998.

### **ENVIRONMENTAL DUE DILIGENCE**

We are very conscious of our environmental responsibility in the environment in which we operate, which is why we carried out an environmental due diligence as early as 2013, when the risk of old burdens in the current production area was identified. We continued our investigations in this area in 2015–2019 with an external contractor, CDM Smith. The data will be taken into account in the preparation of the Baseline Report in accordance with the Environmental Protection Act 2.

### **ECOVADIS SUSTAINABILITY RATING**

For 2021, we were awarded the Ecovadis Sustainability Rating Silver Medal, for which sustainable purchasing is assessed alongside environmental protection, protection of human rights and employee health and ethics. The rating for 2022 will be available at the end of April 2023.

## HACCP SYSTEM MANAGEMENT

In 2004, we introduced the HACCP system in the food preparation unit, which was completely overhauled in 2017 in cooperation with the National Laboratory for Health, Environment and Food (NLZOH). The system is rigorously implemented to reduce the risk of contamination and is continuously being improved. Supervision and advice is provided by the NLZOH, which carries out two inspections per year in the central kitchen and one inspection per year in the Marketing and Maintenance distribution units. No non-compliances were detected during the inspections in 2022. To ensure the successful implementation of the HACCP system, we organise bi-annual training for our employees in cooperation with NLZOH.

## RAW MATERIALS MANAGEMENT

Ensuring the availability of high-quality raw materials is of strategic importance for our smooth operation on the market and for the production of our products. When selecting new or alternative raw materials, we take into account not only the suitability (functionality) factor, but also the environmental, safety and health impact of the raw material, which is verified during the development phase. We take into account constraints to ensure biodiversity and the preservation of ecosystems by minimising environmental impacts. We are selective in the raw materials we use. We have discontinued the use of certain raw materials which, according to new analyses and research, no longer meet the criteria, we have replaced certain raw materials with less or non-hazardous ones and we have reduced the proportions of certain raw materials in our products.

We ensure compliance with REACH and GHS regulations for the classification and labelling of hazardous chemicals. All raw materials and products classified as hazardous chemicals are registered with the Chemicals Office, where we send annual records of their movements. For other hazardous and non-hazardous chemicals, we have safety data sheets in accordance with the requirements of the legislation. We regularly monitor the published SVHC list, i.e. the list of substances of very high concern subject to authorisation, on the ECHA (European Chemical Agency) website.

Our business model is to produce as much of the highest quality product as possible in the most efficient way, while minimising our impact on the environment and climate. Unprofitable activities are being phased out. We look for innovative and sustainable solutions to reuse raw materials and thus reduce waste. Two examples are CEGIPS and RCGIPS, and we are developing new products. The photocatalytic properties of our ultrafine TiO<sub>2</sub>, when incorporated into various end-use applications, contribute to reducing indoor and outdoor pollution, in water and air, break down harmful volatile organic compounds (VOCs) and other pollutants, provide a self-cleaning effect, prevent algae and mould growth, and act as an antiviral and antibacterial agent, thus improving the quality of life and environmental conditions.

We are also expanding the range and quantity of copper-based plant protection products, also suitable for organic farming, various types of masters and powder varnishes, as well as processing fluorinated polymers and elastomers.

## USE OF RAW MATERIALS

By using raw materials to make our products, we impact the environment through the use of natural resources by the producers of each raw material. We are conscious of their efficient use and carefully manage our processes to minimise waste. We strive to maximise the efficiency of the raw materials we use, thus demonstrating a rational attitude towards natural resources and generating fewer by-products or waste.

In terms of invoice value, we analysed the 50 most used raw materials across all business units in 2022, which together account for 86% of the purchase invoice value. Our main materials used in



the production process are titanium-bearing ores, sulphur, limestone flour, lime, polymer materials, copper and zinc. In addition to the raw materials used for production, we also use as non-renewable materials the various materials needed for packaging our products.

Within the group analysed, wood pallets and paper bags can be identified as renewable materials, representing 1% of the value analysed.

At **Kemija Mozirje**, we use a variety of raw materials to supply individual technological processes, which are divided into binders, pigments, fillers and additives. The binders are mainly various resins (mainly polyester and epoxy) and polymer carriers (polyethylene, polystyrene, polypropylene, ABS, EVA, EMA, etc.). The majority of pigments are titanium dioxide, which is produced by the parent company in Celje (from the Company's point of view, this is a semi-finished product). We also use a range of other pigments, both inorganic and organic, all of which are free of heavy metals. The fillers are mainly calcium carbonate and barium sulphate. We also use various additives that determine the properties of the products, such as rheological additives, degassing additives, matting agents, waxes, etc.

Since 2018, when we stopped producing coatings and thinners, we do not incorporate solvents into our products. They are used only in small quantities for cleaning production equipment in both production programmes and are listed under the group related process materials. Most binders, additives, pigments and fillers are solid and, in terms of quantity, are mostly non-hazardous chemicals. Hazardous chemicals include used cleaning solvents which are in a liquid state.

### **Titanium-bearing ores**

The use of raw materials depends entirely on production quantities and recipes. For pigment production, the key raw materials are titanium-bearing ores, where deposits are limited and we source them from more distant countries. Due to longer transport routes, we operate on the principle of larger orders 2-3 times a year, within the limits of our warehouse capacity. We use only rail transport to transport ore from the port of Koper to our site in Celje. Sulphur is also an important raw material and can be used in liquid or granulated form. By ensuring sufficient quantities of liquid sulphur, we can reduce the need for granulated sulphur, which is otherwise supplied in larger quantities by ship from Mediterranean countries. For other raw materials and packaging for all programmes, we prioritise closer suppliers, so the transport route is one of the factors in the choice of supplier. The technologists of each area, together with the purchasing department, regularly examine alternatives that could have a positive impact on the environment.

### **Sulphuric acid**

The production of titanium dioxide in the process of decomposition or smelting of titanium-bearing ores (ilmenite and slag) requires sulphuric acid, which is prepared by pure sulphur combustion technology. Most of the sulphuric acid produced is consumed in the production of  $\text{TiO}_2$ , in the process of decomposition of titanium-bearing ores, which is the primary use of the sulphuric acid produced. Surplus quantities are sold on the market, mainly to the chemical and pharmaceutical industries.

### **Other raw materials**

In the production of powder varnishes and masterbatches, we do not follow trends in the consumption of individual groups of raw materials, as the proportions of individual raw materials can vary considerably from year to year, depending on the range of finished products (in particular, the production of masterbatches has a major impact on this). In order to evaluate the efficient use of raw materials, we look at the yield, which is the ratio between the output of products and the consumption of raw materials.

## PACKAGING MATERIALS

We use paper and cardboard, plastic, wood, metal and composite packaging.

We use paper and cardboard packaging made from recycled materials, including octabins, cardboard leaflets, cardboard and paper labels. For tertiary packaging purposes, we use wooden pallets for transport.

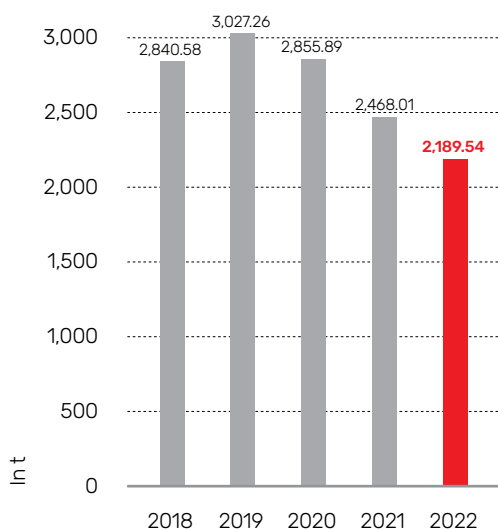
Plastic packaging includes polythene bags, film and labels, polypropylene bags (big bags), strapping, ties, plastic bottles, plastic buckets, etc. Some plastic packaging is made from recycled plastics.

We keep records of all the packaging we put on the market, separated by material and by volume. We are part of a packaging scheme, which regulates the handling of packaging that is placed on the market with the product.

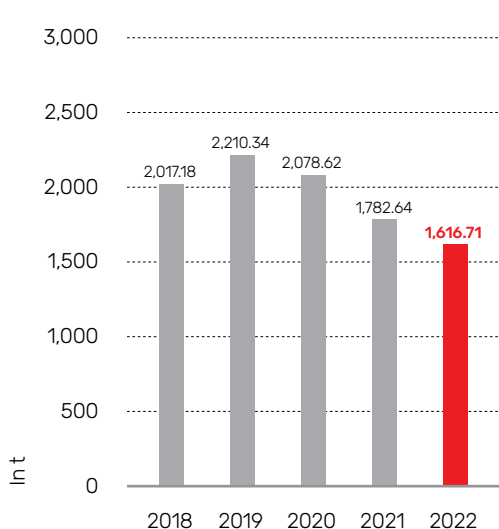
**Table: Consumption of packaging materials by packaging type in 2018-2022 (in tonnes)**

Year	Type of packaging in tonnes					Total
	Paper	Plastic	Wooden	Metal	Composite	
2018	296.46	423.34	2,017.18	43.29	60.31	<b>2,840.58</b>
2019	268.98	455.53	2,210.34	35.41	57.00	<b>3,027.26</b>
2020	223.37	466.85	2,078.62	42.62	44.43	<b>2,855.89</b>
2021	195.37	455.15	1,782.64	21.35	13.50	<b>2,468.01</b>
2022	151.23	393.57	1,616.71	6.49	21.54	<b>2,189.54</b>

**Chart: Consumption of packaging materials in 2018-2022 (in tonnes)**



**Chart: Consumption of wooden packaging in 2018-2022 (in tonnes)**



The consumption of packaging materials is largely linked to the volume of sales. Over the years, the amount of packaging used has been decreasing, mainly due to the discontinuation of certain production programmes, which in turn reduces packaging consumption. However, packaging

reuse measures are also being implemented, in particular of wooden pallets and big bag sacks, which is reflected in the consumption of wooden and plastic packaging.

## RECYCLED INPUT MATERIALS

We do not buy recycled input materials in large quantities, mainly scrap copper, iron and zinc. We have a licence to process nine types of waste, according to the following processes:

- R04 – Recycling/recovery of metals and their compounds;
- R05 – Recycling/recovery of other inorganic materials;
- D13 – Merging or mixing prior to any of the operations indicated by D1 (disposal in or on land, e.g. landfilling) to D12 (permanent storage, e.g. emplacement of containers in a mine).

Processed waste replaces virgin raw materials (non-ferrous metal scrap, scrap iron, including one hazardous waste) in the production of plant protection products, secondary zinc and titanium dioxide (see table Recycled input materials used). All of these materials come to us in bulk or without packaging.

In 2022, BU Kemija Mozirje processed two tonnes of polymethylmethacrylate (PMMA) recycle at the request of a customer who supplied the recycle to be incorporated into a product purchased from us.

The amount of recycled input materials used depends on the volume of production, the availability and the price of other raw materials that may affect the use of recycled materials.

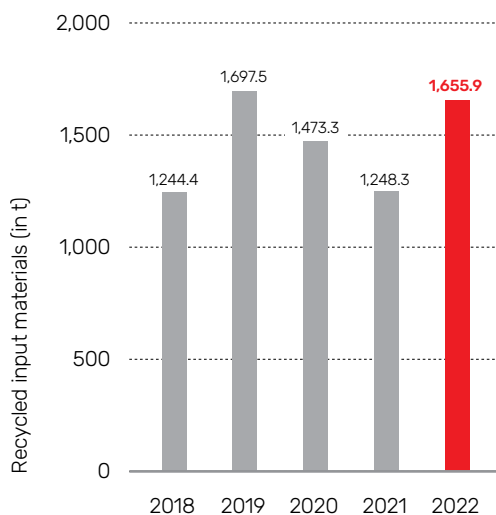
**Table: Recycled input materials used in 2018–2022 (in kilograms)**

Raw material consumption (kg)	2018	2019	2020	2021	2022
For processing under R4	228,935	386,079	269,112	294,891	179,683
For processing under R5	1,015,419	1,311,456	1,204,164	953,440	1,476,238
<b>Total</b>	<b>1,244,354</b>	<b>1,697,535</b>	<b>1,473,276</b>	<b>1,248,331</b>	<b>1,655,921</b>

R04 – Recycling/recovery of metals and their compounds

R05 – Recycling/recovery of other inorganic materials

**Chart: Recycled input materials used in 2018–2022 (in kilograms)**



At BU Kemija Mozirje, we occasionally add finished products to our input materials which, for various reasons, we cannot place on the market, such as:

- Products that have been held for a long time without stock movement and sales are not expected;
- Products that are packaged in different packaging than the buyer wants;
- Non-conforming products incorporated in small proportions into conventional products after a preliminary test.

### REUSED MATERIALS

In addition to rational use of raw materials, technical and organisational measures to prevent or reduce waste, we also aim to reduce waste through internal or external waste recycling and reuse of waste and materials.

We reuse certain materials in our production process, namely a certain proportion of wooden pallets and packaging, and we also return to the production process technological waste that would otherwise end up as waste. We also try to reuse as much as possible of the waste generated during construction work, or to recover and reuse it on construction sites.

**Table: Reused wooden pallets in relation to total wooden pallets purchased in 2020-2022**

	2020	2021	2022
Purchase of pallets (pcs)	60,692	60,138	57,036
Reused pallets (pcs)	100	906	2,010
Share of used pallets	0.16 %	1.51 %	3.52 %

Note: Reused pallets do not include pallets returned from customers.

The production of **powder varnishes** generates filter powder at the mills, most of which is treated as process rejects, some of which is also disposed of as waste. Most of it is incorporated in the production of existing products:

- As a filter powder (i.e. in powder form), which is added by weight at the same product quality;
- As chips: the filter powder collected is pre-extruded by shade (white, yellow, red, blue, etc.) and crushed into chips on a cooling belt. After preliminary testing, it is incorporated as one of the input materials in the individual grades of powder varnishes.



Waste filter powder, pre-extruded, crushed into chips and ground again, we add to the mass of the same product quality.





*In the production of masterbatches, the technological waste of clean materials is returned in its entirety. We collect it according to shades, make granules and return it as an input material in the production of products.*

We do not monitor the amount of embedded technological discard on a programme-by-programme basis. However, according to separate records, in the powder coatings programme, 69,469 kg of filter powder were incorporated into our existing products in 2022.

**Masterbatch** production is subject to technological waste during line starts and stops. The rejects take the form of cakes, spaghetti and granules of irregular sizes and shapes. All rejects are collected by shade (white, blue, red, yellow, etc.), ground or granulated and returned as one of the input materials in the production of existing products.

The **Z6 filter** produces a powdery process reject, which is a mixture of pigment and filler. It is incorporated in the production of white "CC master off-grade", together with the process reject of white masterbatches.

We also optimise the use of packaging materials by reusing them in our processes. Paper and cardboard packaging (folders) are used instead of cardboard cut-offs, which are placed on the pallet before the finished product is stacked on it. The used octabins are used for packaging new product or for collecting process rejects from masterbatches.

Polypropylene bags, which include all big bags, are reused for packaging or collecting process rejects, either at powder mills or in the production of masterbatches.

At **BU Metalurgija**, we carefully plan and manage the reuse of both production and packaging materials. In the production of zinc products, various technological rejects occur that do not meet customer requirements, or are simply rejects at the beginning or end of the process. There is also the possibility of contamination by unwanted elements, which make the product itself exceed the values defined in the standards and thus unfit for sale. All such rejects are recovered in a controlled manner and used in the manufacturing process. When zinc is smelted, zinc oxides are formed on the surface, which must be carefully removed before the casting process, as they would otherwise constitute unwanted inclusions in the final product. These can cause cracking and breakage of the material at the end customer, so the removal of zinc oxides is particularly important. The reuse of these skimmings is carried out in a special rotary furnace where, by means of higher temperature, rotating contact and in the absence of oxygen, most of the bound zinc is removed. The process yields a recovery of approximately 90% and the resulting melt is used as secondary zinc in the production of alloys.

Similarly, with packaging materials, we work with individual customers to find and implement circular solutions. At BU Metalurgija, we provide a remelting service for extrusions. This is a high-volume reject, so we have worked with the customer to purchase special bins that are rotated continuously. This avoids significant costs and facilitates easier handling. Once the remelting is complete,



*A significant part of the reused materials is represented by our good practice of remanufacturing valves and piping elements.*

the product is transported on specially designed pallets of the appropriate dimensions, which also circulate, replacing only the pallets that are completely destroyed. Pallets that can be repaired are restored accordingly. Packaging is also rotated in the production of endless zinc wire in cooperation with one of our customers, who regularly takes at least six tonnes or more per month.

**BU Polimeri** is also committed to reusing materials. We carefully separate waste materials from metal machining and polytetrafluoroethylene (PTFE) materials. We sell this separately collected waste for recycling. An important part of the reused materials is our good practice of refurbishing valves and piping components, which we have extended from our internal service to external customers. It is a kind of repair service of damaged elements. First we assess the condition of the element by inspection, then we reuse the undamaged parts and replace the others with new components. The value of the service is 65-80% of the price of a new product

## **BY-PRODUCT PRODUCTION**

### **RCGIPS red gypsum**

RCGIPS is our trademark, a by-product of the production of titanium dioxide. It is the neutral product of neutralising the residual sulphuric acid from  $TiO_2$  production with limestone flour and lime milk. It is reddish-brown in colour, coarse-grained, partially bondable and of a moist character. In addition to gypsum ( $CaSO_4 \times 2H_2O$ ), it contains iron oxides, titanium dioxide and traces of silica and magnesium hydroxides.

RCGIPS can be treated in a similar way to natural soils of excavation category 2-3. This product has better strength properties, embankments can be formed at stable slopes of 1:2 to 1:1.5, and its surfaces can be driven on by trucks or other vehicles. The layers of compacted, packed titanium gypsum have low to very low permeability to water. Compacted titanium gypsum is an excellent alternative to natural soils for the following uses: backfilling in low-rise construction, especially for controlled backfilling of old wet landfills (Za Travnikom accumulation), for flood and noise barriers, capping layers on landfills, and for structural embankments up to 5 m high which are not subject to dynamic (traffic) loads. The material is suitable if its moisture content does not exceed 35% (geotechnical moisture content). All the material produced since 2008 is used for the dry fill of the Za Travnikom waste disposal plant. In 2022, 190,400 tonnes of RCGIPS were produced.

### **CEGIPS white gypsum**

CEGIPS is our trademark white to slightly brownish powder with a moisture content of 6-12%, which is purified by a suitable separation technique to above 95% calcium sulphate dihydrate, known as gypsum. Gypsum is a neutral inorganic salt with an average particle size between 80 and 100 microns. According to the Regulation in force, the levels of hazardous substances are

below the annual soil intake limits. In industry, it can be used directly in the cement industry as an alternative to natural gypsum or gypsum produced from the desulphurisation of flue gases from thermal power plants (REA-gypsum, FGD-gypsum), and indirectly by further calcination in the production of gypsum building products (gypsum plasters, self-levelling floor screeds). In cement works, it is used as an additive to cement to prevent mortar from setting too quickly or falsely at a rate of 3-5%. CEGIPS has been successfully marketed since 2006. 167,200 tonnes of CEGIPS were produced in 2022.

## WASTE MANAGEMENT

We follow a five-step waste management scale, where we aim first and foremost to manage materials efficiently, minimising the amount of discarded materials that can be returned to the production process or reused, and handing over the rest to authorised waste collectors and processors for treatment or disposal. We are looking for innovative solutions to efficiently use gypsum and other waste materials as a raw material with new added value for our own needs and to offer it on the market.

At both the Celje and Mozirje sites, we are implementing measures or pursuing waste management improvement targets to reduce specific waste volumes. We operate according to a source separation system. For certain wastes, we have a recovery permit, which allows us to reuse them in our production processes, replacing a certain proportion of natural resources with recovered materials. Gypsum represents the largest proportion of the waste disposed, but it has a special disposal status as it is used for dry filling.

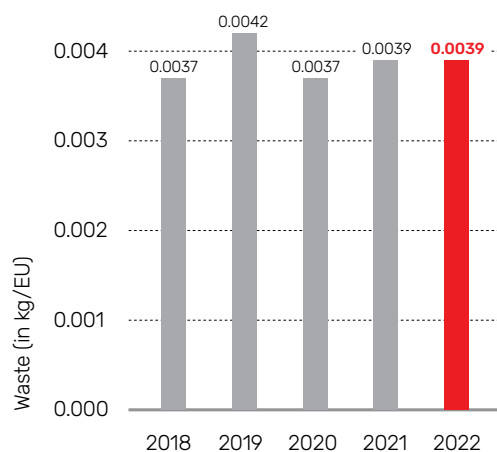
The Company also generates hazardous waste. All hazardous waste is handed over to authorised waste collectors. The waste is either sent for treatment (following one of the R3-R13 processes) or disposal (D1-D13).

**Table: Production waste generated per unit of product in 2018-2022**

	2018	2019	2020	2021	2022
Specific waste quantity (kg/EU)	0.0037	0.0042	0.0037	0.0039	0.0039

EU = equivalent unit per unit of product

**Chart: Specific waste quantity per unit of product in 2018-2022 (in kg/EU)**



**Table: Production waste generated at the Celje and Mozirje sites in 2018–2022 (in tonnes)**

Celje site

Type of waste (tonnes)	2018	2019	2020	2021	2022
Non-hazardous waste – R	367.07	342.02	396.33	364.27	378.29
Non-hazardous waste – D*	153,026.50	182,125.00	171,106.98	176,108.50	176,589.00
Hazardous waste – R	19.88	11.34	6.27	9.40	7.38
Hazardous waste – D	25.56	123.38	86.45	19.41	36.75
<b>Total</b>	<b>153,439.01</b>	<b>182,601.74</b>	<b>171,596.03</b>	<b>176,501.58</b>	<b>177,011.42</b>

Mozirje site

Type of waste (tonnes)	2018	2019	2020	2021	2022
Hazardous waste	2,512	29.54	1.73	2,533	1,628
Non-hazardous waste	70,868	71,241	72,595	46,840	45,628
<b>Total</b>	<b>73.38</b>	<b>100,781</b>	<b>74,325</b>	<b>49,373</b>	<b>47,256</b>

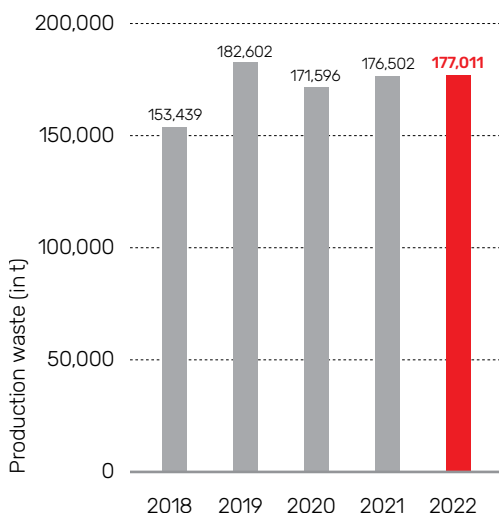
<b>Celje and Mozirje together</b>	<b>153,439.01</b>	<b>182,702.52</b>	<b>171,670.36</b>	<b>176,550.95</b>	<b>177,058.68</b>
-----------------------------------	-------------------	-------------------	-------------------	-------------------	-------------------

R – waste for recovery

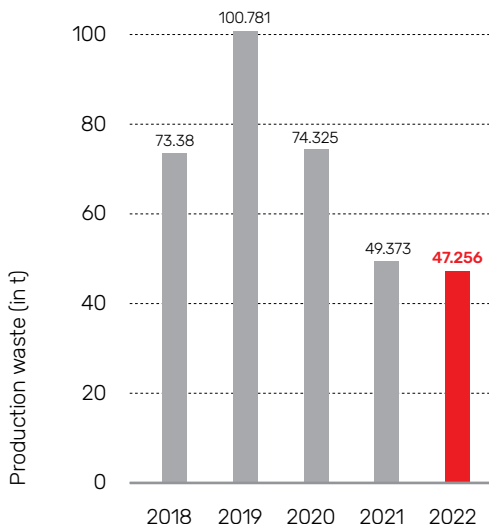
D – waste for disposal

\* The waste tonnage also includes red gypsum, which is dry-filled at the Za Travnikom waste disposal facility.

**Chart: Production waste generated at Celje site in 2018–2022 (in tonnes)**



**Chart: Production waste generated at Mozirje site in 2018–2022 (in tonnes)**





In 2022, the Company sent 9,323 kg of organic waste (food preparation waste and food waste) for treatment, slightly more than in 2021 (8,548 kg). The slight increase is due to the higher quantity of hot snacks prepared for employees. All of this was converted into renewable energy, saving a calculated 839 kg of CO<sub>2</sub>.

In the area of waste management, five improvements were made in 2022 to find solutions to reduce or reuse waste. The specific amount of waste from production was the same in 2022 compared to 2021. There is an upward trend in the amount of waste going to recovery and a slight downward trend in the amount of waste going to landfill. However, there are fluctuations between years. The higher waste in 2022 is due to a slight increase in production or also due to the success of the recovery and sale of white gypsum as a by-product. The more white gypsum is extracted and sold, the less red gypsum is produced and dry-filled.

We also pursued an objective related to the implementation of measures to extend the availability of waste disposal facilities, with the aim of removing larger quantities of CEGIPS, selling it and thus reducing the burden on the Za Travnikom waste disposal facility. The amount of CEGIPS recovered in 2022 was slightly higher (2.86 t/t TiO<sub>2</sub>) than in the previous year, by 3.1%. The amount of RCGIPS dry-filled was also slightly higher (2.9 t/t TiO<sub>2</sub>) than in 2021, by 0.3 per cent.



*Za Travnik – a waste disposal facility*





## Renewable resources to save energy

*As an energy-intensive company,  
we reduce energy consumption and  
invest in our own solar power plants.*

## ENERGY MANAGEMENT

Active energy management in our business and production processes ensures compliance with European guidelines and the ISO 50001 – Energy Management Systems standard, which we follow at Cinkarna Celje d.d. This approach optimises energy use while reducing energy costs, increasing the Company's competitiveness and introducing investments for the transition to a low-carbon society.

Since 2006, we have been systematically implementing energy efficiency measures by investing in the best available technologies, implementing a number of organisational measures, systematically replacing outdated metering and energy supply equipment, rehabilitating pipelines (steam, water) and replacing and installing efficient electrical and electronic equipment. We are also involved in the greenhouse gas (TGP) trading scheme. We carry out targeted monitoring of energy use (CSRE) using target lines based on standard energy consumption (energy consumption vs. production). We have carried out a comprehensive energy audit of the Company, which is the basis for further steps in energy management. The selected external contractor carried out a review of the situation and a set of possible measures which, depending on the impact, were included in the 2022 plan. These measures include:

- Organisational measures to save and use energy efficiently;
- Replacing old electric motors with energy-efficient IE3 motors
- Renewal of lighting - replacement with LEDs;
- Compensation of reactive energy;
- Installation of frequency regulators;
- Installation of solar power plants: three 1.5 MWp solar power plants were built in 2022, with an annual production of 1,650 MWh.

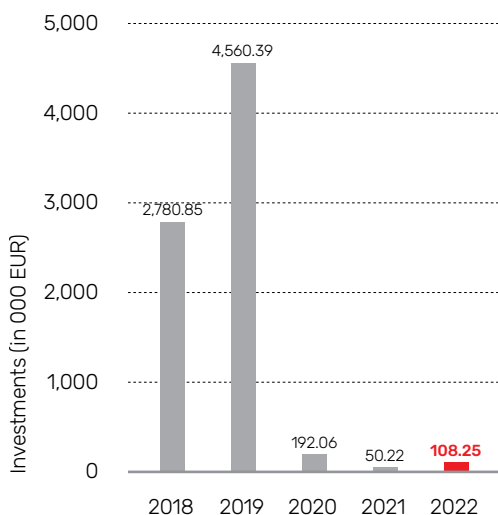
The results of the measures are monitored, but not evaluated according to recognised methods for monitoring the effectiveness of the measures. More than 90 energy efficiency measures have been implemented between 2005 and 2022, and here are some of the ones with the biggest savings:

- Installation of a compressed air pressure vessel;
- Installation of a steam accumulator;
- Installation of steam exchangers in the pre-drying process
- Modernisation of the Siemag pre-roll line pos. 04.01 in the rolling mill;
- Optimum use of heat sources from sulphuric acid – phase one;
- Replacement of lamps for external lighting at Cinkarna Celje in accordance with the regulation on limit values for light pollution – UREE1 tender;
- Utilisation of condensate heat sources – TiO<sub>2</sub> thermal substation;
- Construction of thermal insulated façades on marketing and operational maintenance buildings;
- Renovation of obsolete interior lighting – replacement with LEDs, etc.

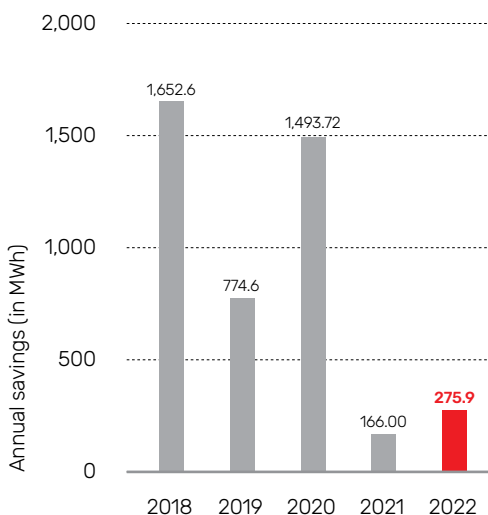
**Table: Investments and savings in 2018-2022**

		2018	2019	2020	2021	2022
Investment value in EUR		2,780,848	4,560,390	192,061	50,215	108,252
Total annual savings	EUR	111,630	103,339	235,591	16,274	35,945
	MWh	1,652.6	774.6	1,493.72	166.00	275.9

**Chart: Investments in 2018-2022**  
(in 000 EUR)



**Chart: Total annual savings in 2018-2022**  
(in MWh)



**ENERGY CONSUMPTION**

Cinkarna Celje d.d. is an energy-intensive company because the energy intensity percentage (EIP) of the Company is more than 3% (according to Article 96(2) of ZTro-1). The energy intensity is calculated as the quotient between the annual cost of purchasing energy products and electricity in EUR and the production value in EUR, or with the AOP codes from the income statement as a percentage of  $EIP = (AOP\ 132 / AOP\ 126) \times 100$ .

In 2022, EIP's share in the Company was 7.18%. This means that the annual cost of energy and electricity procurement was 7.18% of the total production value. The cost of energy purchases includes natural gas, electricity and fuel for vehicles (trucks and cars).

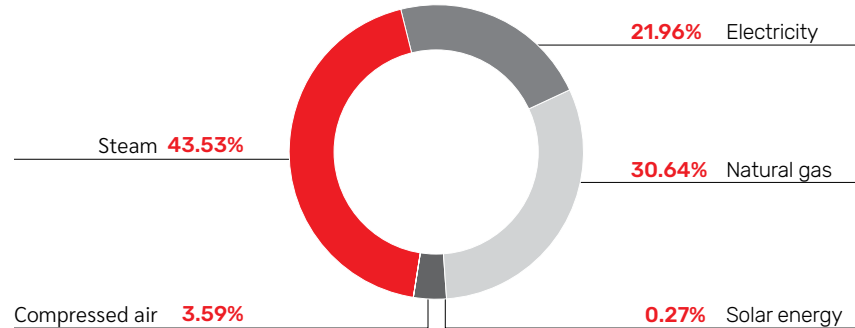
Since 2006, we have been systematically implementing measures to use energy efficiently and reduce energy consumption. The implementation of energy efficiency measures is based on a plan of indicative targets set each year by the Company's management. The four most important areas in which we regularly optimise energy use in the Company are waste heat recovery, compressed air production and consumption, frequency control of electric motor drives, and the replacement of lighting with LED lighting.

Production is optimised through new technological approaches, the planned replacement of obsolete metering and energy supply equipment, the planned rehabilitation of pipelines (steam, water), and the replacement and installation of efficient electrical and electronic equipment.

We use gas, electricity, steam and, from 2022, solar energy from our own solar power plant as energy sources in our business and production processes.



Chart: Share of energy consumed by source in 2022



The largest energy consumer is titanium dioxide production, where the savings are also the largest. Energy consumption is highly dependent on production volumes and various disturbances in the production process. Nevertheless, the specific energy consumption for TiO<sub>2</sub> production is decreasing (see chart Specific energy consumption for titanium dioxide production in 2005-2022). This is significantly influenced by the implementation of energy efficiency and conservation measures.

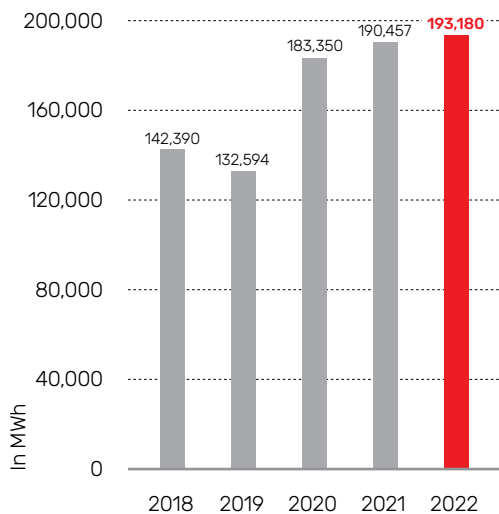
Table: Energy consumption in 2018-2022 (in kWh)

Type of energy (in kWh)	2018	2019	2020	2021	2022
Steam	142,390,400	132,593,600	183,349,600	190,456,800	193,180,000
Electricity	93,537,365	100,327,039	101,350,402	98,480,843	97,470,677
Natural gas	126,043,993	137,129,268	145,776,927	144,443,478	135,988,503
Compressed air	9,919,187	11,030,267	12,040,832	11,232,542	15,950,618
Solar energy	0	0	0	0	1,189,055
<b>Total:</b>	<b>371,890,945</b>	<b>381,080,174</b>	<b>442,517,761</b>	<b>444,613,663</b>	<b>443,778,853</b>

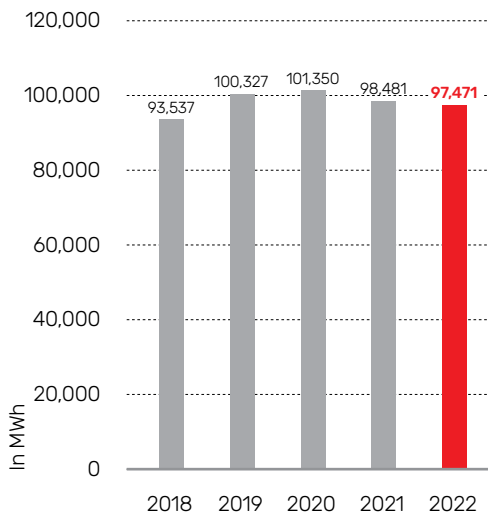


Steam is the most used energy source.

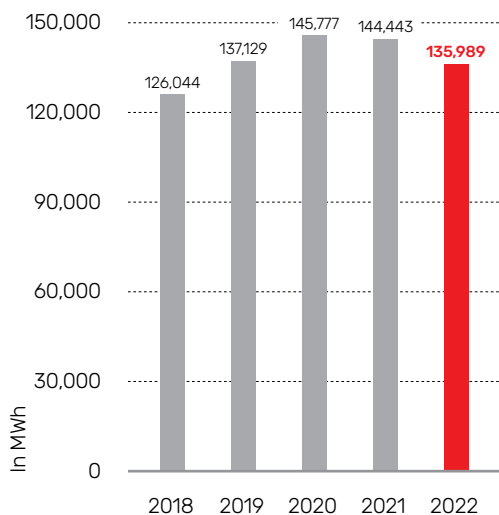
**Chart: Steam consumption in 2018-2022 (in MWh)**



**Chart: Electricity consumption in 2018-2022 (in MWh)**



**Chart: Natural gas consumption in 2018-2022 (in MWh)**



**Chart: Compressed air consumption in 2018-2022 (in MWh)**

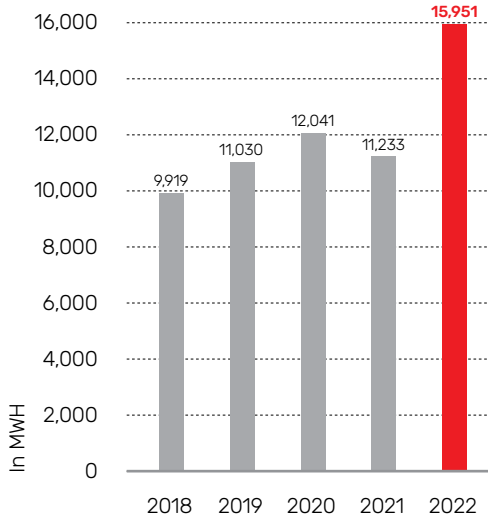


Table: Specific energy consumption for production per equivalent unit (EE) in 2018–2022 (in MWh/EE)

Specific energy consumption (MWh/EE)	2018	2019	2020	2021	2022	Index 2022/2021
Electricity	0.0023	0.0023	0.0022	0.0022	0.0021	95 %
Natural gas	0.0027	0.0026	0.0027	0.0032	0.0030	94 %
Renewables (steam, solar)	0.0032	0.0043	0.0042	0.0043	0.0042	98 %
Compressed air	0.00024	0.00026	0.00026	0.00025	0.00035	140 %
<b>Total</b>	<b>0.00844</b>	<b>0.00946</b>	<b>0.00936</b>	<b>0.00995</b>	<b>0.00965</b>	<b>97 %</b>

Chart: Specific energy consumption for production per equivalent unit (EE) in 2018–2022

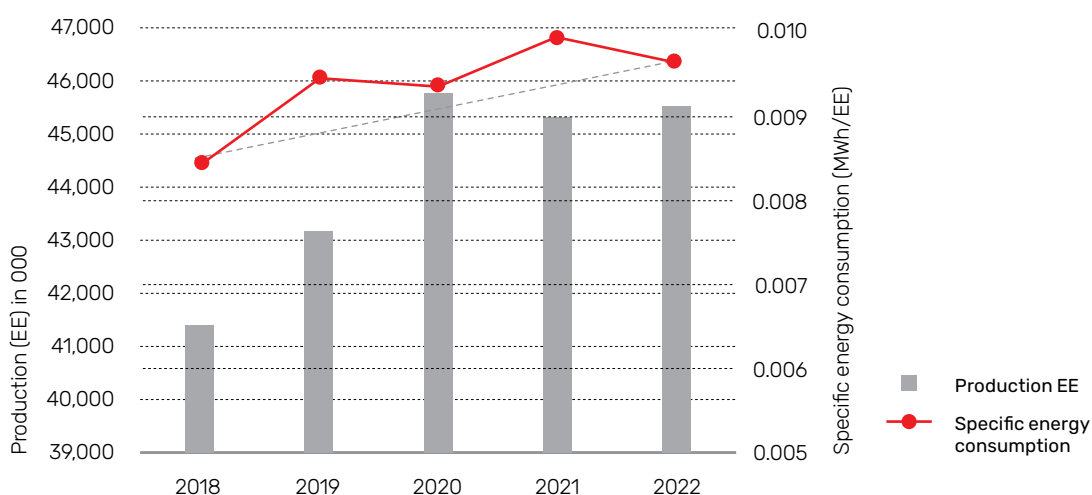
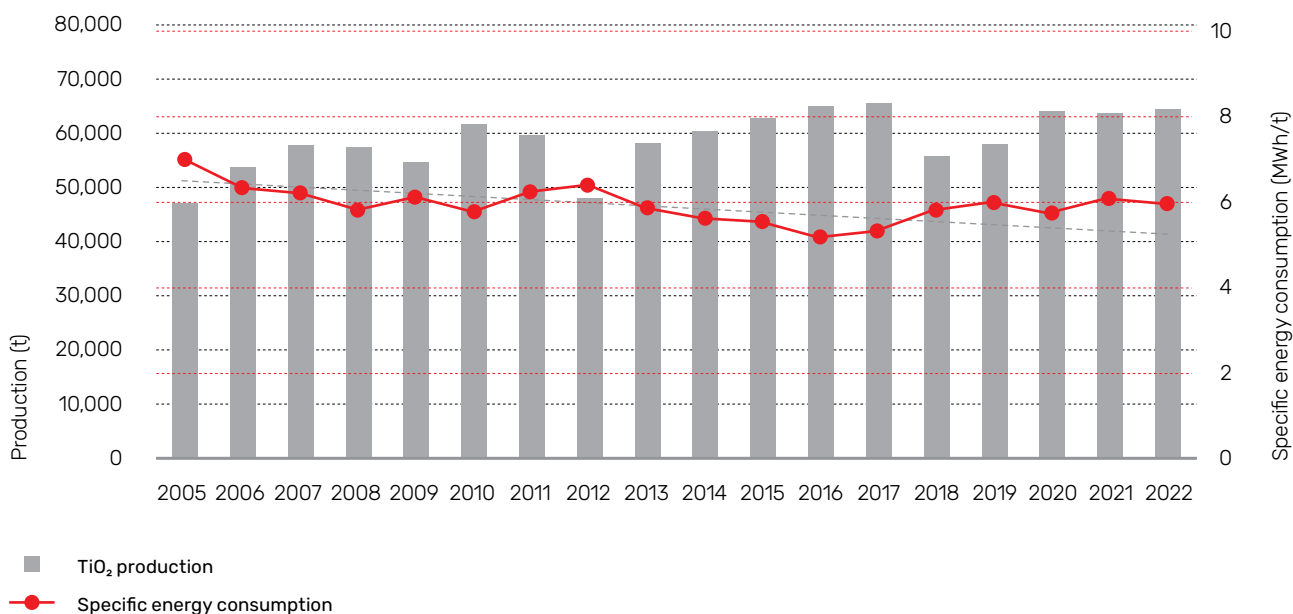
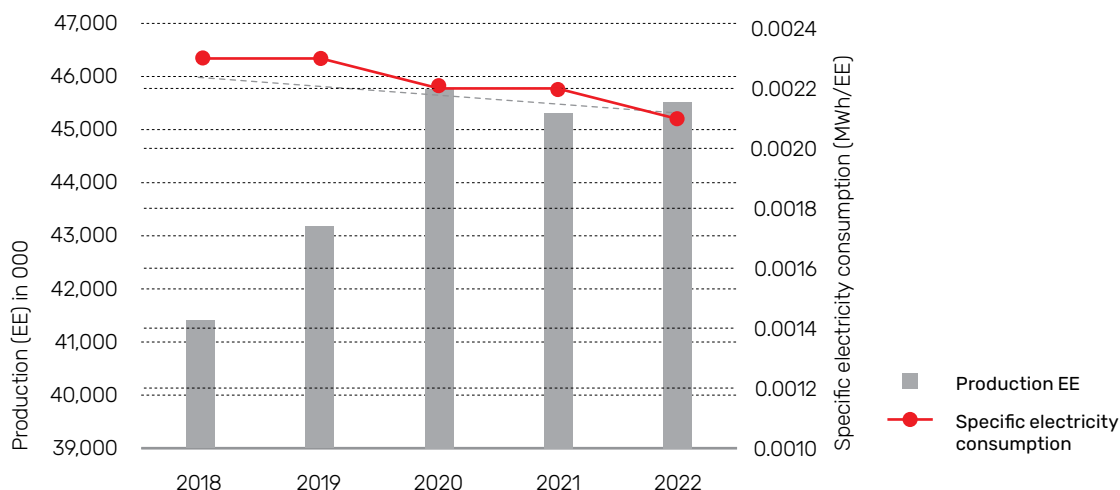


Chart: Specific energy consumption for titanium dioxide production in 2005–2022

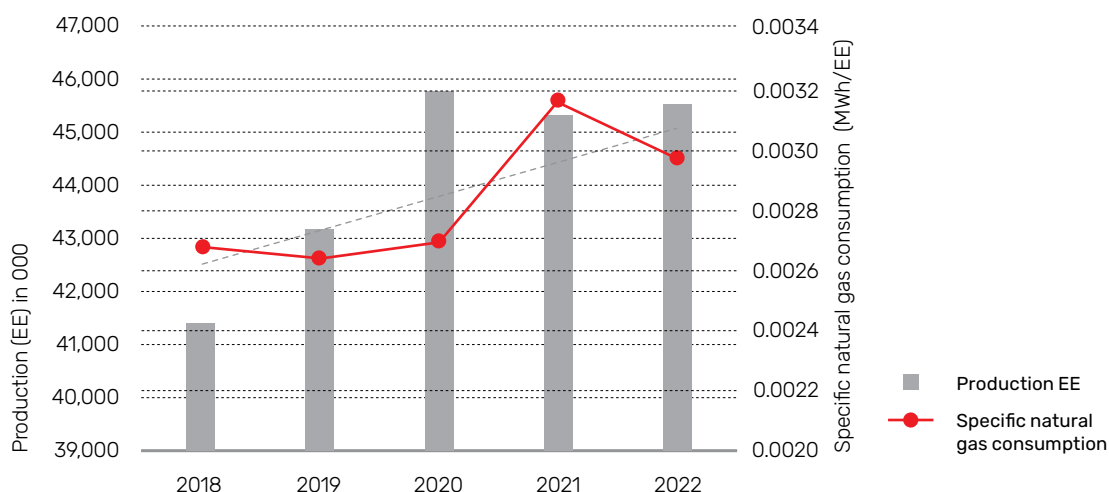


Specific energy consumption (electricity, natural gas, steam, solar) for the production per equivalent unit (EE) is slightly increasing from 2018, with a slight decrease in 2022, mainly due to the systematic implementation of energy efficiency measures.

**Chart: Specific electricity consumption for production per equivalent unit (EE) in 2018-2022**



**Chart: Specific natural gas consumption for production per equivalent unit (EE) in 2018-2022**

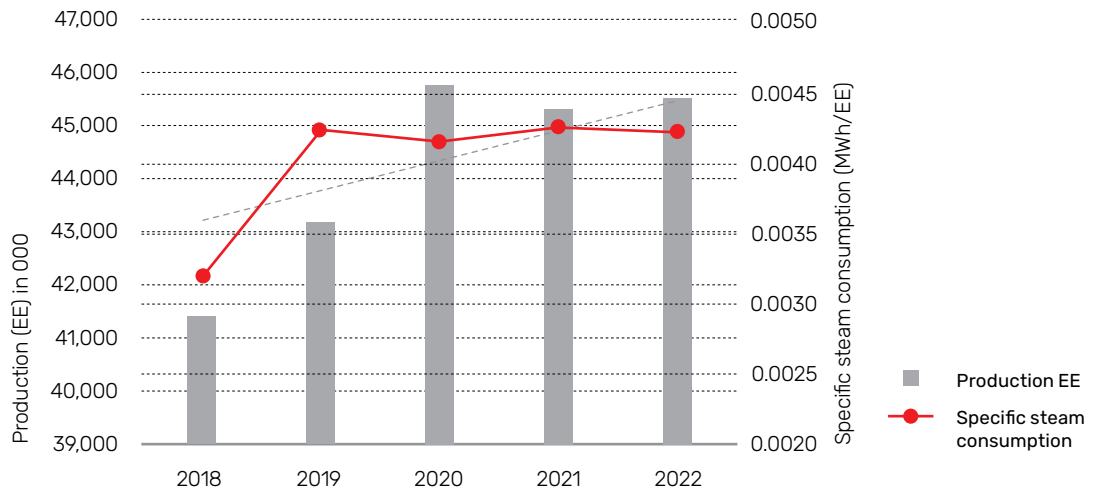


Specific consumption of natural gas shows a positive trend in 2018-2022. This is because until 2021 we billed natural gas internally according to the lower heating value, and from 2021 onwards we started to bill natural gas monthly at the upper heating value. The change due to a different calculation has worsened the energy efficiency, which is why the specific consumption for 2021 is also higher than the previous three years. In 2022, a decrease in specific consumption is already observed.



In 2022, the energy efficiency measures did not include any sulphuric acid production outage, which means that only 1% of the total natural gas purchased was used in Energetika's boiler house in 2022. In 2021, consumption was 8%. Waste steam from sulphuric acid production is also used in other production processes, and during outages in sulphuric acid production, this steam must be replaced by natural gas consumption in Energetika's boiler house.

**Chart: Specific consumption of renewables for production per equivalent unit (EE) in 2018-2022**



In 2022, we started to use electricity from solar power plants alongside steam. This is a multi-year project, which is described in more detail in the section Investing in renewable energy.



A solar power plant installed on the Valjarna building. Installed power 999.8 kWp, expected production 1,099.78 MWh.



The solar power plant installed on the Polimeri facilities. Installed power 492.75 kWp, planned production 542 MWh



## We return waste heat

*We reduce energy consumption by returning waste heat generated during the production of sulfuric acid back into the system. We increase the amount of returned heat every year.*



## INVESTING IN RENEWABLE ENERGY

We have been demonstrating our commitment to rational and efficient use of energy for decades, and in 2021, in line with the guidelines of the Slovenian Development Strategy 2030 and EU directives, the Company's Management Board decided to start implementing our commitment to increase the use of renewable energy sources by building solar power plants, thereby reducing the share of fossil energy consumption.

In 2022, we invested in the construction of two solar power plants with a total capacity of 1.5 MWp and 1.65 MWh, respectively. This is the first phase of the solar power plants planned in the project, with completion scheduled for the end of 2027. The total amount of electricity generated is expected to represent just over 1.5% of our annual electricity consumption, with a reduction of around 800 tonnes of CO<sub>2</sub> emitted to the atmosphere per year.

The project includes the second and third phases of the construction of solar power plants with a total installed capacity of 4.2 MWp and 4.62 MWh, respectively. At the same time, we are preparing a project to build a solar power plant in the parking area at the main entrance of the Company. By the end of 2023, we will have increased our share of electricity self-supply to about 5.7 percent in terms of installed capacity and about 8.5 per cent in terms of MWh of energy produced.

We will continue to build solar power plants on available roofs up to the 9 MWp envisaged, but this will require renovation of the roof surfaces, either in terms of replacing the roofing or improving the structural soundness of the structure itself. At the same time, we are preparing documentation and gathering information for construction in degraded areas. We see an opportunity at the Bukovžlak non-hazardous waste landfill site after the rehabilitation is completed. Positive approvals would allow the construction of a large-scale solar power plant. The size of the site allows for up to 6 MWp or 6.6 MWh, but the final installed capacity depends on a number of factors, starting with the possibility of connecting to the existing electricity grid. In this way, a degraded area, which is not suitable for other activities, could be beneficially used for the generation of electricity from RES.

Building solar power plants on the roofs of our buildings is our long-term business interest. We plan to operate the solar power plants on a grid basis, with our own electricity production being used for self-supply, depending on the needs of the Company.

The main objectives and reasons for building solar power plants are:

- Own electricity production;
- Long-term cost reduction and increase of the Company's competitiveness;
- Increasing the share of RES in the Company's energy consumption;
- reduction of CO<sub>2</sub> emissions.

## PROJECT: HEAT BALANCE OF TITANIUM DIOXIDE PRODUCTION

The project to prepare mass and energy balances for the production process of sulphuric acid and titanium dioxide pigment was completed. The aim of the project was to inventory the mass flows in the production process, to which an energy balance was applied. This allowed us to verify the energy potential of the flows, which allows us to reduce and optimise the energy use by process. Mathematical models were also developed for the most energy-consuming processes.

This led to a set of possible energy solutions and improvements:

- Reduction of gas consumption in the pre-drying process;
- Reduction of gas consumption in the calcination process;
- Reduction of gas consumption in the pigment drying process 2;
- Possibility to recover heat losses from the calcination flue gases;
- Possibility of using waste heat generated in the H<sub>2</sub>SO<sub>4</sub> production process.

## INVESTING FOR DECARBONISATION

As part of our strategic planning for decarbonisation, we are investing in projects to increase energy efficiency and the use of renewable energy. Some investments are already underway, others are in preparation or undergoing feasibility studies.

**Table: Investments in progress**

Investment	Estimated value of investment in EUR (excluding VAT and subsidy)	Estimated annual energy savings in MWh	Investment status
<b>Renewable energy sources</b>			
Installing a solar power plant on the buildings of Polimeri and Valjarna	886,000	1,650	Implemented
Solar power plant installation: area of Kemija Celje, Graphics, Dining Hall, Hall A	1,352,000	2,310	Ongoing, expected implementation in 2023
Installation of solar power plants: part of the Marketing, Transport, Multipurpose, Energy, Chemistry, Mozirje and Maintenance buildings - Hall B	1,090,227	2,310	Contract in the process of being concluded, foreseen implementation in 2023
Solar power installations: parking spaces in front of the main entrance and the Marketing building, grassy area behind the Alloy Hall	2,200,000	1,320	Verification of effectiveness, if positive, foreseen implementation in 2024
Installation of a solar power plant at the Bukovžlak non-hazardous waste landfill (ONOB) – the possibility of construction is being verified due to the constraints of the degraded environment, the spatial planning act, the ordinance on post-war graves, the possibility of connection to the grid.	Approx. 6,500,000	5,500–6,600	Verification of effectiveness, in case of a positive outcome, implementation by 2030
Installation of battery E	3,900,000	No energy savings, financial savings	Phase 1 in 2024, Phase 2 by 2030
Co-generation of electricity and steam	14,000,000	16,728	By 2025
<b>Efficient use of energy</b>			
Replacing old electric motors with energy-efficient IE3 motors	852,500	3,135	Gradually by 2030
Replacement of two old transformers in TP 7-10, neutralisation	99,272	52	By 2024
Rehabilitation of obsolete lighting – replacement with LED	440,000	864	Gradually by 2030
Replacing compressors with energy-efficient ones	1,985,000	1,766	Gradually by 2030
Optimisation of an existing steam pipeline	83,352	9,486	In 2023
Replacement of the heat exchanger on the IKT2 acid	586,558	Operational safety	In 2023



## EMISSIONS TO AIR

In the long term, the management of air emissions is one of the central aspects of the environmental management of Cinkarna Celje d.d., for which we have already made a number of significant investments and will continue to be one of the priority environmental areas. At the same time, we are following the European Union's commitments and guidelines for reducing GHG emissions and transitioning to a low-carbon society. An important step towards managing GHG emissions and the transition to a low-carbon economy is the calculation of the organisational carbon footprint of Cinkarna Celje d.d., which will enable us to make measurable business decisions towards decarbonisation in a strategic manner in the future.

### THE COMPANY'S CARBON FOOTPRINT

We have calculated the Company's carbon footprint for 2021 under GHG Protocol Scopes 1 and 2. The Company's carbon footprint report serves as a basis for decision-making and making important business decisions going forward, to reduce climate risks and increase opportunities related to climate change, and to optimise our own operations in terms of reducing operating costs.

The carbon footprint has been developed based on the guidelines, recommendations and principles defined in the EN ISO 14064-1:2019 standard for calculating carbon footprints at the organisational level, and the GHG Protocol. The reference year for the data collected and taken into account in the calculation of the carbon footprint is 2021. The tools used for the calculation of GHG emissions, including the development of the methodology, are consistent with those developed by the Intergovernmental Panel on Climate Change (IPCC) at the national level. The basic calculation of the carbon footprint of Cinkarna Celje d.d. includes direct emissions and emissions from leased electricity. The standard emission factors of the Jožef Stefan Institute and the IPCC (April 2022) were used for the CO<sub>2</sub> calculations.

We calculated the carbon footprint for Scopes 1 and 2. Scope 1 includes direct emissions from stationary and mobile sources of GHG emissions, Scope 2 includes leased electricity (location-based method).

The calculations show that Scope 1 GHG emissions amount to 6,586.67 Mt of CO<sub>2</sub> eq. and Scope 2 emissions amount to 33,045.36 Mt of CO<sub>2</sub> eq. Scope 2 contributes 83% to the total carbon footprint of Cinkarna Celje d.d., while Scope 1 contributes only 17%.

**Table: Carbon footprint by Scopes 1 and 2 in 2021**

Scope	Type of activity	Year 2021 Mt of CO <sub>2</sub> eq.	Uncertainty analysis
Scope 1	Stationary sources (stationary combustion)	6,109.23	Good
	Mobile sources (mobile combustion)	477.44	Good
	Scope 1 – total	6,586.67	/
Scope 2	Purchased electricity (all three sites of Cinkarna Celje)	33,004.70	Good
	Electricity losses at the Celje site due to losses in the network and distribution facilities	40.66	Good
	Scope 2 – Total (location method)	33,045.36	/
<b>Biogenic carbon</b>		<b>Mt of C</b>	
<b>Scope 1</b>		<b>1,778.40</b>	
<b>Scope 2</b>		<b>8,922.25</b>	

Mt = metric tonne    C = carbon

**Chart: Carbon footprint by Scopes 1 and 2 in 2021**



In 2023, we will also produce a GHG emissions report under the GHG Protocol for our 2005 base-line year, when we started the continuous implementation of energy efficiency activities, which will give us an insight into progress to date and a starting point for the preparation of a sustainability strategy, decarbonisation commitments, policy updates and the integration of sustainability into all key levels of our operations.

**CARBON FOOTPRINT OF THE CARRIER PRODUCT**

At Cinkarna Celje d.d., the carbon footprint of the titanium dioxide carrier product was calculated four times at the level of the TDMA (Titanium Dioxide Manufacturers Association). The data for 2021 are in the process of verification and are expected to be available at the end of March 2023. The association provides an average carbon footprint value for all companies that are part of the association and produce titanium dioxide. As agreed at the association level, we publish the average carbon footprint of titanium dioxide publicly, which is also published on the TDMA website. For calculations from 2016 onwards, the upgraded method of determining the Life Cycle Inventory (LCI), expressed as the Product Environmental Footprint (PEF), is used.

**Table: Average carbon footprint of titanium dioxide at TDMA level**

Year	TDMA average (t of CO <sub>2</sub> eq./t of TiO <sub>2</sub> )
2010	5.2
2012	5.3
2016	4.9
2021	Under verification, expected at the end of March 2023

Data shows that the industry's carbon footprint has been declining over the years, driven by increased investment and action in energy efficiency, as well as by improving technological solutions and digitalisation.

## MONITORING EMISSIONS TO AIR

At the Celje site, we monitor air emissions at 38 outlets in accordance with a monitoring programme carried out by authorised external organisations. The parameters monitored are SO<sub>x</sub>, H<sub>2</sub>S, NO<sub>x</sub>, CO, total dust, sum of Group II substances Pb, Co, Ni, Se, Te, sum of Group III substances Sb, Cr, CN, F, Cu, Mn, V, Sn and total organic carbon (TOC). Technological measurements are also carried out from time to time.

Total annual dust emissions from all sources, including diffuse sources, decreased by 6% in 2022 compared to 2021. Total dust concentrations are well below the permissible limit value at all outlets. The total dust emission from the production of pigmented titanium dioxide (the largest source), expressed as an annual average per tonne of TiO<sub>2</sub> produced (specific quantity), was 0.21 kg/t, which is lower than the previous year (0.23 kg/t TiO<sub>2</sub>) and does not exceed 0.45 kg/t TiO<sub>2</sub> as set in the limit value of the Environmental Permit (OVD).

We also monitor fugitive dust emissions from leaks in production equipment and facilities, bulk handling of raw materials, emissions from trucks and industrial vehicles, open warehouses, etc. In 2022, they were estimated at 149.3 kg, which represents a percentage of total emissions.

The total annual amount of sulphur oxides (expressed as SO<sub>2</sub>) from all sources in 2022 was 118,700 kg, an increase of 13.5% compared to the previous year. Concentrations, mass flow limits and emission quantities were not exceeded. The sum of the sulphur oxides emissions, expressed as an annual average, from the decomposition and dissolution emission sources (Z8, Z9 and Z62) and the calcination source (Z12) also did not exceed the OVD limit value of 6 kg/t TiO<sub>2</sub>. The increase in total emissions is due to slightly higher SO<sub>2</sub> emissions at the sulphuric acid production and TiO<sub>2</sub> production outfalls due to increased production and other factors affecting emissions.

The sum of the H<sub>2</sub>S emissions, expressed as an annual average, from the decomposition and dissolution emission sources (Z8, Z9 and Z62) also does not exceed 0.05 kg/t TiO<sub>2</sub>, which is the limit value set in the OVD permit.

Other parameters (NO<sub>x</sub>, CO, Pb and Ni) in total dust are also monitored. Again, the measured mass fluxes do not exceed the prescribed limits in the OVD permit.

**Table: Emissions of substances to air at the Celje site in 2018–2022 (in kg)**

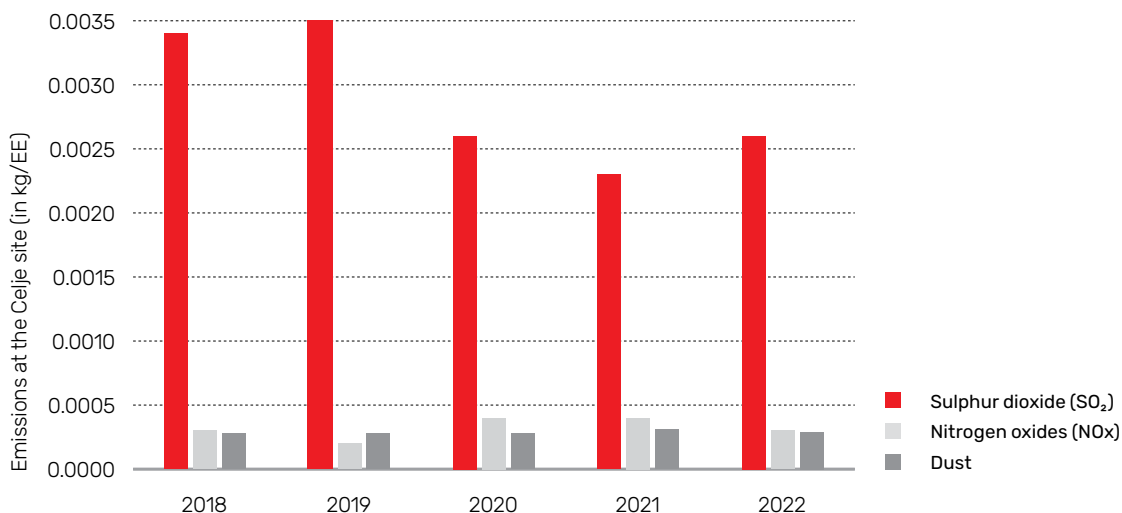
Emission type (kg)	2018	2019	2020	2021	2022
Sulphur dioxide (SO <sub>2</sub> )	140,800	149,500	117,700	102,500	118,700
Nitrogen oxides (NO <sub>x</sub> )	13,900	10,300	16,700	18,800	12,690
Dust	11,460	12,250	12,640	13,970	13,120
<b>Total emissions</b>	<b>166,158</b>	<b>175,050</b>	<b>147,040</b>	<b>135,270</b>	<b>144,510</b>

**Table: Emissions of substances to air by equivalent unit at the Celje site in 2018–2022**

Emission type (kg/EE)	2018	2019	2020	2021	2022	Index 2022/ 2021
Sulphur dioxide (SO <sub>2</sub> )	0.0034	0.0035	0.0026	0.0023	0.0026	113.04 %
Nitrogen oxides (NO <sub>x</sub> )	0.0003	0.0002	0.0004	0.0004	0.0003	75.00 %
Dust	0.00028	0.00028	0.00028	0.00031	0.00029	93.55 %
<b>Total emissions</b>	<b>0.00398</b>	<b>0.00398</b>	<b>0.00328</b>	<b>0.00301</b>	<b>0.00319</b>	<b>105.98 %</b>

EU = production in equivalent units

**Chart: Emissions of substances to air by equivalent unit at the Celje site in 2018-2022**



At the Mozirje site, air emissions are monitored at 11 outlets by an authorised external organisation. The parameters monitored are total dust and volatile organic compounds (TOC). Annual emissions are low and far below the limit values. Compared to 2018, the estimated value of TOC emitted in kg of C/year in 2019 has increased by a factor of 6.79. The increase is due to emissions at measurement site Z4, which represent the TOC emitted from the coloured masterbatch lines, which was not yet present in 2018, as masterbatch production at the new site was established in 2019.

Then, compared to 2020, the estimated value of TOC emitted in kg of C/year in 2021 was reduced by 52.96%, or the emissions were 63.30% lower in quantity (g/h) after monitoring. Again, this is a reduction in emissions at outlet Z4.

In 2022, emissions at individual outlets in g/h were the same or lower per outlet than in 2021. Due to fewer operating hours than in 2021, the absolute quantities emitted in 2022 were lower than in 2021. However, as the quantity of products produced in 2022 was 10.91% lower than in the previous year, the quantities emitted in kg/tonne of product increased.

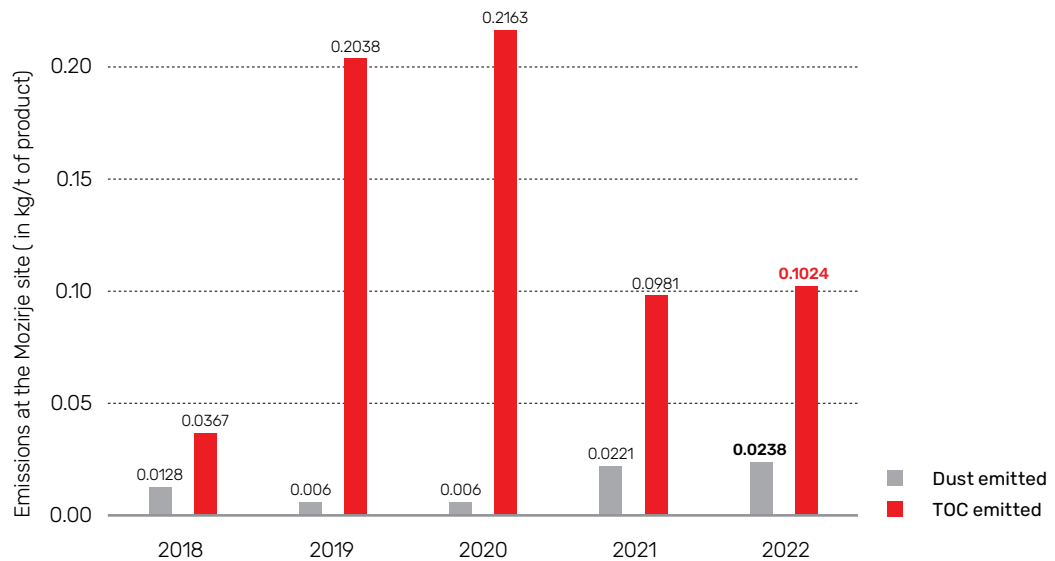
**Table: Emissions to air at the Mozirje site in 2018-2022 (in kg)**

Emission type (kg)	2018	2019	2020	2021	2022
Dust emitted	62.1	35.6	37.7	144.7	138.6
TOC emitted	178.5	1,212.4	1,364.4	641.8	596.8
<b>Total substances emitted</b>	<b>240.6</b>	<b>1,248.0</b>	<b>1,402.1</b>	<b>786.5</b>	<b>735.4</b>

**Table: Emissions of substances into the air per tonne of product at the Mozirje site in 2018-2022**

Emission type (kg/t of product)	2018	2019	2020	2021	2022	Index 2022/ 2021
Dust emitted	0.0128	0.0060	0.0060	0.0221	0.0238	107.69 %
TOC emitted	0.0367	0.2038	0.2163	0.0981	0.1024	104.38 %
<b>Total substances emitted</b>	<b>0.0495</b>	<b>0.2097</b>	<b>0.2222</b>	<b>0.1203</b>	<b>0.1262</b>	<b>104.90 %</b>



**Chart: Emissions of substances into the air at the Mozirje site in 2018–2022 ( in kg/t of product)****Project: Modernisation of the calcination plant**

The Company is striving for cleaner production, increased operational safety and reliability of the waste water treatment plants, which is why we have invested in an additional (fourth) electrostatic precipitator – a waste water treatment plant for cleaning flue gases produced during the calcination of titanium dioxide gel. Three electrostatic precipitators are used in the existing production and will have to be gradually renewed. The additional electrostatic precipitator will increase the operational safety of the waste gas treatment system and allow for the rehabilitation of the three existing electrostatic precipitators. In 2022, we installed flow meters on all four electrostatic precipitators, which allow us to distribute the gases from the two furnaces more evenly to the four filters, thereby increasing the efficiency of the treatment.

**PROJECT: SULPHUR SMELTING TREATMENT PLANT**

At Cinkarna Celje, sulphuric acid is produced by burning liquid sulphur. The first source is refinery sulphur, which is supplied to the company in liquid form, and the second source is solid sulphur, which must be liquefied in a solid sulphur smelting sub-process before combustion. The smelting of sulphur releases gases as a by-product that need to be cleaned up before they can be released into the atmosphere, which is why in 2018 we started a project to install a sulphur smelting treatment plant. First, we chose the appropriate technology to treat the waste gas produced, followed by a long period of obtaining all the necessary permits for the installation of the plant and the facility in which it is located. The existing environmental permit had to be amended and, due to the size of the plant and the building, a building permit had to be obtained. Construction and installation of the equipment started in June 2020 and the plant was successfully commissioned following a technical inspection in April 2021.

The newly installed treatment plant purifies the gases released during the transition of sulphur from a solid to a liquid aggregate in two stages – in the first, the gas from the sulphur melting is washed with water to cool it down, while removing any dust particles that may be present. The main cleaning effect occurs in the second stage, where the gases present are absorbed in an alkaline solution and the cleaned gas leaves the plant through the stack and exits to the atmosphere. By cleaning the gas, the emissions from the sulphur smelting process are further reduced, and levels below the required limit value are achieved.

The system is fully automated. In the design and implementation of the project, we have combined Italian technology with our own expertise in electrical engineering, mechanical engineering and technology.





## We monitor water quality

*At all wastewater outlets, we perform operational monitoring up to 12 times a year, as well as monitoring of water flows, upstream and downstream of the discharges. We note that there are no negative impacts on natural habitats.*



## WATER MANAGEMENT

Water is a precious commodity, so we manage it carefully throughout the whole cycle, from abstraction at source to the return of treated wastewater to nature.

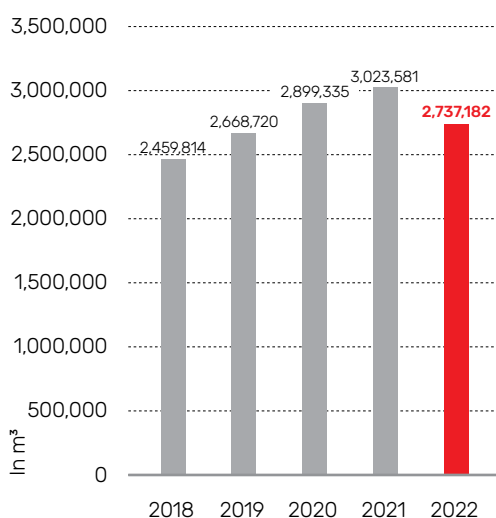
For technological purposes, the production processes use surface water drawn from the nearby Hudinja watercourse and groundwater from three springs at the Za Travnikom waste disposal plant. The quantity of water pumped from the Hudinja river is regularly monitored using appropriate meters in accordance with ISO 9001, and the quantity of drinking water pumped is read using meters calibrated in accordance with the MID standard (Rules on Measuring Instruments, Official Journal of the Republic of Slovenia 19/16, Water Meters (MI-001)). We hold the relevant water permits for the use of process water.

Drinking water from the public water supply network is used for sanitary purposes and partly for technological processes.

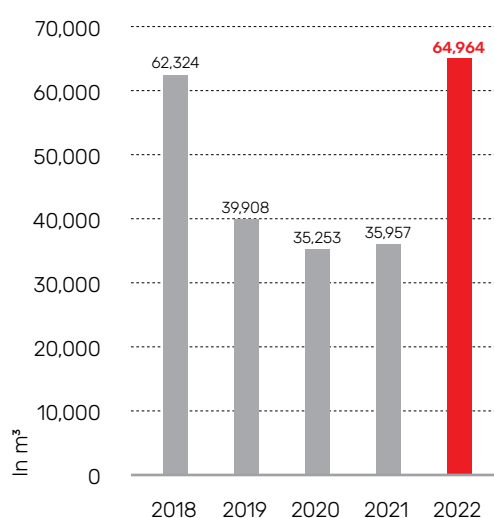
**Table: Water consumption by source in 2018-2022**

	Za Travnikom spring (m <sup>3</sup> )	River water (Hudinja) (m <sup>3</sup> )	Drinking water (m <sup>3</sup> )	Total water consumption (m <sup>3</sup> )
2018	55,966	2,459,814	62,324	2,578,104
2019	44,339	2,668,720	39,908	2,752,967
2020	38,795	2,899,335	35,253	2,973,383
2021	43,573	3,023,581	35,957	3,103,110
2022	38,110	2,737,182	64,964	2,840,256

**Chart: River water consumption in 2018-2022 (in m<sup>3</sup>)**



**Chart: Drinking water consumption in 2018-2022 (in m<sup>3</sup>)**

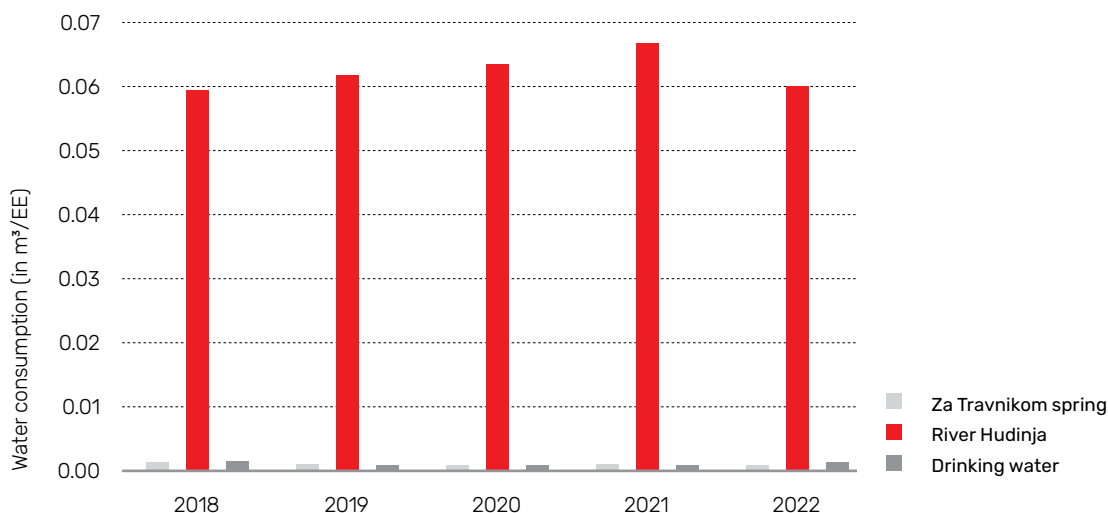


**Table: Water consumption per equivalent unit by source in 2018-2022**

	Za Travnikom spring (m <sup>3</sup> /EE)	River water (Hudinja) (mm <sup>3</sup> /EE)	Drinking water (m <sup>3</sup> /EE)	Total water consumption (m <sup>3</sup> /EE)
2018	0.0014	0.0594	0.0015	0.0623
2019	0.0010	0.0618	0.0009	0.0637
2020	0.0008	0.0634	0.0008	0.0650
2021	0.0010	0.0667	0.0008	0.0685
2022	0.0008	0.0601	0.0014	0.0623

EE = production in equivalent units

**Chart: Water consumption per equivalent unit by source in 2018-2022**



We manage projects and investments to increase recycling rates of process water. We are reducing the use of drinking water for technological purposes, as shown by the downward trend in use until 2022. In 2022, the share of drinking water used for technological purposes increased and the use of technological water from the Hudinja river decreased proportionally, due to hydrological conditions which did not allow for abstraction from the river at certain times (prolonged dry period) and we were forced to use an alternative. A project is underway to provide alternative water supplies to replace the use of fresh water from the river or the use of drinking water.

**CARING FOR WATER SOURCES**

Most of the process water is collected in the Hudinja river, which is a right tributary of the Voglajna river. The Hudinja rises on the western forested slope of Kraguljišče hill in the central Pohorje region. The surface of the catchment area is 207 km<sup>2</sup> and the long-term average flow of the Hudinja at the Šmarjeta water gauging station is 2.94 m<sup>3</sup>/s.

The groundwater source in the Za Travnikom area is derived from three sandstone springs and is fed from the hillside in the Blavše area to the west and south-west of the intake. The source area of the springs ranges from 0.75 to 1.00 km<sup>2</sup> and the average annual flows vary between 0.7 and 4 l/s (respectively 0.0007 m<sup>3</sup>/s and 0.004 m<sup>3</sup>/s).



The upper Hudinja with its tributaries up to Vitanje is classified as a nature conservation site of local importance, while the Socka gorge is a nature conservation site of national importance. The Hudinja Waterfall on the Hudinja in the Socka gorge is also recorded as a nature conservation site of local importance. The lower part of the watercourse is regulated and is not specifically identified as a nature conservation value in the area of water abstraction by Cinkarna Celje d.d. The clear waters of the upper Hudinja and tributaries above Vitanje are inhabited by the native brown trout (*Salmo trutta*) and, downstream of Vitanje, by the rainbow trout (*Oncorhynchus mykiss*). The slower-flowing water in the middle and lower reaches is inhabited by the common nase.

The groundwater source at Za Travnikom is not in a protected area and there are no special protected species in its area.

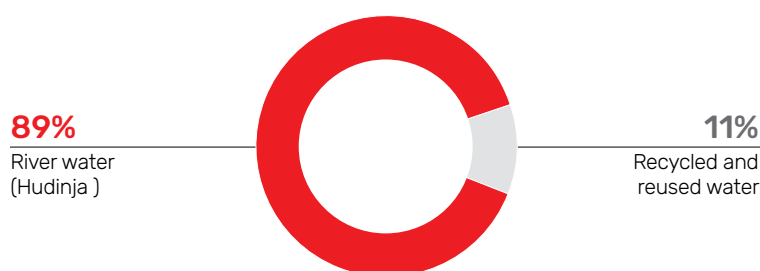
### INTEGRATED WATER MANAGEMENT PROJECT

At Cinkarna Celje d.d., we are aware of the value of the natural water resources from which we draw water for our technological processes, which is why we have been implementing the Integrated Water Management (IWM) project for several years. Its main purpose is to:

- Reduce fresh water consumption in titanium dioxide production or reduce the amount of water abstracted from the Hudinja river;
- Introduce internal water recycling, thereby reducing specific consumption per tonne of product;
- Verify the feasibility of reusing wastewater from the Celje Central Wastewater Treatment Plant as a source of process water;
- Reduce sulphate emissions to wastewater and consequently to the Dobje, Vzhodna Ložnica and Hudinja watercourses.

As part of the project activities, two measures were implemented to reduce water consumption. By recycling wastewater – clear neutralised water (BNVT) or overflow after sedimentation (CWW BREF 3.3.2.3.3.3.4), we reduced the consumption of fresh water from the Hudinja River in the titanium dioxide production process in 2022. The total amount of water recycled and reused is just over 11% of the total amount of water used for titanium dioxide production.

**Chart: The shares of water resources used for titanium dioxide production**



### WASTEWATER MANAGEMENT

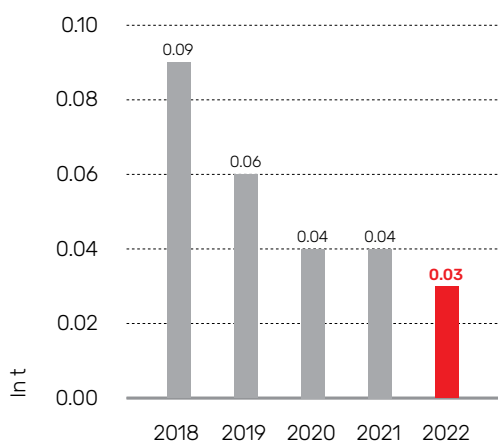
The Celje site generates wastewater and cooling water as part of the production processes. The waste water is treated at the Company's own waste water treatment plants and is suitable for discharge into watercourses after treatment. Where possible, procedures are implemented to recover and reuse water in the processes. Municipal wastewater is treated at the Celje Central Wastewater Treatment Plant (Tremerje). Most cooling systems are closed, so there are no discharges. Rainwater is discharged separately into the watercourse, either indirectly (treated in oil traps and grit chambers) or directly.

Ten wastewater discharges are monitored in accordance with the environmental permit. Based on the monitoring, no exceeding concentrations of substances in wastewater were detected in 2022. Concentrations of Cu (copper), COD (chemical oxygen demand) and to some small extent AOX (organically bound halogens), Ni (nickel) and total P (phosphorus) contribute to the effluent loading units. The other measured parameters are below the limit of quantification or so low that they do not contribute to the load units (Cr<sup>6+</sup>, Pb, Hg). The quantities discharged to wastewater fluctuate slightly over the years. These are small variations due to changes in input raw materials, additives and production volumes.

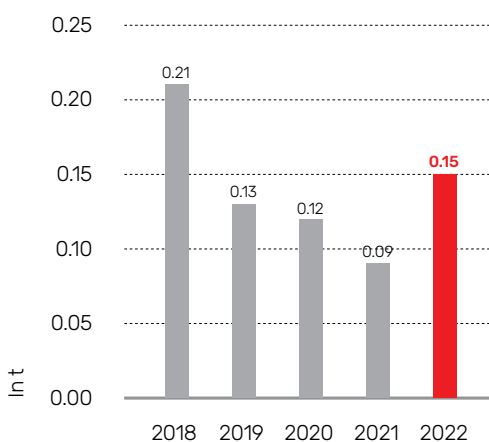
**Table: Emission of substances into wastewater in 2018-2022**

Parameter (tonnes)	2018	2019	2020	2021	2022
Chemical oxygen demand (COD)	161.6	132.4	188.4	114.3	137.9
Heavy metals (Cu)	0.09	0.06	0.04	0.04	0.03
Heavy metals (Zn)	0.21	0.13	0.12	0.09	0.15

**Chart: Emission of heavy metals (Cu) into wastewater in 2018-2022 (in tonnes)**



**Chart: Emission of heavy metals (Zn) into wastewater in 2018-2022 (in tonnes)**



**Table: Sulphate emissions from titanium dioxide production and unit load in 2018-2022**

Emission type	2018	2019	2020	2021	2022
EO <sub>N</sub>	3,171.0	2,541.1	3,640.3	2,149.9	2,828.7
SO <sub>4</sub> <sup>2-</sup> (kg/t TiO <sub>2</sub> )	168.5	164.8	162.1	155.7	165.4

EO<sub>N</sub> = load units

SO<sub>4</sub><sup>2-</sup> = sulphate concentration per TiO<sub>2</sub> product unit

The emission of sulphate from titanium dioxide production was 7% higher in 2022 than in 2021, but still far below the limit value (the limit value is 550 kg/t of TiO<sub>2</sub> according to the OVD or TiO<sub>2</sub> regulation). There has also been an increase in unit loads (by 24%) due to a slightly higher concentration of chemical oxygen demand in the waters. The fluctuation is also largely due to the impact of rainwater on the large catchment areas of the Za Travnikom and Bukovžlak waste disposal

plants and the solubility of the filled gypsum that comes into contact with the water and then flows out with the overflow waters from these facilities.

The Mozirje site generates wastewater and sewage as part of its production processes. The waste water is treated at its own waste water treatment plants (IČN1 and IČN2) and is suitable for discharge into a watercourse after treatment. Where possible, water recovery and reuse processes are implemented in the process. Sewage is treated at three small sewage treatment plants (MKČN), each with its own outfall (MKČN1-V3, MKČN2-V4 and MKČN3-V5). Thus, there are four discharges to water and measurements are made at five outfalls. For the MKČNs, JP Komunala Mozirje produced an Operational Assessment of small sewage treatment plants. The concentrations of substances in the wastewater are low or below the limit of determination. The number of load units is minimal (1.14 EO) and has decreased by 0.16 EO in 2022 compared to the previous year.

We carry out the operational monitoring at this site ourselves, as we are duly authorised by the Ministry of the Environment and Spatial Planning in accordance with the requirements of the legislation, and we are accredited according to SIS EN 17025, which allows us to demonstrate and guarantee the quality, accuracy and independence of the monitoring and reporting.

### IMPACT OF WASTEWATER ON THE NATURAL ENVIRONMENT

At the Celje site, wastewater is discharged into three streams: Dobje, Vzhodna Ložnica and Hudinja. Part of Vzhodna Ložnica and Dobje are included in the Natura 2000 area. The basin of Vzhodna Ložnica has a total area of 43 km<sup>2</sup> and forms part of the northern boundary of the habitat. The other part of the habitat is its largest, left tributary, Dobje. Vzhodna Ložnica is part of the Hudinja river basin and, more broadly, part of the Savinja river basin, and covers a distance of 14.3 km. The part of the watercourse belonging to the Volččke Natura 2000 site is 1.6 km long. The Vzhodna Ložnica river basin is geographically located in eastern Slovenia and lies in the north-eastern part of the Savinja river basin. The Dobje watercourse, which is 6.3 km long, is the largest tributary of Vzhoda Ložnica. The part of the watercourse belonging to the Volččke Natura 2000 site is 1.35 km long. It originates in Marija Dobje and on its way down into the valley collects water from unnamed tributaries originating in the hills to the south of Razgor and Marija Dobje on the one hand and the Voglajna Hills on the other. Its largest tributary is an unnamed watercourse with the local name Proseniški Brook, which lies 1.93 km long in the Volččke Natura 2000 site. Part of the watercourses Vzhodna Ložnica and Dobje are regulated along their entire length, as is Proseniški Brook in some sections within the project area. Two target species are important in the area – the common mussel (*Unio crassus*) and the brook lamprey (*Eudontomyzon spp.*).

Cinkarna Celje d.d. carries out operational monitoring upstream and downstream of discharges 12 times a year on all watercourses where wastewater is discharged. Parameters are set to determine the chemical and ecological status of the waters, and fish are sampled and analysed once a year (two-year-old chub are caught for analysis of the parameter Hg and its compounds). Based

on the monitoring, we conclude that there are no negative impacts on natural habitats.



Water monitoring is also carried out at the Bukovžlak waste disposal facility, from which rainwater and waste water flows.





## Biodiversity

*We participate in the LIFE project in the Volček Natura 2000 area to improve the state of species and habitats. The Volček wetland is a special oasis of wetland meadows where blue cone grass grows, which is considered one of the most endangered habitat types in Slovenia. Many species of butterflies also live here.*



## BIODIVERSITY

Cinkarna Celje d.d., at the Celje site, where the Company's headquarters are also located, is situated on the south-eastern edge of the Celje basin, along the Celje-Šentjur regional road in the north-eastern part of Slovenia. The production plant (metallurgical and chemical plant) is located in a flat area of the valley in the town of Celje, where the altitude ranges between 238 metres and 240 metres above sea level. To the south of the plant, the terrain rises to an altitude of approximately 450 metres and forms the northern slopes of the Posavje hills. To the east lie the Teharje hills, on which are the smaller settlements of Za Travnikom and Bukovžlak. The site is bounded in the north by the Vzhodna Ložnica river and in the west by the Hudinja river. The Voglajna river, into which the Hudinja flows, flows slightly to the south. It is an industrial area with no protected areas. However, the Voglajna river from the Tratna barrier to its confluence with the Savinja is a Natura 2000 site, for the river mussel (*Unio crassus*) and the fish species asp (*Aspius aspius*), souffia (*Leuciscus souffia*), bitterling (*Rhodeus amarus*) and golden loach (*Sabanejewia aurata*).

The Bukovžlak plant for the disposal of waste from TiO<sub>2</sub> production and the Za Travnikom plant for the disposal of liquid waste from TiO<sub>2</sub> production are located at the foot of the Teharje hills, on the south-eastern edge of the Celje basin, along the Celje-Teharje-Proseniško regional road in the north-eastern part of Slovenia, and are approximately 600 metres apart. They are approximately 5.5 km from the town of Celje. The hills on which the two installations are located extend in an east-west direction. The hills are bounded to the north by the valley of the Ložnica river and to the south by the Voglajna river.

The disposal facilities for waste from TiO<sub>2</sub> production Bukovžlak and Za Travnikom are part of a wider disposal area, which also includes the Železarna Štore landfill, the Bukovžlak municipal waste landfill and the Bukovžlak solid waste landfill. The Bukovžlak TiO<sub>2</sub> waste disposal facility is located in direct contact with the Bukovžlak solid waste area, which is also managed by Cinkarna Celje d.d., and in close proximity to the Bukovžlak municipal landfill, which is located on its eastern side.

To the south of the plant is the Volčeke wetland, which has the status of a nature conservation area of national importance and is a Natura 2000 site. The area is a special oasis of wet meadows, where the purple moor-grass, one of the most endangered habitat types in Slovenia, grows. It is also home to many species of butterflies.

The Cinkarna Celje d.d. site in Mozirje is located in the town of Ljubija in the Municipality of Mozirje. The stream of the same name (Ljubija) flows into the Savinja river nearby. Mozirje is located in a basin surrounded by the Alpine foothills - the Golte mountains in the north and the high karst plateaus of Menina and Dobrovlje in the south. To the west is the Alpine world of the eastern part of the Kamnik-Savinja Alps.

Aware of the importance of preserving protected areas, we take all necessary measures to prevent pollution and regularly monitor our impact. Several times a year, we carry out operational monitoring of groundwater chemistry at the Celje site and at the Bukovžlak and Za Travnikom waste disposal facilities. Groundwater levels are continuously monitored using groundwater level monitors. In November 2022, we also produced a Soil Contamination Assessment and a report on the review of technical measures to prevent soil and groundwater contamination.

We also ensure that invasive non-native species are eradicated and prevented from spreading in our areas, thereby eliminating their negative impact on biodiversity.

## IMPACT ON BIODIVERSITY

The Company's business unit at the Celje site covers a total area of 45.7 hectares, of which 46% is paved, including the buildings used for its operations, and the remainder is grassland.

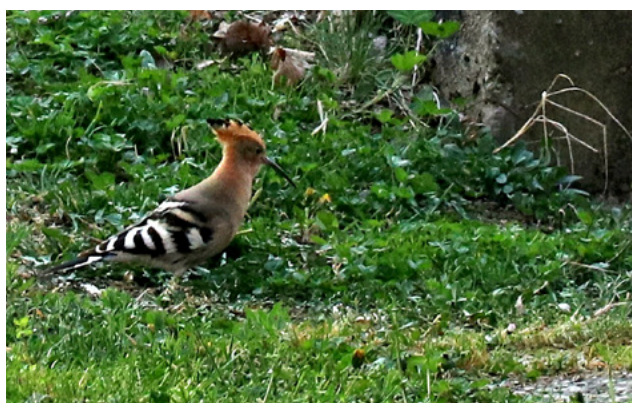
The site in Mozirje covers a total land area of approximately 2.8 hectares. Approximately 60% of the area is paved, the remainder is grassland.

There are watercourses in the vicinity of both sites, namely the Hudinja and Vzhodna Ložnica watercourses at the Celje site, which are channelized, cleaned and regularly maintained (removal of invasive plants) at our site. The area of the watercourses in Mozirje is mostly grass-covered.

Our operations do not have a significant impact on the existence of, or changes to, the diversity of living nature (biodiversity) in terms of emissions and environmental impacts, as evidenced by the following facts:

- Design of technological change or construction takes into account and ensures that the impact on the ecosystem is kept to a minimum;
- We do not use chlorinated organic substances, which contribute significantly to climate change;
- Our activities do not affect the introduction or extinction of species;
- We do not pollute the soil, air and water excessively, as we have built-in treatment plants, and indirectly our products are not a major polluter of the ecosystem.

As a result, we have not caused any changes that would affect biodiversity and ecosystems. Our responsible and controlled management of the environment means that our activities do not upset the environmental balance.



We see many different animal species in the area of our company, photo: Jure Hictaler



*Through our industrial area in Celje, the S channel for the drainage of precipitation and partly also waste water runs.*

## **OLD RIVERBED REVITALISATION PROJECT**

Although we do not have protected habitat areas on our sites, we are aware of the wider importance of biodiversity conservation. At the initiative of the Ministry of Natural Resources and Spatial Planning (formerly the Ministry of the Environment and Spatial Planning), which is leading the LIFE Integrated Project for Enhanced Management of Nature 2000 (LIFE-IP NATURA.SI) in Slovenia, we have therefore taken an active role in this area. The main purpose of the project is to contribute to improving the management of Natura 2000 sites in Slovenia through cooperation between different sectors and stakeholders. In addition to systemic improvements, concrete actions will be implemented to improve the status of species and their habitats in eight Natura 2000 sites.

Specific actions include measures to improve the status of species and habitats in the Volčeka Natura 2000 site. These actions will simultaneously contribute to the objectives of reducing flood risk and achieving good water status. In particular, a section of the revitalisation of the old riverbed of the Vzhoda Ložnica is planned in Volčeka. It is envisaged that the revitalisation of the old channel will be carried out through the existing dead water channels, thus diversifying the channel and also allowing passage for fish, which are prevented from passing through the current regulated channel due to the barrier. The newly created channel will be planted with riparian vegetation, which will further contribute to the objectives of improving water status.

The measure also includes the development of a small tributary from Cinkarna Celje, which flows via another dead watercourse into the current regulated channel of Vzhoda Ložnica. The tributary will be widened and planted with riparian and marsh vegetation to reduce the impact of pollution on the water. The current regulated channel of Vzhodna Ložnica will remain only as a relief channel during high water in the revitalised section. The revitalisation of the watercourse is planned precisely in the section where the upstream measuring point on the Vzhodna Ložnica LGP is located (the measuring point where operational monitoring of the impact of waste water from the Bukovžlak waste disposal plant of Cinkarna Celje is carried out). To this end, we have initiated the procedure for the amendment of the OVD permit and will also be involved in the arrangement of a new measuring point that will allow for the above-mentioned amendment. The amendment of the OVD is foreseen for early 2023 and the project itself is expected to be completed in 2024/2025.









## We improve the useful properties of plastics

*Masterbatches improve the properties of the materials in which they are incorporated. They are colored with organic and inorganic pigments without heavy metals, so they are also suitable for use in products that come into direct contact with food.*

# FINANCIAL REPORT

## FINANCIAL STATEMENTS

### CONDENSED STATEMENT OF FINANCIAL POSITION

in EUR

	Notes	31/12/2022	31/12/2021
<b>ASSETS</b>			
Non-current (long-term) assets			
Intangible assets	1	1,208,224	980,672
Tangible fixed assets	2	104,083,017	105,896,129
Financial assets at fair value through other comprehensive income	3	1,973,765	1,651,099
Other non-current assets	4	68,049	53,028
Deferred tax assets	5	1,226,475	1,930,685
<b>Total non-current (long-term) assets</b>		<b>108,559,530</b>	<b>110,511,613</b>
<b>Current assets</b>			
Stocks	6	72,754,823	40,298,476
Trade receivables	8	24,290,543	31,172,903
Cash and cash equivalents	9	45,210,098	59,746,594
Other current assets	10	133,009	155,223
<b>Total current assets</b>		<b>142,388,473</b>	<b>131,373,196</b>
<b>Total assets</b>		<b>250,948,003</b>	<b>241,884,809</b>

in EUR

	Notes	31/12/2022	31/12/2021
<b>CAPITAL AND LIABILITIES</b>			
Owners' capital	11		
Called-up capital		20,229,770	20,229,770
Capital reserves		44,284,976	44,284,976
Profit reserves		120,290,401	101,824,169
Fair value reserve		-809,390	-1,179,701
Retained earnings		25,014,391	25,006,577
<b>Total capital</b>		<b>209,010,148</b>	<b>190,165,790</b>
Non-current liabilities			
Provisions for employee benefits	12	3,651,696	4,256,064
Other provisions	13	14,816,968	18,801,189
Non-current deferred income	14	363,054	215,749
<b>Total non-current liabilities</b>		<b>18,831,718</b>	<b>23,273,002</b>
Current liabilities			
Financial liabilities	15	59,392	197,503
Trade payables	16	19,518,145	23,242,724
Income tax payable		2,367,161	3,852,235
Liabilities under contracts with buyers	17	157,520	136,087
Other current liabilities	18	1,003,919	1,017,468
Total current liabilities		23,106,137	28,446,017
<b>Total liabilities</b>		<b>41,937,855</b>	<b>51,719,019</b>
<b>Total capital and liabilities</b>		<b>250,948,003</b>	<b>241,884,809</b>

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

**INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER**

in EUR

	Notes	2022	2021
<b>Revenue from contracts with buyers</b>	20	227,153,116	192,462,100
Change in the value of stocks of products and work in progress		14,113,923	-463,845
Capitalised own products and own services	2	2,442,358	3,750,475
Cost of goods and materials sold	22	200,613	140,470
Cost of materials	22	134,953,778	97,519,612
Cost of services	22	16,229,210	13,830,982
Labour costs	22	29,483,416	28,888,986
Depreciation	22	12,150,684	11,281,415
Other operating revenue	21	7,749,919	1,387,062
Other operating expenditure	22	5,264,418	5,468,743
Impairments and write-offs of trade receivables		1,553	28,975
<b>Operating profit or loss</b>		<b>53,175,643</b>	<b>39,976,608</b>
Financial revenue	23	1,564,464	809,100
Financial expenditure	23	2,024,533	829,203
Financial result		-460,070	-20,103
<b>Profit or loss before tax</b>		<b>52,715,574</b>	<b>39,956,505</b>
Accrued tax		8,789,599	7,006,296
Deferred tax		-529,510	276,914
<b>Income tax</b>	<b>24</b>	<b>9,319,109</b>	<b>6,729,381</b>
<b>Net profit for the year</b>		<b>43,396,465</b>	<b>33,227,124</b>
Basic and diluted earnings per share		5.37	4.11

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.



**STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER**

	in EUR	
	<b>2022</b>	<b>2021</b>
Net profit	43,396,465	33,227,124
Other comprehensive income for the year	0	0
Other comprehensive income for the year that will not be recognised in the income statement in the future	0	0
Other comprehensive income for the year that will be recognised in the income statement in the future	0	0
Change at fair value through other comprehensive income	322,666	-103,927
Translation of post-employment benefits	222,345	-408,216
Impact of deferred taxes	-174,700	-19,746
Net other comprehensive income in the year that will not be recognised in the income statement in the future	370,311	-531,889
Total other comprehensive income for the year (after tax)	370,311	-531,889
<b>Total comprehensive income for the year (after tax)</b>	<b>43,766,777</b>	<b>32,695,234</b>

**STATEMENT OF CHANGES IN EQUITY AND DETERMINATION OF DISTRIBUTABLE PROFIT**

Year 2022	Called-up capital	Capital reserves	
Opening balance of the period	20,229,770	44,284,976	16,931,435
Changes in equity – transactions with owners			
Purchase of own shares			
Withdrawal of own shares			
Payment of dividends			
<b>Total comprehensive income for the period</b>			
Entry of net profit or loss for the period			
Other components of comprehensive income for the period			
<b>B3. Changes in equity</b>			
Allocation of the residual part of net profit for the period to other components of capital			
Allocation of part of reported net income to other components of capital as decided by management and supervisory bodies			
Creation of reserves for own shares			
Release of reserves for own shares			
<b>Closing balance of the period</b>	<b>20,229,770</b>	<b>44,284,976</b>	<b>16,931,435</b>
<b>DISTRIBUTABLE PROFIT</b>			

Year 2022	Called-up capital	Capital reserves	
	I/1	II	III/1
Opening balance of the period	20,229,770	44,284,976	16,931,435
Changes in equity – transactions with owners			
Purchase of own shares			
Payment of dividends			
<b>Total comprehensive income for the period</b>			
Entry of net profit or loss for the period			
Other components of comprehensive income for the period			
<b>B3. Changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>
Allocation of the residual part of net profit for the period to other components of capital			
Allocation of part of reported net income to other components of capital as decided by management and supervisory bodies			
Creation of reserves for own shares			
Release of reserves for own shares	0		
<b>Closing balance of the period</b>	<b>20,229,770</b>	<b>44,284,976</b>	<b>16,931,435</b>
<b>DISTRIBUTABLE PROFIT</b>			

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

in EUR

Profit reserves			Fair value reserve	Retained earnings		Total capital
Reserves for own shares	Own shares	Other profit reserves		Profit or loss carried forward	Net profit for the period	
4,814,794	-4,814,794	84,892,734	-1,179,702	86,234	24,920,343	190,165,790
				24,922,418		24,922,418
						0
				24,922,418	0	24,922,418
			370,012	0	43,396,465	43,766,777
					43,396,465	43,396,465
			370,012			370,312
		18,466,232		24,920,343	-43,386,575	0
						0
		18,466,232	0	24,920,343	-43,386,575	0
						0
4,814,794	-4,814,794	103,358,966	-809,390	84,159	24,930,232	209,010,148
				84,159	24,930,232	25,014,391

in EUR

Profit reserves			Fair value reserve	Retained earnings		Total capital
Reserves for own shares	Own shares	Other profit reserves		Profit or loss carried forward	Net profit for the period	
III/2	III/3	III/5	V	VI	VII/1	VIII
3,900,280	-3,900,280	77,500,437	-647,812	5,151,743	11,370,393	174,820,942
914,484	-914,484			16,435,902		16,435,902
914,484	-914,484					
				16,435,902		16,435,902
			-531,890	0	33,227,124	32,695,234
					33,227,124	33,227,124
			-531,890			-531,890
0	0	7,392,297	0	11,370,393	-19,677,173	-914,484
		8,306,781		11,370,393	-19,677,173	0
		-914,484				-914,484
						0
4,814,764	-4,814,764	84,892,734	-1,179,702	86,234	24,920,343	190,165,790
				86,234	24,920,343	25,006,577

**CASH FLOW STATEMENT**

in EUR

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit or loss before tax	52,715,574	39,956,505
<b>Adjustments for:</b>	8,918,973	11,808,838
- Amortisation and depreciation +	12,150,685	11,281,415
- Profit/loss on sale of fixed assets	-7,253	-3,331
- Impairment/write-down (reversal of impairment) of assets	475,817	521,883
- Net decrease/increase in allowance for receivables	1,553	28,975
- Net financial income/expenditure	-493,615	-20,103
- Long-term provisioning	3,483,991	0
- Reversal of long-term provisions	-6,692,205	0
<b>Cash flow from operating activities before change in net current assets (working capital)</b>	-40,604,786	-1,177,784
Change in trade receivables	6,880,807	-4,413,917
Change in other non-current and current assets	7,194	0
Change in stocks	-32,788,789	-4,773,871
Change in trade payables	-7,278,748	9,910,735
Change in provisions	-1,158,030	1,743,878
Change in deferred income	147,334	-95,964
Change in other current liabilities	-13,549	-62,336
Change in liabilities under contracts with buyers	21,432	-56,695
Income tax paid	-6,422,438	-3,429,614
<b>Net cash flow from operating activities</b>	<b>21,029,760</b>	<b>50,587,559</b>



in EUR

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Investment income</b>	43,513	59,749
Income from interest earned	20,235	7,446
Income from interest earned on dividends	16,025	13,915
Income from disposal of tangible fixed assets	7,253	3,331
Income from disposal of current financial assets	0	35,056
<b>Expenditure on investments</b>	-10,546,496	-11,325,408
Expenditure on acquisition of intangible assets	-436,676	-105,479
Expenditure on acquisition of tangible fixed assets	-10,109,820	-11,219,929
<b>Net cash flow from investing activities</b>	<b>-10,502,983</b>	<b>-11,265,659</b>
<b>Cash flows from financing activities</b>		
<b>Income from financing activities</b>	<b>0</b>	<b>137,412</b>
Income from increase in financial liabilities	0	137,412
<b>Expenditure on financing activities</b>	<b>-25,063,273</b>	<b>-17,370,542</b>
Expenditure on repayment of financial liabilities	-138,140	-3,552
Expenditure on interest paid	-2,715	-4,189
Expenditure on purchase of own shares	0	-914,484
Expenditure on repayment of dividends and other profit shares	-24,922,418	-16,448,317
<b>Net cash flow from financing activities</b>	<b>-25,063,273</b>	<b>-17,233,130</b>
<b>Closing balance of cash and cash equivalents</b>	<b>45,210,098</b>	<b>59,746,595</b>
Net increase/decrease in cash and cash equivalents	-14,536,496	22,088,771
<b>Opening balance of cash and cash equivalents (01/01)</b>	<b>59,746,594</b>	<b>37,657,824</b>

The notes to the financial statements are an integral part of the financial statements and should be read in conjunction with them.

## NOTES TO THE FINANCIAL STATEMENTS

### I. Introductory notes to the financial statements

Cinkarna, metallurško-kemična industrija Celje, d.d., is organised as a joint stock company, with its registered office at Celje, Kidričeva 26, and entered in the Court Register of the Court of Celje under number I-402-00. The Company's main activity is chemical (SKD 20.120), namely the production of titanium dioxide.

The financial part of the Annual Report is prepared for Cinkarna Celje d.d. and comprises the financial statements with notes of Cinkarna Celje d.d. By the decision of the 25th General Meeting of Shareholders of Cinkarna Celje d.d., the Company switched from Slovenian Accounting Standards to International Financial Reporting Standards on 15 June 2021. As a result, all the Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements of Cinkarna Celje are presented in euros, without decimals. They form an integral part of the Annual Report 2022, which is published on the Ljubljana Stock Exchange's electronic information system SEOnet and on the website of Cinkarna Celje d.d. (<https://www.cinkarna.si/en/investor-information/fillings>).

### II. Introductory notes on reporting standards

In accordance with the transition of the share on 4 February 2021 to the First Quotation, Cinkarna Celje d.d. has prepared its financial statements as at 31 December 2022 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

#### A. DECLARATION OF COMPLIANCE WITH IFRS

The financial statements of the Company as at 31 December 2022 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. For previous years, including the year ended 31 December 2021, the Company has prepared its financial statements in accordance with Slovenian Accounting Standards. For the first time, the Company has prepared its first complete set of financial statements for the financial year ended 31 December 2021 with a date of transition to IFRS as at 1 January 2020 in accordance with IFRS with related interpretations adopted by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union (EU) and in accordance with the provisions of the Companies Act (ZGD).

The financial statements for the financial year 2022 were approved by the Management Board on 14 March 2023.

The Company prepares its financial statements on a going concern basis. The accounting policies applied are the same as those used in previous years.

#### Initial application of new amendments to existing standards issued by the IASB and adopted by the EU that are effective for the current reporting period

The accounting policies applied by the Company in the preparation of its financial statements are the same as those applied in the preparation of the financial statements for the previous financial year. The exceptions are the revised standards and interpretations adopted by the Company on 1 January 2022 and described below:

##### a) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those adopted last year, with the exception of the following changes to IFRS adopted by the Company on 1 January 2022, which are de-

scribed below:

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and annual improvements for 2018-2020 (amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. The IASB board issued the amendments to the narrow scope IFRSs as follows:

- **IFRS 3 Business Combinations** (amendments) updates the references in IFRS 3 from the previous version of the International Accounting Standards Board's Framework for Financial Reporting to the current version issued in 2018 without materially affecting the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment** (amendments) prohibits a company from deducting from the cost of property, plant and equipment amounts received from the sale of products that have been manufactured while the company is putting the property, plant and equipment into the location and condition necessary for it to operate as intended by management. Instead, the company recognises those amounts received from the sale of products and the related costs in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets** (amendments) specifies what costs an entity includes in determining the cost of performing a contract for the purpose of assessing whether the contract is onerous. The Amendments clarify that the costs of performing a contract are costs that relate directly to the contract and include incremental costs of performing that contract and the allocation of other costs that relate directly to the performance of the contract.

The annual improvements for 2018-2020 introduce minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and illustrative examples accompanying IFRS 16 Leases.

These amendments had no impact on the financial statements of Cinkarna Celje d.d.

- **IFRS 16 Leases - Rent Adjustments in respect of COVID-19 after 30 June 2021 (amendment)**

The amendment applies for annual reporting periods beginning on or after 1 April 2021, with permitted application before that date, including in financial statements that have not yet been authorised for issue at the date of issue of the amendment. In March 2021, the Board amended the terms of the practical expedient in IFRS 16 to provide lessees with assistance in applying the guidance in IFRS 16 on lease amendments to lease rent adjustments that are a direct result of the COVID-19 pandemic. Following the amendment, the practical expedient is now applied to lease rent adjustments if the reduction in lease rentals affects only payments that would have been originally due on or before 30 June 2022 and the other conditions for applying the practical expedient are also met.

These amendments had no impact on the financial statements of Cinkarna Celje d.d.

**b) Standards that are not yet effective and have not been early adopted by the Company**

- **IFRS 17 Insurance Contracts**

The Standard is effective for annual periods beginning on or after 1 January 2023 with permitted application before that date if the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard covering the

recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 applies to all types of insurance and reinsurance contracts issued and to investment contracts with discretionary participation. The Company does not issue contracts under IFRS 17 and, therefore, the application of this standard does not affect the Company's financial performance, financial position or cash flows.

IFRS 17, which aims to provide a comprehensive approach to accounting for insurance contracts that is more useful and consistent for insurers, sets out principles for the recognition, measurement, presentation and disclosure of all types of insurance, reinsurance and investment contracts with discretionary participation. The comprehensive approach is complemented by specific adaptations for direct participation contracts (the variable remuneration approach) and a simplified approach (the premium allocation approach), particularly for short-term contracts.

The main features of the new accounting approach include the measurement of the present value of an estimate of future cash flows, including an adjustment for non-financial risk, which is re-measured each reporting period. The model also includes a contractual service margin, which represents the unearned profit on insurance contracts that the company will recognise when it provides services on the insurance contract in the future. Changes in expected future cash flows affect the contractual service margin and are recognised in profit or loss over the remaining period of cover. Amounts payable to the policyholder in all circumstances, regardless of whether an insured event occurs (investment components that are not separable), are not presented in the income statement but are recognised directly in the statement of financial position.

In addition, the presentation of insurance income and expenses from insurance services in the statement of comprehensive income was based on the concept of services provided during the reporting period. The results of insurance services are presented separately from financial income or expenses from insurance services. In the statement of financial position, the carrying amounts of portfolios of insurance contracts that are assets and those that are liabilities are presented separately, with the same requirement applying to portfolios of reinsurance contracts held. IFRS 17 also requires extensive disclosures to provide companies with information about the amounts recognised for insurance contracts and the nature and extent of the risks arising from those contracts. The IASB decided to use a retrospective approach to estimate the contractual service margin at the date of transition. However, if the retrospective approach, as defined in IAS 8, is not fully practicable for a group of insurance contracts, the company must choose either the modified retrospective approach or the fair value approach. Both allow for generalisation at transition.

In December 2021, the International Accounting Standards Board issued amendments to IFRS 17, adding a transition option for an 'optional classification overlay' to address potential accounting mismatches between financial assets and liabilities arising from insurance contracts in the comparative information presented when IFRS 17 was initially applied. A company that applies an optional classification overlay to a financial asset presents comparative information as if the classification and measurement requirements in IFRS 9 had been applied to that financial asset. The management of the Company has assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Guidance No 2: Disclosure of Accounting Policies (amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. The application guidance also adds guidance and illustrative examples to assist in applying the concept of materiality in assessing disclosures about accounting policies. The Company's management has assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.



- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in the financial statements that are subject to measurement uncertainty if they do not result from the correction of a prior period error. The amendments also clarify what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors. The Company's management has assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 12 Income Taxes: Deferred Tax on Assets and Liabilities Arising from a Single Transaction (amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. They limit and further clarify the scope of the exceptions to initial recognition under IAS 12 and specify how entities should account for deferred tax associated with assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that, for payments that settle a liability and are deductible for tax purposes, an assessment is required, subject to applicable tax law, as to whether such deductions are attributable for tax purposes to the liability or to a related component of the asset. Under the amendments, the initial recognition exception does not apply to transactions that give rise to the same taxable and deductible temporary differences on initial recognition. It applies only if the recognition of a leased asset and a leased liability (or an element of a decommissioning liability and a decommissioning asset) gives rise to taxable and deductible temporary differences that are not the same. The Company's management has assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and apply retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for classifying liabilities as current or non-current. The amendments clarify the meaning of the right to defer settlement of a liability, the requirement that the right exists at the end of the reporting period, that the management's intention does not affect the classification of the liability as current or non-current, and that counterparty options that could lead to settlement by transfer of the entity's own equity instruments do not affect the classification of the liability as current or non-current. The amendments also specify that only commitments that are due to be fulfilled by the entity on or before the reporting date will affect the classification of liabilities. Additional disclosures are also required for non-current loan commitments that are subject to covenants to be fulfilled within 12 months of the reporting period. These amendments have not yet been endorsed by the European Union. The Company's management has assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **IFRS 16 Leases: Lease Liability on Sale and Leaseback (amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The aim of the amendments is to improve the requirements that a seller-lessee applies in measuring lease liabilities in sale and leaseback transactions under IFRS 16, while not changing the accounting for leases other than sale and leaseback leases. In particular, the seller-lessee determines the lease payments or adjusted lease payments so that the seller-lessee would not recognise any amount of gain or loss relating to the right-of-use that it retains. Applying these requirements does not prevent the seller-lessee from recognising in profit or loss a gain or loss relating to the partial or complete termination of a lease. In accordance with IAS 8, a seller-lessee applies the amendment retrospectively to sale and leaseback transactions

entered into after the date of initial application, which is the beginning of the annual reporting period in which the entity first applies IFRS 16. The Company's management has assessed that there will be no material impact on the financial statements of Cinkarna Celje d.d.

- **Amendment to IFRS 10 Consolidated Financial Statements, and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address a recognised inconsistency between the requirements of IFRS 10 and those of IAS 28 in the treatment of a sale or distribution of assets between the owner and an associate or joint venture. The main effect of the amendments is that the full gain or loss is recognised if the transaction involves a plant (whether or not it is part of a subsidiary). A partial gain or loss is recognised if the transaction involves assets that do not constitute a plant, even if those assets are deposited with the subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the completion of its research project on the equity method. The European Union has not yet endorsed these amendments. The Company's management has assessed that there will be no impact on the financial statements of Cinkarna Celje d.d.

## **B. APPLICATION OF THE GOING CONCERN ASSUMPTION**

In preparing the financial statements for the financial year 2022 of Cinkarna Celje, the Management Board of Cinkarna Celje has taken into account the going concern basis of accounting, which assumes that the Company has the knowledge, information and actions that enable it to continue as a going concern and to be able to generate sufficient cash flow to meet its liabilities and provide investors with an adequate return on equity.

## **C. MEASUREMENT BASES**

The financial statements are prepared on a historical cost basis, except for derivatives, financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income, where fair value is taken into account.

## **Č. FUNCTIONAL AND PRESENTATION CURRENCY**

The financial statements and notes are drawn up in euro, excluding cents. Financial information presented in the financial report in euro is rounded.

## **D. USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates include the determination of the useful lives and residual values of property, plant and equipment and intangible assets, the recoverable amount of plant and equipment, estimates of the fair value of financial assets at fair value through other comprehensive income, valuation allowances for inventories and receivables, estimates of amounts payable under contracts with customers, estimates of the recoverability of deferred tax assets, assumptions relevant for the actuarial calculation of employee benefits, assumptions included in the calculation of the provision for environmental purposes, and legal and personal claims.

The estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognised for the period in which the estimates are revised, to the extent that they affect only that period, and for future periods affected by the revisions. Information about significant estimation uncertainties and critical judgements made by the Management Board of Cinkarna Celje in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- **Note 2 Impairment Testing of Non-financial Assets**

The Company reviews individual cash-generating units for indicators of impairment at least annually, and the recoverable amount of non-financial assets is determined on the basis of the present value of future cash flows, which is based on both an estimate of the expected cash flows from the cash-generating unit and the determination of an appropriate discount rate.

- **Note 21 Revenue from Contracts with Buyers**

Revenue from contracts with buyers is recognised based on the terms of the individual sales contract with the buyer, at the time control of the goods and services is transferred to the buyer, in an amount that reflects the consideration to which Cinkarna Celje believes it will be entitled in exchange for such goods or services. Revenue from contracts with buyers is reduced by bulk allowances (volume discounts granted) where the Company verifies accurately that the contractually agreed quantities are taken up. If the contracted quantities are taken up, the Company grants the customer a discount on the quantity taken up. The percentage of the discount is agreed in the contract with the individual buyer. The payment criterion is also taken into account when assessing the granting of discounts. If outstanding debts due to the buyer, who would be entitled to compensation for the higher volumes, are not settled, the discount is not granted and is only assessed.

- **Impairment test for trade receivables in Note 8 Current Trade Receivables**

At the time of preparation of the financial statements (quarterly and annual), the Company makes an allowance or impairment for receivables that are not expected to be settled in full or at all. The basis for the calculation of the allowance is a uniform methodology applicable to the Company and is based on the probability or estimate of default by the buyer. The methodology includes the following quantitative and qualitative criteria: an analysis of the buyer's payment record, an analysis of the buyer's financial statements - credit report, qualitative assessments of the buyer prepared by the sales staff, and the collateralisation of the receivables through the granting of a credit limit with an insurance company. On the basis of the above, which includes all criteria, an impairment allowance is calculated for each buyer.

- **Note 3 Fair Value Measurement of Financial Assets at Fair Value through Other Comprehensive Income**

Fair value is used for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. All other items in the financial statements represent cost or amortised cost. The fair value of assets is reviewed annually based on known market data or comparable data in the industry in which the entity has investments.

- **Note 3 Fair Value Measurement of Financial Assets at Fair Value through Other Comprehensive Income**

Fair value is used for financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. All other items in the financial statements represent cost or amortised cost. The fair value of assets is reviewed annually based on known market data or comparable data in the industry in which the entity has investments.

- **Note 13 Estimate of Provisions Made**

A provision is recognised when, as a result of a past event, the entity has a legal or constructive obligation that can be measured reliably and it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are not recognised in the financial statements because their actual existence will be confirmed by the occurrence or non-occurrence of events only in the unknowable future, which is beyond the Company's control. The Company's management regularly reviews whether an outflow of resources embodying economic benefits is probable to settle a contingent liability. If it becomes

probable, the contingent liability is reclassified to a provision in the financial statements when the degree of probability changes. The Company's management, on the basis of the legal or other basis for recognition, critically assesses whether the present obligation, which arises from past events and could result in future outflows to the Company, is supported by external legal experts and the remediation activities required in light of current knowledge, the measurements made, as well as the amount of the cost and the estimate of the timetable for carrying out the activities, using the written opinions of external specialists in the relevant field in making the assessment. This assessment mainly relates to environmental provisions.

- **Note 13 Provisions for Post-employment Benefits and Other Long-term Employee Benefits**

The present values of retirement gratuities and jubilee awards are recorded within the defined post-employment and other benefit obligations. They are recognised based on an actuarial calculation prepared by a certified actuary and approved by the Management Board. The actuarial calculation is based on assumptions and estimates that are valid at the time of the calculation and, due to changes in the future, may differ from the actual assumptions then in effect. This relates primarily to the determination of the discount rate for the employee turnover estimate, the mortality estimate and the salary growth estimate. Defined benefit obligations are sensitive to changes in those estimates due to the complexity of the actuarial calculation and the long-term nature of the item.

- **Note 17 Current Liabilities under Contracts with Buyers**

Cinkarna Celje accounts for contractual discounts when preparing its annual financial statements in cases where buyers only become entitled to a discount on sales achieved in the current year in the following year, i.e. when the contractually agreed conditions for obtaining the discount have been met. The basis for estimating the amount of these discounts is the facts known at the time the annual accounts are prepared, past experience with individual buyers, and other relevant facts.

#### **Assessment of the recoverability of deferred tax assets in Note 5 Deferred Tax Assets and Liabilities**

The Company recognises deferred tax assets in respect of: provision for jubilee and retirement benefits, impairment of investments, impairment of receivables, unused tax credits and tax losses. The Company verifies the amount of tax receivables and tax payables recorded at the date of the financial statements. Deferred tax assets are recognised when it is probable that future taxable profit will be available within five years against which the deferred tax asset can be utilised in the future. Deferred tax is reversed for the amount for which it is not probable that the tax benefit associated with the asset will be available.

#### **Critical assessment of the macroeconomic situation (inflation and economic downturn)**

Due to the deterioration of the macroeconomic environment caused by inflation, the situation in upstream and downstream markets and the situation related to the war in Ukraine, the Company reviews significant accounting policies and estimates in areas that could be adversely affected by the situation, in particular impairment of assets/receivables due to deterioration in payment discipline, provisions, fair value measurement, leases, labour costs, and the recoverability of deferred tax assets.

### **III. Significant accounting policies**

The Company has applied accounting policies in accordance with IFRS for the period presented in the accompanying financial statements. The Company has not changed the accounting policies published in the Annual Report 2021. The accounting policies and methods of computation used are the same as those used in the last annual reporting.



## A. TRANSLATION OF FOREIGN CURRENCIES

For transactions originally denominated in a foreign currency, the commercial bank rate or the European Central Bank mid-rate (reference rate) is used for the translation of transactions during the year. Assets and debts denominated in a foreign currency are recorded at their translated value at the European Central Bank mid-rate at the reporting date. Exchange differences, whether positive or negative, are the differences between the amortised cost in the functional currency at the beginning of the period and the amortised cost of payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in a foreign currency and measured at fair value are translated into the functional currency at the exchange rate at the date the fair value is determined. Non-monetary items denominated in a foreign currency and measured at historical cost are translated into the functional currency at the exchange rate at the date of the transaction. Exchange differences are recognised in the income statement.

## B. INTANGIBLE ASSETS

Development costs incurred by the Company are recognised as an intangible asset. An intangible asset is derecognised and removed from the balance sheet and statement of financial position on disposal or when no further economic benefits are expected from its use and subsequent disposal.

Other intangible assets have finite useful lives and are carried at cost less accumulated amortisation and accumulated impairment losses. The cost also includes borrowing costs until the intangible asset is created.

Subsequent expenditure on intangible fixed assets is capitalised when it increases the future economic benefits of the asset to which it relates.

The Company applies the straight-line method. Amortisation rates are based on expected useful lives. Amortisation is charged on a straight-line basis until the amortised cost base is fully recovered and amortisation commences when the intangible asset with a finite useful life is available for use.

The estimated useful lives for the current and comparative period are:

- Computer programmes: 2 to 10 years
- Technical and project documentation: 8 to 40 years
- Easements: 20 years and more

The amortisation rates in 2022 remain unchanged from the previous year.

## C. TANGIBLE FIXED ASSETS

The Company's tangible fixed assets comprise land, buildings, manufacturing equipment, other tangible fixed assets, small inventories, tangible fixed assets under construction, and advances for the acquisition of tangible fixed assets.

The Company uses the cost model. Cost includes costs directly attributable to the acquisition of each tangible fixed asset (import and non-refundable purchase duties and costs directly attributable to its qualification for its intended use, in particular import and installation costs). Under the cost model, tangible fixed assets are carried at cost less accumulated depreciation allowances and accumulated impairment losses. The cost includes borrowing costs related to the acquisition of a tangible fixed asset until it is ready for use.

The cost of tangible fixed assets constructed or manufactured by the Company consists of the costs directly attributable to their construction or manufacture (costs of materials, labour, services of external contractors and services of the Company's business units) and those general costs of construction or manufacture that are attributable to their qualification for their intended use.

The cost of tangible fixed assets is allocated to their components if their value is significant, they have different useful lives that are significant in relation to the total cost of the tangible fixed asset, and they are accounted for as individual assets.

Subsequent expenditure on a tangible fixed asset increases its cost if it is a replacement and it is probable that its future economic benefits will be greater than those originally estimated. Subsequent expenditure on a fully depreciated tangible fixed asset is recognised as a new asset with a new useful life.

We capitalise own products and own services when they enhance the future benefits of an asset or increase its useful life. These are goods and services that are created or rendered and then recorded at cost as tangible fixed assets or intangible assets. At the same time, these effects of capitalising own goods and services are recorded in other operating income.

The Company applies the straight-line method. Amortisation rates are based on expected useful lives. Amortisation is charged on a straight-line basis until the asset is fully recovered from its value, which forms the basis for amortisation, and commences to be amortised on the first day of the month following the month in which it is available for use. Land and fixed assets of artistic and cultural interest are not depreciated.

The estimated useful lives for the current and comparative period are:

- Buildings: 5 to 71 years
- Production equipment: 2 to 30 years
- Other equipment: 2 to 5 years

The amortisation rates in 2022 remain unchanged from the previous year.

In estimating the useful lives of assets, the Company considers expected physical wear and tear, technical obsolescence, economic obsolescence and expected legal and other restrictions on use. The Company also reviews the useful lives of major assets in the event that circumstances change and require a change in the useful life and therefore a revaluation of depreciation expense.

## **Leases**

The Company assesses whether a contract is a lease or contains a lease at the time the contract is entered into. A contract is a lease or contains a lease if it transfers the right to control the use of an identified asset for a fixed period in exchange for compensation. The Company determines the term of a lease as the period during which the lease cannot be terminated, together with (a) the periods for which the option to extend the lease is exercisable if it is reasonably certain that the option will be exercised and (b) the periods for which the option to terminate the lease is exercisable if it is reasonably certain that the option will not be exercised.

### **The Company as lessee**

As a lessee, the Company has no leases.

### **The Company as lessor**

Lease contracts that do not involve a significant transfer of the risks and rewards of ownership are classified as operating leases. Rental income is accrued on a straight-line basis over the lease term and recognised in income in the income statement. Initial direct costs are incremental costs directly attributable to negotiating and agreeing the lease, increase the carrying amount of the leased asset and are recognised over the lease term in the same way as rental income. Contingent lease payments are recognised as income in the period in which they are earned.

## D. OTHER NON-CURRENT ASSETS

The Company recognises as other non-current assets emission allowances received free of charge from the government. The Company records the receipt and use of emission allowances as follows:

- Emission allowances granted by the State (the Ministry of the Environment and Spatial Planning and the Environment Agency of the Republic of Slovenia) from 2013 onwards are shown in the statement of financial position at a value of EUR 1 per emission allowance;
- Revenue from the sale of allocated emission allowances is shown in other operating income in the income statement;
- Purchases of emission allowances in the market are recorded as non-current assets at cost if they involve actual issuances that will occur in future periods;
- Current trade payables are expensed when the estimated amount of actual emissions exceeds the number of emission allowances the Company has either allocated or purchased to cover the actual emissions;
- If the market value of the purchased allowances at the year end is lower than their carrying amount, the allowances are revalued for impairment;
- The Company first uses all the allowances acquired from the State on the balance sheet cut-off date, and then uses all the allowances it has purchased on the market at the average price to cover any shortfall.

## E. FINANCIAL INSTRUMENTS

Financial instruments include non-derivative financial assets, non-derivative financial liabilities and derivative financial instruments. Financial instruments are carried at fair value and amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

On initial recognition, the Company classifies financial assets as subsequently measured at amortised cost, fair value through comprehensive income and fair value through profit or loss. The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial asset and the Company's business model for managing them. Except for trade receivables that do not have a significant financial component or for which the Company has applied a practical expedient, the Company measures financial assets at fair value on initial recognition, which, in the case of a financial asset not recognised at fair value through profit or loss, is the fair value plus transaction costs.

Trade receivables that do not have a significant financial component or for which the Company has applied a practical expedient are measured at transaction price determined in accordance with IFRS 15 (see accounting policies in the section Revenue from contracts with buyers).

### Non-derivative financial assets

Financial assets are classified into one of the following groups on initial recognition:

- Financial assets measured at amortised cost
- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit or loss
- Cash and cash equivalents.

Non-derivative financial assets include cash and cash equivalents, receivables, loans and investments. The Company recognises receivables, loans and deposits at the date they are incurred. It recognises other assets when the transaction is entered into or when it becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when the rights to the contractual cash flows from the financial asset are transferred in a transaction that transfers all the risks and rewards of ownership of the financial asset.

Impairment of financial assets is described in more detail in Note G below.

#### ***Financial assets at fair value through other comprehensive income***

Financial assets measured at fair value through other comprehensive income that are debt instruments are those financial assets that are held by the Company for the purpose of receiving contractual cash flows that represent solely payments of principal and interest on the principal outstanding. For debt instruments that are recognised at fair value through other comprehensive income, interest income, exchange differences and impairment or reversal losses are recognised in the income statement and accounted for in the same way as financial assets at amortised cost. All other changes in fair value are recognised in the statement of other comprehensive income. On derecognition, the cumulative change in fair value recognised in other comprehensive income is reclassified to profit or loss. Financial assets measured at fair value through other comprehensive income that have the characteristics of an equity instrument are those financial assets that meet the definition of equity in accordance with IAS 32 Financial Instruments and that the Company has elected to designate irrevocably as equity instruments at fair value through other comprehensive income and that are not held for trading purposes. The classification is determined on an instrument-by-instrument basis. Profits and losses on these financial assets are never allocated to the income statement.

Dividends on equity instruments are recognised as financial income in the income statement when the right to receive payment is established.

#### ***Financial assets at amortised cost***

The Company classifies as financial assets at amortised cost financial assets held for the purpose of generating contractual cash flows that represent solely payments of principal and interest on the principal outstanding. The Company classifies loans, trade and other receivables as financial assets at amortised cost. Depending on their maturity, they are classified as either current (maturity up to 12 months after the statement of financial position date) or non-current (maturity more than 12 months after the statement of financial position date). Loans and receivables are initially recognised at fair value plus direct transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method less expected credit losses. Gains and losses are recognised in profit or loss when eliminated, modified or impaired. Insurance of trade receivables is not treated as a separate financial instrument but as an integral part of the receivables. Insurance policies are taken out on a periodic (annual) basis and relate to specific receivables and/or counterparties. The insurance policy taken out is flexible, whereby business partners can be added or removed from the insurance for the duration of the insurance policy. The insurance policies relate exclusively to the insurance of trade receivables.

#### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they are acquired with a view to being sold or repurchased in the foreseeable future. Derivative financial instruments, including separate embedded derivatives, are classified as held for trading unless they are effective hedging instruments. Financial assets that generate cash flows other than payments of principal and interest are classified and measured at fair value through profit or loss, regardless of the business model. Financial assets at fair value through profit or loss are carried at fair value in the statement of financial position, with net changes in fair value recognised in the income statement.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise: cash in hand, balances in transaction and foreign currency accounts, bank deposits with a maturity of 3 months or less, and similar investments held to ensure solvency. Cash is recognised at initial recognition at the amount resulting from the relevant instruments that give rise to control over the rights attaching to it.



### **Non-derivative financial liabilities**

The Company's non-derivative financial liabilities comprise trade, financial and other payables. The Company initially recognises these liabilities on the trade date when it becomes a party to the contractual provisions of the instrument. The Company derecognises the liability when the obligations under the contract are discharged, cancelled or become time-barred. Unliquidated obligations are initially recorded at fair value plus transaction costs directly attributable to the transaction. After initial recognition, they are measured at amortised cost. Depending on their maturity, they are classified as either current (maturity up to 12 months after the statement of financial position date) or non-current (maturity over 12 months after the statement of financial position date).

### **Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value. Transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, with the related changes recognised in the income statement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If the transaction price does not equal the fair value at the measurement date, the difference for marketable assets is recognised in profit or loss or deferred and subsequently released to profit or loss in accordance with the policy. Investments or financial liabilities measured at fair value through profit or loss are remeasured at fair value at least annually, at the time of the preparation of the annual financial statements. Gains or losses arising from changes in fair value are recognised in the income statement.

The Company purchases strategic raw materials in US dollars and also sells into US dollar markets, which are significantly lower in value than purchases. Purchases and sales in different currencies result in discrepancies between purchase and sale prices due to the constantly changing euro/dollar exchange rate; the Company balances this with forward transactions to maintain the correct euro/dollar ratio and to reduce currency risks.

## **F. ASSETS (DISPOSAL GROUPS)**

Assets or disposal groups comprising assets and liabilities that are expected to be settled principally through sale and for which it is probable that a sale will occur are classified as held for sale. Impairment losses on reclassification of assets as held for sale and subsequent losses or gains on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses. Intangible assets and tangible fixed assets cease to be amortised when they are classified as held for sale. On disposal, the Company derecognises the asset (disposal group) and recognises the effect of the disposal, less costs directly attributable to the sale, in other operating income or expense.

## **G. STOCKS**

The Company's stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase price, import duties and direct acquisition costs. The purchase price is less any discounts obtained. Direct acquisition costs are transport, loading, handling, unloading, monitoring and other costs directly attributable to the trade goods, materials or services acquired. Purchase price discounts include both those stated on the invoice and those obtained subsequently and relating to a particular purchase.

The Company carries stocks of raw materials and consumables, ancillary materials, packaging and merchandise at cost plus any related acquisition costs. The Company uses constant prices with offsets to record inventories and consumption of materials. Consumption of basic raw materials is recorded using the FIFO method and consumption of other inventories of materials and supplies is recorded using the weighted average cost method. Stocks of raw materials and supplies with no movement are revalued for impairment by writing down the value according to the following criteria:

- Third year: 25%;
- Fourth year: 50%;
- Fifth year: 100%.

Stocks of work in progress, semi-finished and finished goods are valued at production cost, which includes direct costs of materials, wages, salaries and production services, depreciation and amortisation, and a portion of the general production costs of production cost centres, comprising the cost of materials, maintenance, insurance and a portion of the cost of other services. The Company uses constant prices (PVS) with offsets to record stocks of work in progress and finished goods. Cost transfers from stocks are made using the weighted average price method.

Stocks of work in progress and finished goods without movement are revalued for impairment by writing down the value according to the following criteria:

- Second year: 25%;
- Third year: 50%;
- Fourth year: 100%.

## H. IMPAIRMENT OF ASSETS

### *Financial assets*

In accordance with IFRS 9, the Company uses an expected loss model to recognise not only losses incurred but also losses expected to be incurred in the future. The Company assesses evidence that financial instruments are impaired. If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, the impairment assessment is based on the expected credit losses associated with the probability of default of the financial instrument within the next 12 months.

For financial assets, such as trade receivables, that do not have a significant financing component, a simplified approach is used whereby the valuation allowance is calculated as an amount equal to the expected credit losses over the life of the financial asset. The Company forms groups of receivables based on their collateralised/uncollateralised status, maturity, similar risk characteristics and historical recoverability, adjusted for the management's assessment of whether actual losses due to current economic conditions may be greater or less than the losses projected by historical development.

If credit risk has increased significantly since initial recognition but the assets do not yet show objective evidence of impairment, the impairment assessment is based on the probability of default over the life of the financial asset. Expected credit losses represent the difference between the contractual cash flows that are contractually due and all cash flows that the Company expects to receive. For financial assets that show objective evidence of impairment at the reporting date, a full allowance for expected credit losses is provided for based on a decision of the Management Board. The Company recognises a write-down of a financial asset when it has a reasonable expectation that it will not be able to collect the contractual cash flows. Objective evidence that a financial asset is impaired may include: default or breach by the debtor; indications that the debtor is about to enter bankruptcy or is subject to proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP).

Claims that are presumed to be unsettled or not settled in full need to be considered doubtful and, if they are the subject of legal proceedings, disputed. The Company records an allowance for these receivables as a charge to operating expenses in respect of the receivables. The establishment of an allowance for trade and other receivables is based on an individual assessment of their riskiness, taking into account historical payment dynamics, past payment delays, the credit rating of the business partner, and the status of the business partner in insolvency proceedings.

Investments in equity securities or interests in other companies for which an irrevocable decision has been made at initial recognition that they are not held for trading are accounted for as finan-

cial assets at fair value through other comprehensive income. The fair value of quoted securities is measured at the exchange rate at the reporting date. Gains or losses arising from changes in fair value are recognised in other comprehensive income and reported directly in equity as a reserve for fair values of financial instruments, net. Amounts presented in other comprehensive income may not be subsequently transferred to profit or loss. The cumulative gain or loss is transferred within equity.

### ***Non-financial assets***

The Company reviews the carrying amount of significant non-financial assets at each reporting date to determine whether there is any indication of impairment. If such indicators exist, the recoverable amount of the asset is estimated. The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its value in use and its fair value less costs to sell. In determining the value in use of an asset, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In allocating impairment to an individual CGU asset, the carrying amount of the individual asset is not reduced below the higher of fair value less costs of disposal (if measurable), value in use (if determinable) or nil. An impairment of an asset or cash-generating unit is recognised when its carrying amount exceeds its recoverable amount. Impairment is recognised in profit or loss. The Company evaluates impairment losses in prior periods at the end of the reporting period to determine whether the loss has been reduced or no longer exists. An impairment loss is reversed if there has been a change in the estimates used by the Company to determine the asset's recoverable amount. An impairment loss is reversed to the extent that the increase in the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised for the asset in prior years.

## **I. FAIR VALUE MEASUREMENT**

The Company's accounting policy requires the determination of the fair value of both non-financial and financial assets and liabilities, either for the measurement of individual assets or for additional fair value disclosures. Fair value is the amount for which an asset could be sold or a liability exchanged between knowledgeable, willing parties in an arm's length transaction.

The methods used to determine the fair value of each class of assets for measurement or reporting purposes are described below.

### ***Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income***

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined using comparable market data from companies in the electricity industry.

### ***Receivables and loans***

The fair value of receivables and loans is calculated as the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period. The estimate takes into account the credit risk of these financial assets.

### ***Non-derivative financial liabilities***

For reporting purposes, fair value is calculated based on the present value of future principal and interest payments discounted at the market interest rate at the end of the reporting period.

## J. CAPITAL

The Company's total capital is made up of: called-up capital, capital reserves, profit reserves, fair value reserves, retained earnings or undiscounted losses from previous years, and retained earnings or undistributed losses for the year.

The **called-up capital** is the share capital, nominally defined in the Company's Articles of Association, consisting of ordinary shares.

**Treasury shares:** When treasury shares that are accounted for as part of share capital are redeemed, the amount of consideration paid, including costs directly attributable to the redemption, net of any tax effects, is recognised as a change in capital. The repurchased shares are accounted for as treasury shares and deducted from capital. When treasury shares are sold or subsequently reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is transferred to capital reserves or retained earnings, as appropriate.

The **capital reserves** consist of the capital reserves created in the course of the ownership procedure and the general capital revaluation adjustments, which include the revaluation of the share capital prior to 2002, in accordance with the then applicable SRS standards. The general capital revaluation adjustment of the Company was transferred to the capital reserves on 1 January 2006 as a consequence of the changeover to the new SRS standards (2006) on 1 January 2006.

**Profit reserves** are a portion of net profit from previous years that is retained for a specific purpose, mainly to offset possible future losses. They consist of: legal reserves, reserves for own shares/own interests, own shares/own interests (as a deductible item), statutory reserves and other profit reserves.

Retained earnings from previous years are the residual of the then current net profit that is neither distributed as dividends or other distributions to equity holders nor earmarked as a reserve.

The **fair value reserve** relates to the change in fair value of equity investments in other companies measured at fair value through equity. The fair value reserve also includes the cost of remeasuring post-employment benefits (actuarial gains/losses) arising from the change in the present value of the retirement benefit obligation.

**Dividends:** Until dividends are approved by the General Meeting, deemed dividends are treated as retained earnings, i.e. dividends are recognised in the financial statements in the period in which the resolution of the General Meeting to pay dividends is passed.

## K. CURRENT EMPLOYEE BENEFITS

Obligations for current employee benefits are measured on an undiscounted basis and are recognised as an expense when the employee's service in respect of the defined benefit is rendered.

## L. NON-CURRENT EMPLOYEE BENEFITS

### *Provisions for post-employment and other long-term employee benefits*

The Company is obliged by law, collective agreement and internal rules to pay jubilee bonuses and severance payments to employees on retirement, for which provisions are made. There are no other pension obligations. Provisions are made for estimated future payments of severance and jubilee benefits, discounted at the reporting date. The calculation takes into account the cost of severance payments on retirement and the cost of any expected jubilee awards until retirement. Personnel and interest costs are recognised in the income statement and the translation of post-employment benefits or unrealised actuarial gains or losses is recognised in other comprehensive income.



## M. PROVISIONS

Provisions are recognised when, as a result of a past event, the Company has a legal or constructive obligation that can be measured reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate at the reporting date of the expenditure required to settle the obligation. The Company recognises a provision when the conditions for the provision are met and it is charged to the relevant costs or expenses.

The environmental provision is established as a best estimate of the costs, based on external independent environmental experts' assessments, associated with the operation of landfills and facilities owned by the Company to cover long-term liabilities. The Company's management assesses whether there is a legal, contractual or constructive obligation to replenish/release the provision. Provisions are discounted at a risk-free rate, according to the estimated timing of the execution of the works, which is projected by means of external experts' estimates, taking into account the structure of the land, the activities required and the statutory provisions. In 2022, a review of the provisions was carried out to reassess the execution of the necessary works, to define the timetable for the execution of the works and the value of the execution of the works, taking into account inflation, and based on the timetable, the provisions were discounted accordingly using the discount factor of the government bond yields. This was done on the basis of an assessment by external experts and the annual management review. Cost adjustments were made in line with the increase in prices of materials and services to carry out the necessary rehabilitation.

## N. STATE AIDS

Revenue from state aids is recognised in the financial statements of Cinkarna Celje d.d. when they are received and there is reasonable assurance that the Company will comply with their terms and conditions. The Company recognises state aids from the epidemic in Slovenia in current operating income. Remaining state and other subsidies received to cover costs are recognised consistently as income in the periods in which the related expenses are incurred to be compensated by the subsidies. Asset-related state aid is recognised in the income statement on a strictly consistent basis within other operating income over the useful life of the asset.

State aid received for the acquisition of fixed assets or the recovery of certain costs remains temporarily in deferred income and is transferred to operating income in accordance with the depreciation of the fixed assets acquired or the costs incurred for which they are intended.

## O. OTHER CURRENT ASSETS AND OTHER LIABILITIES

Under other current assets, the Company recognises current deferred charges or expenses. In accordance with the methodology set out for the deferral of the cost of annual commitments, deferred costs for annual leave, insurance premiums paid and other current costs are recognised during the year. At the reporting date, the Company recognises prepaid raw material costs and costs relating to a future balance sheet period. The Company also recognises VAT on advances received as other current assets.

Under other current liabilities, the Company recognises accrued costs or expenses and deferred income. In accordance with the established methodology for the delimitation of the cost of annual liabilities, planned trade payables are delimited during the year. Accrued income during the year from the sale of products and services is recorded as deferred income. The Company also recognises accrued unused annual leave entitlement as well as VAT on advances made as other current liabilities.

## P. REVENUE

### ***Revenue from contracts with buyers***

Revenue is recognised under IAS 15 if the increase in economic benefits during the period is attributable to an increase in the value of an asset or a decrease in a debt and the increase can be measured reliably. Revenue is recognised when it is reasonably expected to give rise to benefits, if those benefits are not realised when they arise.

Revenue from contracts with buyers is the result of sales of chemical, metallurgical and other manufactured goods and materials, where the performance obligation is discharged when the goods are shipped or accepted by the buyer. In the case of revenue from contracts with buyers where the sale results in the provision of services, the performance obligation is discharged when the service is rendered. Revenue from sales is revenue arising from contracts with buyers for the sale of goods or services. Revenue from sales reflects transfers (deliveries) of contractually agreed goods or services to buyers in the amount of the expected consideration to which the Company will be entitled in exchange for those goods or services. Amounts collected for the benefit of third parties, such as value added tax and other taxes levied at the time of sale, are not a component of sales revenue. Similarly, amounts collected for the benefit of the principal are not part of the proceeds of the sale (the proceeds of the sale are only that part of the consideration due to the principal for the agency service provided). The goods or services are transferred when the buyer obtains (or acquires) control of them. The buyer obtains control of the good or service when he or she acquires the right to determine its use and the right to substantially all of its residual benefits. Such control includes the ability to prevent others from directing the use of the good or service and obtaining benefits from it. Benefits from goods or services are potential cash flows (receipts or expenditure savings) that can be obtained directly or indirectly in a variety of ways. The Company transfers control of the good or service and thereby discharges or satisfies the performance obligation, either at a point in time or gradually. When entering into a contract with a buyer, the Company is required to specify all performance obligations contained in the contract. Each obligation to transfer goods or services to the buyer is identified as a separate (distinct) performance obligation:

- Which, under the IFRS criteria, can be identified in the context of a contract separately from other contractual obligations to transfer goods or services;
- The buyer can use the contractually agreed good or service alone or in conjunction with other available or readily available resources (assets). For example, the fact that the Company regularly sells the good or service separately would indicate that the buyer can use the good or service alone or in conjunction with other readily available resources.

Proceeds from the sale are recognised at an amount reflecting the transaction price allocated to the stand-alone performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the goods or services to the buyer, excluding amounts collected on behalf of third parties.

The control of goods and services depends on the terms of the sales contract, and the transfer takes place at the moment the goods are taken over by the buyer or the service is rendered. The normal payment period is between 30 and 90 days.

### ***Assets from contracts with buyers***

A contractual asset is a right to compensation in exchange for goods or services that are transferred to the buyer but have not yet been invoiced to the buyer. The Company recognises unbilled revenue for goods and services supplied to customers as a contract asset.

### ***Obligations under contracts with buyers***

A contractual obligation is an obligation to transfer goods or services to a buyer in return for consideration received by the Company from the buyer. The Company recognises obligations under

contracts with buyers in respect of volume discounts granted. Contractual obligations are recognised as revenue when the Company has fulfilled its performance obligation under the contract.

#### ***Other sales revenue***

Revenue and other operating income are recognised when the service is rendered and the buyer has obtained control of the goods or services in accordance with IFRS 15.

Other operating income arises on the disposal of intangible assets and tangible fixed assets as the excess of their sale value over their carrying amount and on the occurrence of other unusual items. It is recognised in the amounts actually incurred.

#### ***Financial revenue***

They include interest income on investments, dividend income, gains on disposal of available-for-sale financial assets, foreign exchange gains and gains on hedging instruments recognised in the income statement. Interest income is recognised when earned using the effective interest method. Dividend income is recognised in the income statement when the right to receive payment is established.

### **Q. EXPENDITURE**

Expenditure is recognised to the extent that a decrease in economic benefits during the period is associated with a decrease in an asset or an increase in a debt and that decrease can be measured reliably.

**Operating expenses** are recognised when the material is consumed or the service rendered, in the period to which they relate. The normal valuation of stocks of products and work in progress at production cost takes into account operating expenses consisting of production costs that are no longer retained in those stocks, as well as purchase and selling costs and general operating expenses accrued during the accounting period. The transfer of costs from stocks of products and work in progress to quantities sold and the transfer of the cost of merchandise and supplies to quantities sold are made using the constant (estimated, standard) price method, taking into account the proportionate share of variances.

Operating expenses are equal to the costs accrued during the accounting period, plus the costs retained in opening stocks of products and work in progress, less the costs retained in closing stocks of products and work in progress, valued at production cost.

Operating expenses are increased by the cost of goods and materials sold. Service costs relate mainly to costs incurred for maintenance of assets, transport services, services of intermediaries in the sale of products, advertising (sponsorship) costs, research costs and costs of intellectual services.

Impairment charges within operating expenses arise in respect of tangible fixed assets, intangible assets and working capital due to their impairment. Other expenses consist of unusual items which are stated at the amounts actually incurred.

**Financial expenses** comprise interest expense on borrowings, foreign exchange losses and impairment losses on financial assets recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

### **R. TAXATION (income tax)**

Income tax for the year comprises both current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity. Taxable profit differs from net profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The tax assessed is the tax expected to be paid on the taxable profit for the financial year using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is accounted for using the liability method in the statement of financial position, taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and amounts for tax reporting purposes. Deferred tax is provided at the amount expected to be payable when the temporary differences reverse, based on laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised in full using the liability method of the statement of financial position for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's separate financial statements. Deferred tax is provided using tax rates (and laws) that are expected to apply when the deferred tax liability is settled. Deferred tax is also not recognised for taxable temporary differences on initial recognition of investments. The amount of deferred tax is based on the expected manner of recovery or settlement of the carrying amounts of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if there is a legal right to set off tax assets and income tax liabilities.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised in the future. Deferred tax assets are reduced by the amount for which it is no longer probable that the tax benefit associated with the asset will be available.

## **S. REPORTING BY SEGMENT**

A segment is an identifiable component of a company that is engaged in specific products or services (an operating segment) or in products and services in a specific, geographically defined economic environment (an area segment); these are differentiated by their risks and rewards. Segment information is presented by the Company's geographical and business segments. The Company's segment reporting is based on its geographical segments, which are also supported by the Company's corporate governance and internal reporting system.

The Company's geographical segments are Slovenia, the European Union, third countries and the markets of the former Yugoslavia. The Company's business segments are Titanium Dioxide, Zinc Processing, Varnishes, Masters and Inks, Agro Programme and Others. Segment information is presented in the Revenue from contracts with buyers segment in the Accounting part of the report. Segment profit/loss is reported as the difference between operating income and expenses, taking into account those revenues and expenses that are directly attributable to each segment, excluding revaluation income and expenses that cannot be allocated to the segment in a meaningful way. Smaller operating segments are aggregated into one category because they are insignificant and detailed disclosures could cause significant harm to the Company.

## **T. EARNINGS PER SHARE**

Cinkarna Celje d.d. reports basic earnings per share, which is calculated by dividing the profit/loss attributable to ordinary shareholders by the number of ordinary shares in issue during the financial year. Diluted earnings per share is equal to basic earnings because all Cinkarna Celje shares belong to the same class of ordinary registered bulk shares.

## **U. FINANCIAL RISK MANAGEMENT IN THE USE OF FINANCIAL INSTRUMENTS**

Cinkarna Celje d.d. uses various instruments to manage financial risks in its use of financial instruments to manage credit, liquidity, market, currency and operational risks, which are described in more detail in Note VIII Financial Instruments and Financial Risks.



#### IV. REPORTING BY SEGMENT

Cinkarna Celje d.d. reports revenue from contracts with buyers by geographically defined segments and sales programmes. Revenue from contracts with buyers is reported by geographical location of the buyers and by sales programme. The Company monitors the following segments in the preparation and presentation of the income statement and revenue from contracts with buyers:

- Titanium dioxide, comprising the sale of titanium dioxide pigment;
- Zinc processing, comprising sales of metallurgical products;
- Paints, varnishes, mastics and printing inks;
- Agro programme, comprising sales of copper fungicides and Humovit;
- Other, comprising sales of CEGIPS, sulphuric acid, polymers, service activities, holiday accommodation, etc.

##### Sales by business segment

	in EUR	
	<b>2022</b>	<b>2021</b>
Titanium dioxide	187,495,664	156,788,783
Zinc processing	8,240,209	6,364,355
Paints, varnishes, mastics and printing inks	18,516,808	17,687,588
Agro programme	8,399,825	7,990,692
Other	4,500,610	3,630,682
<b>Total</b>	<b>227,153,116</b>	<b>192,462,100</b>

##### Sales by geographical segment

	in EUR	
	<b>2022</b>	<b>2021</b>
Slovenia	18,781,919	17,355,361
European Union	173,950,706	142,500,353
Market of the former Yugoslavia	4,959,791	4,383,469
Third countries	27,117,372	24,693,293
Third countries – dollar market	2,343,328	3,529,624
<b>Total</b>	<b>227,153,116</b>	<b>192,462,100</b>

## Operating profit by business segment

The Company also monitors segment results by sales programme, which are regularly reviewed and used to inform decisions on the future performance of the individual programme. The Company monitors operating profit by segment. However, the Company monitors financial result, income tax, deferred tax assets and net profit or loss at the level of the Company as a whole, and the Company's statement of financial position is monitored only at the company level.

	Titanium dioxide - pigments		Zinc processing		Varnishes, mastics, inks	
	2021	2022	2021	2022	2021	2022
Revenue from contr. with buyers	156,788,783	187,495,664	6,364,355	8,240,209	17,687,588	18,516,808
Other operating income	1,152,824	7,297,949	2,058	7,467	20,812	34,273
Change in value of stocks	-709,213	13,624,957	55,962	45,758	-76,227	767,982
Operating costs	-117,981,010	-155,281,120	-6,259,407	-8,112,153	-15,351,019	-16,451,077
-of which depreciation	-6,142,369	-7,367,314	-95,229	-79,813	-479,852	-395,688
<b>Operating result</b>	<b>39,251,384</b>	<b>53,137,450</b>	<b>162,969</b>	<b>181,281</b>	<b>2,281,154</b>	<b>2,867,986</b>
Interest income						
Other financial income						
Interest expense						
Other financial expenses						
<b>Financial result</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deferred taxes						
Income tax						
<b>Net profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## V. NOTES

### 1 Neopredmetena sredstva

in EUR

Group of intangible assets for 2022	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Property rights	5,845,554	5,633,593	4,907,487	4,744,346	938,067	889,248
Assets under acquisition	270,158	91,424	0	0	270,158	91,424
<b>Total</b>	<b>6,115,711</b>	<b>5,725,018</b>	<b>4,907,487</b>	<b>4,744,346</b>	<b>1,208,224</b>	<b>980,672</b>

in EUR

Group of intangible assets for 2021	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Property rights	5,633,593	5,537,658	4,744,346	4,519,833	889,248	1,017,825
Assets under acquisition	91,424	17,646	0	0	91,424	17,646
<b>Total</b>	<b>5,725,018</b>	<b>5,555,304</b>	<b>4,744,346</b>	<b>4,519,833</b>	<b>980,672</b>	<b>1,035,471</b>

in EUR

Agro programme		Other		Total	
2021	2022	2021	2022	2021	2022
7,990,692	8,399,825	3,630,681	4,500,610	192,462,100	227,153,116
30,340	21,777	3,931,503	2,830,810	5,137,537	10,192,276
275,758	-494,589	-10,125	169,815	-463,845	14,113,923
-8,338,342	-7,864,834	-9,229,407	-10,574,488	-157,159,184	-198,283,672
-330,947	-292,084	-4,233,017	-4,015,785	-11,281,415	-12,150,684
<b>17,172</b>	<b>62,179</b>	<b>-1,736,071</b>	<b>-3,073,253</b>	<b>39,976,608</b>	<b>53,175,643</b>
				12,284	20,235
				13,915	16,025
				-4,189	-2,714
				-42,113	-493,615
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-20,103</b>	<b>-460,069</b>
				276,914	-529,510
				-7,006,296	-8,789,599
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,227,124</b>	<b>43,396,465</b>

Intangible assets have finite useful lives. The Company has reviewed their values and determined that their present value does not exceed their recoverable amount. In 2022, the Company invested in long-term property rights from investments in software and project documentation. The decreases in intangible assets relate to amortisation and write-off of other intangible assets.

67% of the total intangible assets in use at 31 December 2022 were fully amortised (81% at 31 December 2021). The percentage is calculated based on the cost of the intangible assets.

No intangible assets are pledged as guarantees for liabilities as at 31 December 2022 and 31 December 2021. The Company also has no commitments under contracts for the purchase of intangible assets.

## Movements in intangible assets

in EUR

2022	Property rights	Assets under acquisition	Total
<b>Acquisition value</b>			
Situation at 31 Dec 2021	5,633,593	91,424	5,725,017
Increases	0	436,676	436,676
Transfer from assets under acquisition	257,942	-257,942	0
Situation at 31 Dec 2022	5,891,535	270,157	6,161,693
<b>Value adjustment</b>			
Situation at 31 Dec 2021	4,744,345	0	4,744,345
Current year depreciation	209,124	0	209,124
Situation at 31 Dec 2022	4,953,469	0	4,953,469
<b>Undepreciated value</b>			
Situation at 31 Dec 2021	889,248	91,424	980,672
Situation at 31 Dec 2022	938,066	270,157	1,208,224

in EUR

2021	Property rights	Assets under acquisition	Total
<b>Acquisition value</b>			
Situation at 31 Dec 2020	5,537,658	17,646	5,555,304
Increases	0	169,713	169,713
Transfer from assets under acquisition	95,935	-95,935	0
Situation at 31 Dec 2021	5,633,593	91,424	5,725,017
<b>Value adjustment</b>			
Situation at 31 Dec 2020	4,519,832	0	4,519,832
Current year depreciation	224,513	0	224,513
Situation at 31 Dec 2021	4,744,345	0	4,744,345
<b>Undepreciated value</b>			
Situation at 31 Dec 2020	1,017,826	17,646	1,035,471
Situation at 31 Dec 2021	889,248	91,424	980,672

Part of the non-current assets relate to easements with definitive useful lives, which are recorded under Land.

## 2 Tangible fixed assets

in EUR

Group of tangible fixed assets for 2022	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Land	10,803,263	10,803,263	1,198,754	1,126,413	9,604,509	9,676,850
Buildings	128,674,115	126,487,363	87,057,629	84,187,165	41,616,487	42,300,197
Equipment	225,138,242	227,909,652	183,644,286	183,515,529	41,493,957	44,394,123
Assets under acquisition	10,276,338	9,172,421	0	0	10,276,338	9,172,421
Advances	1,091,727	352,537	0	0	1,091,727	352,537
<b>Total</b>	<b>375,983,686</b>	<b>374,725,236</b>	<b>271,900,668</b>	<b>268,829,107</b>	<b>104,083,017</b>	<b>105,896,130</b>



in EUR

Group of tangible fixed assets for 2021	Acquisition value		Value adjustment		Undepreciated value	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Land	10,803,263	10,803,263	1,126,413	1,054,071	9,676,850	9,749,192
Buildings	126,487,363	124,538,191	84,187,165	81,177,713	42,300,197	43,360,477
Equipment	227,909,652	221,895,740	183,515,529	179,915,685	44,394,123	41,980,055
Assets under acquisition	9,172,421	10,492,059	0	0	9,172,421	10,492,059
Advances	352,537	821,380	0	4,158	352,537	817,222
<b>Total</b>	<b>374,725,236</b>	<b>368,550,632</b>	<b>268,829,107</b>	<b>262,151,627</b>	<b>105,896,130</b>	<b>106,399,005</b>

The Company does not have any assets under finance leases and, as at 31 December 2022 and 31 December 2021, the Company does not have any assets pledged as collateral for any guarantees.

### Movements in property, plant and equipment

in EUR

2022	Land	Buildings	Production and other equipment	Total	Assets under acquisition	Advances	Total
<b>Acquisition value</b>							
Situation at 31 Dec 2021	10,803,263	126,487,363	227,909,652	365,200,278	9,172,421	352,537	<b>374,725,236</b>
Increases	0	0	0	0	9,532,635	1,199,362	<b>10,731,997</b>
Transfer from ass. under acquisition	0	2,230,260	6,198,459	8,428,719	-8,428,719	0	<b>0</b>
Decreases	0	43,507	8,969,869	8,969,869	0	460,172	<b>9,430,041</b>
Situation at 31 Dec 2022	10,803,263	128,674,115	225,138,243	364,615,621	10,276,338	1,091,726	<b>375,983,685</b>
<b>Value adjustment</b>							
Situation at 31 Dec 2021	1,126,413	84,187,166	183,515,529	268,829,108	0	0	<b>268,829,108</b>
Depreciation	72,342	3,271,577	8,597,642	11,941,561	0	0	<b>11,941,561</b>
Decreases	0	41,539	8,468,885	8,510,425	0	0	<b>8,510,425</b>
Increases	0	359,575	0	359,575	0	0	<b>359,575</b>
Situation at 31 Dec 2022	1,198,755	87,057,628	183,644,286	271,900,668	0	0	<b>271,900,668</b>
<b>Undepreciated value</b>							
Situation at 31 Dec 2021	9,676,850	42,300,197	44,394,123	96,371,170	9,172,421	352,537	<b>105,896,129</b>
Situation at 31 Dec 2022	9,604,509	41,616,487	41,493,957	92,714,953	10,276,338	1,091,726	<b>104,083,017</b>

As at 31 December 2022, the Company has performed an impairment test of its non-current assets in accordance with IAS 16 and has therefore had the assets valued by a certified business valuator. The valuation (value in use for financial reporting purposes) shows that the assets are not overvalued due to the inflationary environment and the general deterioration in the Company's macroeconomic conditions and their valuation value exceeds their carrying amount.

The impairment test of the non-current assets of the cash-generating unit of Cinkarna Celje d.d. was performed due to indications that the asset might be impaired due to the impact of inflation on the economic environment and the general deterioration of the economic conditions. In the fourth quarter of 2022, the Company faced a decline in sales prices and volumes on the market of the carrier product titanium dioxide, it was confronted with a reduced demand for the carrier product and, at the same time, with the intrusion of Chinese pigment. Nevertheless, Cinkarna Celje closed the 2022 financial year with excellent results and achieved above-average profits in recent years.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. For the purpose of the impairment test, the recoverable amount of the cash-generating unit was determined on the basis of a value-in-use calculation, i.e. using cash flow projections based on the cash-generating unit's five-year financial plans, which assume a gradual normalisation of the situation. The projection uses a discount factor of 10.26 % (2023-2027) and an annual long-term growth rate of the residual cash flow of 2.6 %. In management's assessment, a reasonable change in the discount rate or growth rate would not result in an impairment of the assets held by the cash-generating unit. Based on the above assumptions, the calculated estimate of the value of the assets of the cash-generating unit Cinkarna Celje exceeds the carrying amount and therefore no impairment of the cash-generating unit is required.

In the value assessment, the impact of a change in the key parameters discount rate, NOPLAT, CAPEX and long-term growth rate on the value of the total capital of the company being valued was tested in a simulation. The impact of these changes is shown below: a change in the discount rate of +/-0.5%, a change in the long-term growth rate of +/-1%, a change in the NOPLAT of +/-5% and a change in the CAPEX. In view of these changes and the impact on the change in the estimated value, none of the changes would imply that the assets would need to be impaired.

#### Sensitivity analysis of the main variables

Change in the discount rate		Difference in % of estimated value
Increase by	0.5%	-10%
Decrease by	0.5%	11%
Change in the long-term growth rate		
Increase by	1.0%	7%
Decrease by	1.0%	-5%
Change in profitability		
Increase in NOPLAT by	5.0%	9%
Decrease in NOPLAT by	5.0%	-9%
Change in investments		
Increase in CAPEX by	5.0%	-12%
Decrease in CAPEX by	5.0%	12%
<b>Upper limit</b>		<b>9.6%</b>
<b>Lower limit</b>		<b>-9.0%</b>

In 2022, the Company recognised a decrease in tangible fixed assets as a result of the difference between the value of the invested assets and the accumulated depreciation. In 2022, the Company invested EUR 10 million (EUR 11.2 million in 2021) in the modernisation of production equipment and EUR 10 million (EUR 11.2 million in 2021) in replacement equipment, mainly in the titanium dioxide field, the most significant of which are as follows: Installation of solar power plants (EUR 0.7 million), installation of a third sand mill (EUR 0.7 million), elimination of dust sources (EUR 0.5 million), C-line neutralisation second stage (EUR 0.5 million), upgrade of the calcination plant (EUR 0.2 million), upgrade of the storm water drainage system with oil traps (EUR 0.2 million), installation of an extra-light fuel oil management system (EUR 0.2 million), etc.

As at 31 December 2022, the Company owns EUR 10.5 million of ongoing investments, mainly related to the maintenance and modernisation of the titanium dioxide production, the key ones being: modernisation of the calcination plant (EUR 1.8 million), replacement of the sulphur combustion furnace (EUR 1.6 million), elimination of dust sources (EUR 0.7 million), installation of a third sand mill (EUR 0.7 million), and others.

in EUR

2021	Land	Buildings	Production and other equipment	Total	Assets under acquisition	Advances	Total
<b>Acquisition value</b>							
Situation at 31 Dec 2020	10,803,263	124,538,191	221,895,740	357,237,194	10,492,059	821,379	<b>368,550,632</b>
Increases	0	0	0	0	11,155,694	410,018	<b>11,565,713</b>
Transfer from ass. under acquisition	0	1,949,172	9,421,240	11,370,412	-12,475,332	0	<b>-1,104,920</b>
Decreases	0	0	3,407,328	3,407,328	0	878,861	<b>4,286,189</b>
Situation at 31 Dec 2021	10,803,263	126,487,363	227,909,652	365,200,278	9,172,421	352,537	<b>374,725,236</b>
<b>Value adjustment</b>							
Situation at 31 Dec 2020	1,054,071	81,177,714	179,915,685	262,147,470	0	4,157	<b>262,151,627</b>
Depreciation	72,342	3,203,086	7,781,475	11,056,902	0	0	<b>11,056,902</b>
Decreases	0	193,634	4,181,631	4,375,264	0	4,157	<b>4,379,421</b>
Situation at 31 Dec 2021	1,126,413	84,187,166	183,515,529	268,829,108	0	0	<b>268,829,108</b>
<b>Undepreciated value</b>							
Situation at 31 Dec 2020	9,749,192	43,360,477	41,980,055	95,089,725	10,492,059	817,222	<b>106,399,006</b>
Situation at 31 Dec 2021	9,676,850	42,300,197	44,394,123	96,371,170	9,172,421	352,537	<b>105,896,129</b>

Also included in tangible fixed assets is a reported increase in the cost of assets of EUR 2,026,125 (EUR 3,263,831 in 2021) from capitalised own products and services, where the Company capitalises its own maintenance services and consumables for maintenance. Within this, materials, labour and purchase of other assets were required to realise the capitalised own effects and are recorded in detail per individual existing fixed assets that were either repaired or renewed during the year and during the annual overhaul in the last quarter of 2022. Key investments within the in-house maintenance team were: Installation of a third sand mill (EUR 0.1 million), C-line neutralisation second stage (EUR 0.2 million), upgrade of the calcination plant (EUR 0.1 million), installation of an extra light fuel oil management system, etc., the remaining difference in the value of the works to the total was due to the rehabilitation of individual existing assets; the intervention works carried out increased either the efficiency or the service life of these assets – these are important for the ongoing provision of the production process of the carrier product.

The land also includes easements amounting to EUR 262,020 (EUR 334,362 in 2021). The easements, with a final useful life of 20 years or more, relate to the laying and maintenance of pipelines, cables and water mains, and to the need to carry out wet-to-dry gypsum filling works. There was no increase in the cost of land in 2022, the decrease in land relates to the depreciation charged on the easements for the financial year 2022 in the amount of EUR 72,342.

No borrowing costs were attributed to property, plant and equipment in 2022. 73% of the total property, plant and equipment in use as at 31 December 2022 was fully depreciated (31 December 2021 – 71%). The percentage is calculated based on the cost of the property, plant and equipment, excluding land.

As at 31 December 2022, the Company has outstanding commitments for the purchase of tangible fixed assets for EUR 1,660,953 (31 December 2021 – EUR 1,699,831).





## We reduce energy consumption

*We have developed low-temperature powder coatings. Baking at a lower temperature saves energy.*



### 3 Financial assets at fair value through other comprehensive income

The Company carries investments in shares of Elektro Celje and Elektro Maribor as financial assets at fair value through other comprehensive income for the purpose of enjoying cash flows from dividends received and sales of securities. Both equity securities are quoted on the multi-lateral trading facility (MFT) SI ENTER (<https://sienter.si>), which is operated by the Ljubljana Stock Exchange. Based on the quotation of both equity securities on 31 December 2022, it can be concluded that both securities have a known market price, which is not indicative of the fair value of these investments, as the shares have a very low turnover.

The Company reviewed the fair value of the assets and measured the financial assets at fair value through other comprehensive income. The financial assets were increased by EUR 322 thousand (31 December 2021 – impairment of EUR 104 thousand) from the fair value revaluation to the fair value reserve. Dividends received in 2022 amounted to EUR 16,025 (31 December 2021 – EUR 13,915).

in EUR

Group of non-current financial investments for 2022	Acquisition value		Revaluation		Fair value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Other investments	2,077,692	1,755,026	103,927	103,297	1,973,765	1,651,099
<b>Total</b>	<b>2,077,692</b>	<b>1,755,026</b>	<b>103,927</b>	<b>103,927</b>	<b>1,973,765</b>	<b>1,651,099</b>

The members of the Management Board and Supervisory Board have not received any long-term loans. Cinkarna Celje d.d. has no other subsidiaries or associates and does not deal with any related parties.

#### Movements in non-current financial investments

in EUR

2022	Other financial investments
<b>Acquisition value</b>	
Situation at 31 Dec 2021	1,755,026
Increases during the year	322,667
Situation at 31 Dec 2022	2,077,692
<b>Revaluation</b>	
Situation at 31 Dec 2021	103,927
Situation at 31 Dec 2022	103,927
<b>Fair value</b>	
Situation at 31 Dec 2021	1,651,099
Situation at 31 Dec 2022	1,973,765

in EUR

<b>2021</b>	<b>Other financial investments</b>
<b>Acquisition value</b>	
Situation at 31 Dec 2020	1,755,026
Situation at 31 Dec 2021	1,755,026
<b>Revaluation</b>	
Situation at 31 Dec 2020	0
Increases during the year	103,927
Situation at 31 Dec 2021	103,927
<b>Fair value</b>	
Situation at 31 Dec 2020	1,755,026
Situation at 31 Dec 2021	1,651,099

#### 4 Other non-current assets

in EUR

<b>Group of intangible assets for 2022</b>	<b>Acquisition value</b>		<b>Revaluation</b>		<b>Undepreciated value</b>	
	<b>31/12/2022</b>	<b>31/12/2021</b>	<b>31/12/2022</b>	<b>31/12/2021</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Other intangible assets	68,049	53,028	0	0	68,049	53,028
<b>Total</b>	<b>68,049</b>	<b>53,028</b>	<b>0</b>	<b>0</b>	<b>68,049</b>	<b>53,028</b>

in EUR

<b>Group of other non-current assets for 2021</b>	<b>Acquisition value</b>		<b>Revaluation</b>		<b>Undepreciated value</b>	
	<b>31/12/2021</b>	<b>31/12/2020</b>	<b>31/12/2021</b>	<b>31/12/2020</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
Emission allowances	53,028	25,629	0	0	53,028	25,629
<b>Total</b>	<b>53,028</b>	<b>25,629</b>	<b>0</b>	<b>0</b>	<b>53,028</b>	<b>25,629</b>

Other assets comprise emission allowances, securities and other non-current assets. Other intangible assets include emission allowances acquired free of charge from the State, which are valued at EUR 1. In 2022, the Company acquired 40,397 allowances (all allowances acquired free of charge from the State in accordance with ZVO-1). In Q1 2021, the Company sold 13,000 allowances, in 2022 there were no sales of allowances. The impact of the sale of allowances in 2021, amounting to EUR 0.4 million, is recorded in other operating income (Note 21).

The Company still owns the remainder of the allowances amounting to 68,049. The market (fair) value of one allowance as at 31 December 2022 is EUR 79.70 per allowance (<https://belektron.eu/sl/novice>), representing a value of EUR 5,423,505. The Company will submit a part of these allowances (24,017) to the Ministry for CO<sub>2</sub> emissions in April 2023, while the remainder represents the surplus of the allowances (Cinkarna Celje d.d. is a net recipient of the allowances).

## 5 Deferred tax assets and liabilities

in EUR

Description	Receivables		Payables	
	2022	2021	2022	2021
Situation at 1 January	1,950,431	1,673,517	19,746	0
Increase during the year	322,650	410,663	174,700	19,746
Decrease during the year	852,160	133,748	0	0
<b>Total</b>	<b>1,420,921</b>	<b>1,950,431</b>	<b>194,446</b>	<b>19,746</b>
<b>Offsetting</b>	<b>-194,446</b>	<b>-19,746</b>	<b>-194,446</b>	<b>-19,746</b>
<b>Situation at 31 December</b>	<b>1,226,475</b>	<b>1,930,685</b>	<b>0</b>	<b>0</b>

The decrease in deferred tax assets relates to the utilisation of provisions for: jubilee bonuses and severance payments, environmental and other provisions amounting to EUR 738,232, and the reversal of valuation allowances on receivables amounting to EUR 113,928. The increase in deferred tax assets relates to half of the provision made for environmental purposes amounting to EUR 322,365 and the valuation allowance on receivables amounting to EUR 285. No deferred tax assets were created for jubilee bonuses and retirement gratuities in 2022 as their creation is fully tax recognised in 2022. As at 31 December 2022, the Company accrued deferred tax liabilities of EUR 174,700 on investments held or carried at fair value (EUR 19,746 deferred tax liabilities on impairment of investments as at 31 December 2021). The Company tested the recoverability of the deferred taxes by reference to a projection of expected taxable profits for the period 2023 to 2027.

Changes in the balance of deferred tax assets had a negative impact on the income statement of EUR 529,510. The balance of deferred tax assets as at 31 December is as follows.

in EUR

	31/12/2022	31/12/2021
Provisions for environmental purposes	1,130,587	1,491,515
Provisions for post-employment and other long-term benefits	290,049	367,967
Receivables	285	90,948
<b>Total</b>	<b>1,420,921</b>	<b>1,950,431</b>
Liabilities for financial assets at fair value through other comprehensive income	-194,446	-19,746
<b>Total deferred tax assets</b>	<b>1,226,475</b>	<b>1,930,685</b>

## 6 Stocks

in EUR

Group of stocks	31/12/2022	31/12/2021	Realisable value
Materials	45,206,025	26,842,350	45,206,025
Work in progress	3,266,936	2,471,875	3,266,936
Products	24,187,102	10,868,240	36,883,181
Merchandise	29,786	52,992	29,786
Advances made	64,974	63,018	64,974
<b>Total</b>	<b>72,754,823</b>	<b>40,298,476</b>	<b>85,450,902</b>

In the financial year 2022, an additional write-down of EUR 332,443 (EUR 386,724 in 2021) was made to the value of inventories of materials and supplies due to the revaluation to net realisable value, obsolescence and unserviceability of inventories of materials and spare parts. There were no significant stock differences identified in 2022 or the previous year.

The valuation allowance for obsolescence and unusability of work-in-progress and finished goods stocks amounted to EUR 1,443 in the current year (EUR 16,094 in 2021) and the reversal of the valuation allowance for non-moving inventories amounted to EUR 33,018 in 2022. There were no shortages or overages identified in 2022 (in 2021, shortages of EUR 3,018 were identified). The value of finished goods and work in progress stocks increased by 105% compared to 2021 due to lower sales of titanium dioxide pigment in the fourth quarter of 2022. No guarantees are pledged on stocks. The net realisable value of stocks as at 31 December 2022 is determined by their sales value less costs to sell and exceeds their carrying amount.

## 7 Current financial investments

As at the balance sheet date of 31 December 2022, the Company has no financial investments.

## 8 Current trade receivables

in EUR

Group of current trade receivables	31/12/2022	31/12/2021
Trade receivables	22,087,040	29,148,099
Other receivables	2,203,503	2,024,804
<b>Total</b>	<b>24,290,543</b>	<b>31,172,903</b>

### Current trade receivables

in EUR

Group of current trade receivables for 2022	Value of receivables		Value adjustment		Net receivables	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Buyers in the country	2,947,578	4,063,142	266,985	267,017	2,680,593	3,796,125
Buyers abroad	19,407,517	24,868,008	371,794	381,437	19,035,723	24,486,571
Indirect exporters	368,044	865,403	0	0	368,044	865,403
Receivables on foreign account	2,681	0	0	0	2,681	0
<b>Total</b>	<b>22,725,820</b>	<b>29,796,553</b>	<b>638,780</b>	<b>648,454</b>	<b>22,087,040</b>	<b>29,148,099</b>

The Company's receivables from buyers are secured with an external institution as of 1 June 2021 and are not given as guarantees for liabilities. The amount of unsecured receivables as at 31 December 2022 and 31 December 2021 is EUR 465,565 and EUR 658,688, respectively.



in EUR

Group of current trade receivables for 2021	Value of receivables		Value adjustment		Net receivables	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Buyers in the country	4,063,142	3,730,884	267,017	367,302	3,796,125	3,363,582
Buyers abroad	24,868,008	21,012,811	381,437	360,960	24,486,571	20,651,851
Indirect exporters	865,403	718,749	0	0	865,403	718,749
<b>Total</b>	<b>29,796,553</b>	<b>25,462,444</b>	<b>648,454</b>	<b>728,262</b>	<b>29,148,099</b>	<b>24,734,182</b>

#### Other trade receivables

in EUR

Group of other receivables	31/12/2022	31/12/2021
VAT receivable	1,984,953	1,789,384
Receivables from State institutions	167,293	186,642
Receivables from employees	23,060	26,027
Other receivables	28,197	22,751
<b>Total</b>	<b>2,203,503</b>	<b>2,024,804</b>

The Company has no receivables from members of the Management Board and Supervisory Board.

#### 9 Cash and cash equivalents

in EUR

Group of assets	31/12/2022	31/12/2021
Cash in hand	30	30
Cash in accounts	24,210,068	53,622,153
Short-term deposits at call	21,000,000	6,124,412
<b>Total</b>	<b>45,210,098</b>	<b>59,746,594</b>

Cash is invested with domestic banks and bears interest at a fixed annual rate.

#### 10 Other current assets

in EUR

Description	31/12/2022	31/12/2021
Prepaid expenses	100,859	153,862
VAT on advances received	32,150	1,362
<b>Total</b>	<b>133,009</b>	<b>155,223</b>

**11 Capital**

in EUR

Capital items	31/12/2022	31/12/2021
Called-up capital	20,229,770	20,229,770
Capital reserves	44,284,976	44,284,976
Statutory reserves	16,931,435	16,931,435
Reserves for own shares	4,814,764	4,814,764
Own (treasury) shares	-4,814,764	-4,814,764
Other profit reserves	103,358,966	84,892,734
Fair value reserve	-809,390	-1,179,701
Retained earnings	25,014,391	25,006,577
<b>Total capital</b>	<b>209,010,148</b>	<b>190,165,790</b>

The Company's **share capital** consists of 8,079,770 freely transferable bulk shares of the same class. All of the ordinary shares have the same nominal value and are fully paid up. As at the balance sheet date of 31 December 2022, the value of the called-up capital amounts to EUR 20,229,770.

The **capital reserves** may be used under the conditions and for the purposes laid down by law and amount to EUR 44,284,976 as at 31 December 2022. They were created by a special regulation in the course of the ownership transformation of Cinkarna Celje and did not change in 2022 compared to 2021.

The statutory reserves as at 31 December 2022 amount to EUR 16,931,435 and did not change in 2022.

As at 31 December 2022, the Company holds 264,650 treasury shares (264,650 shares as at 31 December 2021) following the share split of 15 August 2022 in a ratio of 1:10. The Company did not acquire any treasury shares in 2022.

The **reserves for own shares** as at 31 December 2022, similar to the last day of the previous year, amount to EUR 4,814,764.

**Other profit reserves** increased in 2022 on account of a transfer of current profits to reserves of EUR 18,466,232 and amount to EUR 103,358,966 as at 31 December 2022.

**Fair value reserve**

The fair value reserve includes the cost of remeasuring post-employment benefits (actuarial gains/losses) arising from the change in the present value of the retirement benefit obligation and the change in the fair value of financial assets.

in EUR

2022	31/12/2021	Increase	Decrease	31/12/2022
Change in reserves arising from the fair value measurement of investments	702,013	322,666	0	1,024,679
Adjustment to deferred tax surplus	-19,746	-174,700	0	-194,446
Unrealised actuarial gains/losses	-1,861,968	222,345	0	-1,639,623
<b>Total</b>	<b>-1,179,701</b>	<b>370,311</b>	<b>0</b>	<b>-809,390</b>

The fair value reserve comprises the cumulative change in the fair value of financial assets and post-employment benefits. The fair value reserve increased by EUR 222,345 from 2021 due to the restatement of post-employment benefits and EUR 322,666 due to the change in fair value of financial assets, and decreased by deferred tax liabilities of EUR 174,700 to EUR -809,390 at the end of 2022.

in EUR

2021	31/12/2020	Increase	Decrease	31/12/2021
Change in reserves arising from the fair value measurement of investments	805,940	0	103,927	702,013
Adjustment to deferred tax surplus	0	-19,746	0	-19,746
Unrealised actuarial gains/losses	-1,453,752	0	408,216	-1,861,968
<b>Total</b>	<b>-647,812</b>	<b>-19,746</b>	<b>512,413</b>	<b>-1,179,701</b>

### Retained earnings

Retained earnings were increased by the current year's profit of EUR 21,782,391 and decreased by the use of the balance-sheet profit for the payment of dividends, following the decision of the Company's General Meeting of Shareholders on 15 June 2022 to vote on a proposal for the use of the 2022 balance-sheet profit of EUR 25,006,577. In accordance with the adopted proposal, a part of the balance-sheet profit amounting to EUR 24,922,418 (EUR 3.19 per share) was paid out in the form of dividends. The remainder, i.e. EUR 84,159, was not distributed and remained as retained earnings.

### Dividend per share

The gross dividend per share paid was EUR 3.19 in 2022 and EUR 2.1 in 2021.

### Basic and diluted earnings per share

in EUR

Items	31/12/2022	31/12/2021
(a) Net profit for the year	43,396,465	33,227,124
(b) Number of shares	8,079,770	8,079,770
(c) Basic earnings per share (a/b)	5.37	4.11
(d) Diluted earnings per share (a/b)	5.37	5.37

**Determination of balance sheet profit**

in EUR

	31/12/2022	31/12/2021
Mandatory use of profits		
Net profit	43,396,465	33,227,124
Coverage of losses carried forward	0	0
Creation of statutory reserves	0	0
Profit after statutory application	43,396,465	33,227,124
Other reserves as decided by the Management Board	-18,466,232	-8,306,781
Residual profit	24,930,232	24,920,343
Determination of balance sheet profit		
Residual profit	24,930,232	24,920,343
Profit carried forward	84,159	86,234
<b>Balance sheet profit</b>	<b>25,014,391</b>	<b>25,006,577</b>

**12 Provisions for employee benefits**

The Company recognises a provision for gratuities and retirement benefits made in accordance with the requirements of IAS 19 as amended. The actuarial calculation is made using the book-entry method and was performed by an external certified actuary. The assumptions used were: Company salary growth of 4.7% (2.5% in 2021), a discount rate of 4.41% per annum (0.95% in 2021), retirement conditions, mortality tables 2000-2002 and turnover of the Company's workforce in 2022 (the assumptions used in 2022 are the same as those used in 2021).

in EUR

<b>Post-employment benefits of employees for 2022</b>	31/12/2022	31/12/2021
Provisions for severance payments	3,204,640	3,693,949
Provisions for jubilee awards	447,056	562,115
<b>Total</b>	<b>3,651,696</b>	<b>4,256,064</b>

in EUR

<b>Post-employment benefits of employees for 2022</b>	31/12/2021	Formation	Intended use	Release	31/12/2022
Provisions for severance payments	3,693,949	164,358	367,568	286,099	3,204,640
Provisions for jubilee awards	562,115	51,467	13,203	153,323	447,056
<b>Total</b>	<b>4,256,064</b>	<b>215,825</b>	<b>380,771</b>	<b>439,422</b>	<b>3,651,696</b>



in EUR

<b>Post-employment benefits of employees</b>	<b>2022</b>	<b>2021</b>
<b>Situation at 1 January</b>	<b>4,256,064</b>	<b>3,984,428</b>
Ongoing service costs	179,825	169,236
Interest expenses	36,000	16,443
Utilisation of provisions for benefits	-158,426	-225,023
Staff departures (termination)	-314,273	-124,892
Actuarial deficit/surplus	-347,494	435,872
<b>Situation at 31 December</b>	<b>3,651,696</b>	<b>4,256,064</b>

in EUR

<b>Post-employment benefits of employees for 2021</b>	<b>31/12/2020</b>	<b>Formation</b>	<b>Intended use</b>	<b>Release</b>	<b>31/12/2021</b>
Provisions for severance payments	3,443,816	546,512	184,866	111,513	3,693,949
Provisions for jubilee awards	540,612	75,039	40,157	13,379	562,115
<b>Total</b>	<b>3,984,428</b>	<b>621,551</b>	<b>225,023</b>	<b>124,892</b>	<b>4,256,064</b>

### Sensitivity analysis

in EUR

<b>Sensitivity analysis 31 Dec 2022</b>	<b>Discount rate</b>		<b>Wage growth</b>	
Change in	percent		percent	
Change by	+0.5	-0.5	+0.5	-0.5
<b>Impact on the balance of liabilities</b>	<b>-124,376</b>	<b>-134,323</b>	<b>133,461</b>	<b>-124,797</b>

in EUR

<b>Sensitivity analysis 31 Dec 2021</b>	<b>Discount rate</b>		<b>Wage growth</b>	
Change in	percent		percent	
Change by	+0.5	-0.5	+0.5	-0.5
<b>Impact on the balance of liabilities</b>	<b>-167,295</b>	<b>-181,585</b>	<b>177,821</b>	<b>-165,640</b>

### 13 Other provisions

Other provisions as at 31 December 2022 represent environmental provisions.

#### Movement in provisions

in EUR

<b>Provisions 2022</b>	<b>31/12/2021</b>	<b>Formation</b>	<b>Intended use</b>	<b>Release</b>	<b>31/12/2022</b>
Environmental provisions	18,801,189	3,393,320	999,609	6,377,932	14,816,968
<b>Total</b>	<b>18,801,189</b>	<b>3,393,320</b>	<b>999,609</b>	<b>6,377,932</b>	<b>14,816,968</b>

in EUR

Provisions 2021	31/12/2020	Formation	Intended use	Release	31/12/2021
Provisions for legal actions	242,705	0	242,705	0	0
Accrued expenses	15,692	0	0	15,692	0
Environmental provisions	16,349,530	3,701,214	1,249,555	0	18,801,189
<b>Total</b>	<b>16,607,928</b>	<b>3,701,214</b>	<b>1,491,261</b>	<b>15,692</b>	<b>18,801,189</b>

### Environmental provisions

For environmental provisions, the primary consideration is whether there is a legal or other basis for recognising the provision due to past events, and an assessment of any changes in circumstances in the current year that may affect the preparation of the accounting estimate. Long-term provisions were reviewed with the assistance of external experts as at 31 December 2022 in light of general inflation, price increases, material substitution and new circumstances arising in 2022 for their release/formation. All the necessary rehabilitation activities were verified, using various spot measurements of the terrain and the identification of appropriate activities and their evaluation by external geological specialists. Taking into account inflation (based on consumer price inflation and UMAR estimates for the 2023-2026 period) as well as the best estimate of the timing of the activities, which served as the basis for discounting, the provisions were discounted to present value with a discount factor of 2.28, using the yield of Slovenian bonds maturing at the end of 2025, since the majority of the works will be carried out in the 2023-2025 period, according to the experts' estimates.

The reasons for maintaining, releasing and further building up the level of the provisions and the reasons for maintaining the provisions where it is more likely than not that there will be possible outflows in the future are set out below.

- I. The provision for the environmental investment in the field of titanium dioxide production (change in the method of disposal of neutralisate) was originally created in June 1994 in the course of the ownership transformation process. The revalued amount at 31 December 2006 was EUR 8.7 million, representing 47% of the invested assets. The value of the provision is reduced annually by the same percentage of the value of the accumulated depreciation of the invested assets. The balance of the reserved assets at the end of 2022 is EUR 2.7 million and at the end of 2021 EUR 3.1 million.
- II. The rehabilitation of the high embankment barrier at the Za Travnikom waste disposal facility was originally budgeted at €7 million, based on the cost estimate for the rehabilitation of the barrier at the Bukovžlak non-hazardous waste landfill (ONOB). Following the establishment of the provision, some urgent measures were carried out in recent past years (dewatering of the backwaters on the eastern flank - Phase I, construction of a reinforcement embankment on the second berm of the barrier), and in the following years we mainly expanded and renewed the network of piezometers for technical observation and drilled some exploratory boreholes. Based on the results of the observation boreholes, the condition of the barrier body was found to be better than estimated at the time of the establishment of the provision and there was no need for additional establishment of the provision at the end of 2021. In 2022, on the basis of the work carried out by the contractors, we spent EUR 64,949. The surveys carried out and the regular technical observation at the moment indicate two measures needed: drainage arrangements on the eastern side of the barrier and reinforcement with drainage on the western side of the barrier, but these are not critical. Based on a rough estimate of the cost of the necessary works, we increased the provision by EUR 579,782. This brings the balance of the provision as at 31 December 2022 to EUR 888,133 and at the end of 2021 to EUR 373,300. To give a better idea of the reason for the occasional restatement of the long-term provisions, we provide the following explanations. It is a fact that the barriers at Za Travnikom and Bukovžlak are constructed as earth barriers, built of different materials,

which partly represent old burdens. They hold back and contain millions of tonnes of material, making removal physically impossible. The barriers are exposed to natural phenomena (precipitation, drainage, underground water flows, etc.) and are constantly tending towards entropy. As a diligent and legally obliged operator, we carry out regular technical observation and all the required monitoring. We react to the findings by taking the measures deemed necessary by the experts to prevent the risk of harmful emissions or damage from materialising. Cinkarna has set up a permanent project team, which, in addition to its own employees, includes experts from the Chair of Geotechnical Engineering (KGT) at the Faculty of Civil and Geodetic Engineering of the University of Ljubljana and the design company Hydrosvet d.o.o. The project team meets on a regular basis to review the agreed work and to discuss any new developments. The expert findings form the basis for assessing the adequacy of the provisions made.

- III. For the rehabilitation of the Bukovžlak non-hazardous waste landfill (ONOB), a long-term provision of EUR 5 million was originally made in 2011 on the basis of a rough estimate. In 2017, at the time of the project preparation, the need for an additional provision of EUR 1 million became apparent. At that time, the specific implementation technique required was already known, as were the installation materials. The balance at the end of 2019, after partial utilisation, was EUR 4.5 million. Investigations into the impact of contamination due to embedded old burdens (CDM Smith, KGT) showed the need for a sealing curtain on the north-east side of the ONOB barrier and the rehabilitation of the C1 drainage under the high embankment of the Bukovžlak barrier. In 2023, the designer was asked to revise the estimate as at 31 December 2022, covering the necessary additions and subtractions to the implemented facility, design supervision, geodetic monitoring, necessary measurements and quality control of the installed materials. At the same time, the timeframe for completion of all the works was estimated and, accordingly, an adjustment for expected inflation was taken into account. Together with the drainage facility C1 and the sealing curtain, the amount of funds still needed for the rehabilitation of ONOB is therefore EUR 8,541,868 (EUR 6,187,523 at the end of 2021). In view of the estimates of all the works needed, the long-term provision was further increased by EUR 2,813,531 at the cut-off date of 31 December 2022, and the expenditure for rehabilitation purposes in 2022 amounted to EUR 459,186 (EUR 6,187,523 at the end of 2021).
- IV. The results of regular technical monitoring of the high Bukovžlak barrier show a trend of deteriorating safety on the eastern flank of the barrier. As in the case already described in point II, the earth barrier is reacting to the effects of natural phenomena. In order to avoid a critical deterioration of the safety situation, the designer foresaw two parallel interventions in 2017 - rehabilitation of the eastern flank and preparation of the embankment to start lowering the water level in the reservoir. The estimated cost amounted to EUR 3,032,000, for which a long-term provision was made as at 31 December 2017. In 2022, we spent EUR 48,602. Based on new findings, the assessment in 2022 and the projects set out accordingly, a way of lowering the level by lowering the spillway structure is now envisaged with the help of external experts, which is a cheaper and easier solution than building a dike. This fact was taken into account by the designer in the revision of the estimate in January 2023. The revision also included the necessary additions for design supervision, geodetic monitoring, measurements and quality control of the installed materials. At the same time, the designer has estimated the timeframes for completion of all works and has taken into account the correction for projected inflation accordingly. On the basis of this estimate, a provision of EUR 389,757 was released, leaving a balance of EUR 2,712,809 as at 31 December 2022 (EUR 3,151,168 as at 31 December 2021).
- V. Removal of risks due to old burdens at current production sites of Cinkarna Celje: the contractor of the Assessment of risks to human health and the environment due to old burdens at current production sites of Cinkarna Celje d.d. foresaw possible remediation measures and estimated them financially at a total amount of EUR 6.4 million. We made a new provision for this amount as at 31 December 2017. Based on the new known circumstances as at 31 December 2022, we fully released this provision (EUR 6 million) as there is no longer any likelihood of future outflows from this provision. In this respect, we provide below the key reasons for the release of the provision.

The key events in 2022 were the adoption of the judgments of the court of first instance and the higher court in the case of the plaintiff MOC (Municipality of Celje), the adoption of the ZVO-2 act, and the unsuccessful legislative process of the Act on the remediation of the historically polluted environment in the area of the Municipality of Celje in the Celje Basin (ZSOOCK). With regard to the MOC judgment, while rejecting the MOC's claim based on contractual grounds (the MOC's claim was based on the handover report), the court at both levels (first instance and appeal) also elaborated on other potential legal bases for the Company's liability outside the framework, which have not been highlighted or clarified in the legal and judicial practice so far. The decision in the case of the claimant MOC, in conjunction with the circumstances set out in the external legal opinion obtained by the Company on the issue of the provisions made, therefore not only affects the relations in the specific case (inter partes), but in this context also has legal implications for all similar cases, including the Company's liability for the land at the current production site. In its judgment, the court decided that "the current environmental quality standards cannot be applied to environmental pollution before 1970". As the decision of the court of first instance has been confirmed by the higher court (both judgments were adopted in 2022), whose judgment is publicly published and has weight in the development of case-law, it establishes a new basis on which the courts will rely in future decisions as well.

Given the nature of the burdens on the land for which the provisions were made, the same conclusions can be drawn with regard to the Company's obligation, which was originally derived from the belief that there was an obligation to remedy the pollution on the basis of a general liability for damages.

In the above context, it is therefore also relevant (almost in parallel with the court's decision) the adoption of the ZVO-2 act, the regulation of which is a reasonable adaptation of the regulation of the ZVO-1 act and therefore does not constitute a change which would disqualify the interpretations of the court or which are also relevant in the context of the validity/application of the ZVO-2 act.

All the circumstances highlighted have led to the assessment that the probability of the claims for which the provision was made being substantiated is less than 50% and, as a result, the Company is releasing the provision.

The Management Board of the Company received sufficient information through the successful action against MOC for the release of the provision for the elimination of old burden risks at the current production sites of Cinkarna Celje and also sufficient information regarding the other provisions made, not only taking into account the environmental aspects, but also sufficient information on the changed circumstances and the uncertainties related to the assumptions used, where there are still some uncertainties that may lead to changes in the future in the amounts made, as they are in all cases subject to an estimation of these uncertainties. The estimates were made with the involvement of experts in the field. According to the analyses and the experts' opinions, the provisions made are sufficient, subject to change in the future due to the structure of the land, the consumption of materials, which may be subject to discounts, or other commitments. At present, there is no need to change the level of provisions made at 31 December 2022, which we estimate to be more than 50% likely to result in outflows in the future.

Given that the provisions under items II to V were revised in 2017, reassessed at the end of 2021 and, as at the end of 2022, reassessed by external experts with regard to the timing of their implementation, due to the increase in the price of specific services and materials and new circumstances, the Management Board considers that the level of the provisions is appropriate.



in EUR

Environmental provisions 2022	Situation at 31 Dec 2021	Intended use plan 2022	Formation 2022	Utilisation 2022	Removal 2022	Situation at 31 Dec 2022
Provisions for the Za Travnikom landfill	373,300	23,000	579,782	64,949	0	888,133
Provisions for the Bukovžlak landfill (ONOB)	6,187,523	2,110,000	2,813,531	459,186	0	8,541,868
Provision for the Bukovžlak high embankment barrier	3,151,168	260,000	0	48,602	389,757	2,712,809
Provision for the removal of risks from old burdens – CDM SMITH	5,988,176	10,000	0	0	5,988,176	0
Environmental provision - Environmental investment in TiO <sub>2</sub> production	3,101,022	0	7	426,872	0	2,674,157
<b>Total</b>	<b>18,801,189</b>	<b>2,403,000</b>	<b>3,393,320</b>	<b>999,609</b>	<b>6,377,932</b>	<b>14,816,968</b>

The utilisation of the provisions in 2022 is represented by the contractors' costs for the works carried out amounting to EUR 572,417 and the accrued depreciation of EUR 320, which are directly charged to the provisions made (items II, III and IV of the environmental provisions), and the accrued depreciation of the invested assets amounting to EUR 426,872 (item I of the environmental provisions). The additional provisioning amounting to EUR 3,393,320 (taking into account the foreseen inflation rate) relates to the re-verification of the balance of the provision with the documentation of the external provider Hydrosvet. The external contractors estimate a completion time of 3 to 4 years. While the timetable for the works is predetermined, the actual execution of the works is subject to change due to unforeseen events or factors.

in EUR

Environmental provisions 2021	Situation at 31 Dec 2020	Intended use plan 2021	Formation 2021	Utilisation 2021	Situation at 31 Dec 2021
Provisions for the Za Travnikom landfill	360,774	100,000	15,921	3,395	373,300
Provisions for the Bukovžlak landfill (ONOB)	3,539,065	2,000,000	3,452,592	804,135	6,187,523
Provision for the Bukovžlak high embankment barrier	2,928,922	200,000	232,700	10,454	3,151,168
Provision for the removal of risks from old burdens – CDM SMITH	6,002,275	300,000	0	14,100	5,988,176
Environmental provision - Environmental investment in TiO <sub>2</sub> production	3,518,494	0	0	417,471	3,101,022
<b>Total</b>	<b>16,349,530</b>	<b>2,600,000</b>	<b>3,701,214</b>	<b>1,249,555</b>	<b>18,801,189</b>

The utilisation of the provision in 2021 is represented by the contractors' costs for the work carried out amounting to EUR 831,083 and the accrued depreciation of EUR 320, which are directly charged to the provision (items II, III and IV of the environmental provision), and the accrued depreciation of the invested assets amounting to EUR 417,471 (item I of the environmental provision). The additional provisioning relates to the re-verification of the provisioning balance with the documentation of the external contractor Hydrosvet.

#### 14 Non-current deferred income

In 2007, the Company obtained Decision No PIZ-06/0245 to be exempted from paying pension and invalidity insurance contributions under Article 74 of the Act on Employment Rehabilitation and Employment of Disabled Persons. In 2022, we fully earmarked the ceded contributions and bonuses of the period to cover the wage costs of persons with disabilities.

in EUR		
<b>Deferred income</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Deferred contributions for employment of people with disabilities	1,947	913
Long-term deferred income for equipment	1,345	1,776
Funds received from EU funds	133,335	161,172
Equipment and vehicles acquired free of charge	9,013	24,221
Emission allowances	44,074	27,667
Subsidies for photovoltaics	173,367	0
<b>Total</b>	<b>363,054</b>	<b>215,749</b>

in EUR				
<b>Deferred income 2022</b>	<b>31/12/2021</b>	<b>Formation</b>	<b>Allocated use</b>	<b>31/12/2022</b>
Deferred contributions for employment of people with disabilities	914	32,833	31,799	1,947
Long-term deferred income for equipment	1,776	0	431	1,345
Funds received from EU funds	161,171	0	27,836	133,335
Subsidies for photovoltaics	0	176,555	3,189	173,367
Emission allowances	27,667	40,397	24,017	44,047
Equipment and vehicles acquired free of charge	24,221	0	15,208	9,013
<b>Total</b>	<b>215,749</b>	<b>249,785</b>	<b>102,480</b>	<b>363,054</b>

in EUR				
<b>Deferred income 2021</b>	<b>31/12/2020</b>	<b>Formation</b>	<b>Allocated use</b>	<b>31/12/2021</b>
Deferred contributions for employment of people with disabilities	1,799	29,324	30,210	914
Long-term deferred income for equipment	2,516	0	740	1,776
Funds received from EU funds	189,073	0	27,902	161,171
Emission allowances	51,228	40,397	63,958	27,667
Equipment and vehicles acquired free of charge	39,429	0	15,208	24,221
<b>Total</b>	<b>284,045</b>	<b>69,721</b>	<b>138,017</b>	<b>215,749</b>

#### 15 Current financial liabilities

in EUR		
<b>Group of liabilities</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
Current financial liabilities - accruals, cessions	59,392	191,886
Current derivative liabilities - forwards	0	5,616
<b>Total</b>	<b>59,392</b>	<b>197,503</b>

**Movement in financing liabilities in 2022**

in EUR

	Situation at 31 Dec 2021	Monetary changes	Acquisitions/disposals	
			Non-monetary changes	Situation at 31 Dec 2022
Dividends	0	-24,922,418	24,922,418	0
Assignments, cessions, interest, forwards	197,503	-138,111	0	59,392
Interest	0	-2,715	2,715	0
<b>Total</b>	<b>197,503</b>	<b>-25,063,243</b>	<b>24,925,133</b>	<b>59,392</b>

**Movement in financing liabilities in 2021**

in EUR

	Situation at 31 Dec 2020	Monetary changes	Acquisitions/disposals	
			Non-monetary changes	Situation at 31 Dec 2021
Dividends	12,415	-16,448,317	16,435,902	0
Assignments, cessions, interest, forwards	47,675	-7,741	157,569	197,503
Interest	0	-914,484	914,484	0
<b>Total</b>	<b>60,090</b>	<b>-17,370,542</b>	<b>17,507,955</b>	<b>197,503</b>

**16 Current trade payables**

in EUR

	31/12/2022	31/12/2021
<b>Trade payables</b>		
Payables to suppliers	14,898,860	18,690,237
Other liabilities	4,619,285	4,552,487
<b>Total</b>	<b>19,518,145</b>	<b>23,242,724</b>

in EUR

Group of liabilities	31/12/2022	31/12/2021
Current payables to in-country suppliers	11,372,481	9,547,147
Current payables to suppliers abroad	3,526,380	9,137,478
Current payables for unbilled goods and services	0	5,611
Current payables against advances	170,164	70,165
Current payables to employees	2,602,550	2,517,024
Current payables for payer's contributions	1,326,675	1,299,826
Current payables to government and other institutions	509,838	656,587
Other current liabilities	10,057	8,886
<b>Total</b>	<b>19,518,145</b>	<b>23,242,724</b>

## 17 Current liabilities arising from contracts with buyers

Liabilities under contracts with buyers arose from contractual commitments to buyers for discounts or volume rebates.

in EUR

Liabilities under contracts with buyers	31/12/2022	31/12/2021
Liabilities under contracts with buyers	157,520	136,087
<b>Total</b>	<b>157,520</b>	<b>136,087</b>

## 18 Other current liabilities

Under other current liabilities, the Company recognises current deferred costs or expenses and VAT on advances

in EUR

Description	31/12/2022	31/12/2021
Accrued unused annual leave	797,395	823,198
Accrued costs	150,090	180,596
VAT on advances made	54,766	10,889
Other	1,668	2,785
<b>Total</b>	<b>1,003,919</b>	<b>1,017,468</b>

## 19 Contingent assets and liabilities

in EUR

Description	31/12/2022	31/12/2021
Guarantees given	2,275,179	2,345,729
Forward transactions	50,953	4,650,283
VISA and Mastercard payment cards	40,000	40,000
Material in finishing and processing	59,725	59,725
<b>Total</b>	<b>2,425,857</b>	<b>7,095,737</b>

The guarantees given represent an obligation to Nova kreditna banka Maribor d.d. and UniCredit Bank d.d. in the amount of EUR 2,275,179 in respect of customs and excise duties (EUR 1,030,000) and a performance guarantee for ARSO's contractual obligations in the amount of EUR 1,245,179.

On 27 October 2017, the Municipality of Celje filed a lawsuit against Cinkarna Celje d.d. in the amount of EUR 1.3 million for the remediation of contaminated soil. The Company's management, with the help of external legal experts' assessments, assessed that the probability of the outcome of the lawsuit is in the Company's favour and therefore the Company has not made a provision for this purpose. On 2 February 2022, the lawsuit was settled in favour of the Company by a final decision of the court of first instance. The Municipality of Celje appealed against the judgment, but on 29 June 2022 the High Court ruled in favour of the Company.



## 20 Revenue from contracts with buyers

Revenue from contracts with buyers consists of the sales values of products, merchandise, materials and services sold during the accounting period. A breakdown of net sales revenue by business segment and area is shown below.

	in EUR	
	<b>2022</b>	<b>2021</b>
Net revenue from contracts with buyers of products and services	226,584,095	192,179,884
Net revenue from contracts with buyers of goods and materials	569,021	282,216
<b>Total</b>	<b>227,153,116</b>	<b>192,462,100</b>

## 21 Other operating income

	in EUR	
<b>Revenue</b>	<b>2022</b>	<b>2021</b>
Sales of emission allowances	0	436,560
Revenue from depreciation of assets acquired free of charge	505,649	507,543
Gains on sale and write-down of assets	7,253	3,331
Proceeds from COVID-19 state support*	334,430	35,149
Recoveries of written-off receivables	0	8,498
Compensation received	23,763	109,289
Reversal of long-term provisions**	6,817,354	124,892
Other operating income	61,471	161,801
<b>Total</b>	<b>7,749,919</b>	<b>1,387,062</b>

\* The revenue relates to reimbursement claims received for isolation (COVID diseases). The Company also received in May 2022 EUR 300,000 in aid under the Act on Measures to Mitigate the Effects of the Rise in Energy Prices in the Economy and Agriculture (ZUOPDCE), published in the Official Journal of the Republic of Slovenia No 29, of 19 December 2022. The beneficiary of the aid due to the increase in energy prices was a legal entity whose energy costs will increase by more than 40% in 2022 compared to 2021. The amount of the aid was determined on the basis of the actual size of the net turnover in 2019 and the share of energy costs in the total operating expenditure in 2019. Taking into account the criteria and the calculated amount, the aid was granted in the amount of EUR 300,000 and was also paid into the Company's transaction account in May 2022.

\*\* The amount of EUR 6,377,932 relates to the reversal of environmental provisions as the Company's management assessed, based on evidence and re-examination, that there were grounds to reverse them and transfer them to income in 2022 (see Note 13 – Other provisions).

	in EUR	
<b>Revenue</b>	<b>2022</b>	<b>2021</b>
Reversal/release of environmental provisions	6,377,932	0
Reversal/release of provisions for jubilee bonuses and severance payments	439,422	124,892
<b>Total</b>	<b>6,817,354</b>	<b>124,892</b>

## 22 Operating expenses

### Operating expenses

	in EUR	
	<b>2022</b>	<b>2021</b>
Cost of materials and goods sold	200,613	140,470
Cost of materials	134,953,778	97,519,612
Cost of services	16,229,210	13,830,982
Labour costs	29,483,416	28,888,986
Depreciation	12,150,684	11,281,415
Other operating expenses	5,264,418	5,468,743
Impairments and write-offs of trade receivables	1,553	28,975
<b>Total</b>	<b>198,283,671</b>	<b>157,159,184</b>

Research and development costs amounted to EUR 233,759 in 2022 and EUR 120,045 in 2021.

### Depreciation

The Company depreciates fixed assets on a straight-line basis over the expected useful life of each fixed asset. Depreciation is charged to the cost of each fixed asset.

	in EUR	
<b>Depreciation</b>	<b>2022</b>	<b>2021</b>
Intangible assets	209,123	224,513
Easements	72,342	72,342
Buildings	3,271,577	3,203,086
Production equipment	8,592,476	7,775,865
Other equipment	5,166	5,610
<b>Total</b>	<b>12,150,684</b>	<b>11,281,415</b>

### Labour costs

	in EUR	
<b>Labour costs</b>	<b>2022</b>	<b>2021</b>
Wages and reimbursements	20,807,538	20,157,542
Social security contributions	3,718,924	3,611,188
Expenses reimbursements and other employee benefits	4,529,314	4,709,667
Supplementary pension insurance	427,640	410,590
<b>Total</b>	<b>29,483,416</b>	<b>28,888,986</b>

Labour costs include accrued liabilities to employees under the Company's collective agreement and under individual employee contracts, and reimbursements of work-related expenses in accordance with the collective agreement. Work-related reimbursements do not include food costs to the extent that they relate to the cost of preparing food in the Company's own kitchen. These costs amounted to EUR 978,237 in 2022 (EUR 846,552 in 2021). The costs are shown according to their nature and purpose, i.e. between the costs of materials and services consumed, labour costs, depreciation (amortisation) and other operating expenses. The Company has accounted

for unused annual leave entitlement in accordance with IAS 19. The Company is registered in the register of pension plans as an employer sponsoring a pension plan designated PNMZ K, which is implemented by the Modri Umbrella Pension Fund, an open-ended pension fund with the administrator Modra zavarovalnica. In 2022, the Company earmarked EUR 427,640 (2021: EUR 410,775) for supplementary pension insurance.

As at 31 December 2022, the Company employed 775 people. The average number of employees was 776 and the average number of employees based on accrued hours was 725.

The Company also incurred costs of services not treated as labour costs in 2022 in respect of labour placement agencies under placement contracts amounting to EUR 788,002 (2021: EUR 819,140). The number of employees was 27.67 (2021: 30.17), taking into account the number of hours worked under these contracts.

### Other operating expenses

	in EUR	
	2022	2021
<b>Other operating expenses</b>		
Provisioning for the environment	3,393,314	3,701,214
Environmental fees and refunds	393,070	464,162
Awards to students and trainees	225,487	265,503
Building land use allowance	562,120	367,738
Revaluation of stocks of materials and goods	332,443	386,724
Loss on sale (disposal) of fixed assets	143,377	135,159
Other costs and expenses	214,609	148,243
<b>Total</b>	<b>5,264,418</b>	<b>5,468,743</b>

The audit of the 2022 financial statements of Cinkarna Celje d.d. was carried out by Ernst & Young revizija, d.o.o. The contract value for the agreed audit services amounted to EUR 29,100 plus VAT and travel expenses. In addition, the audit firm Ernst & Young for 2023 also carried out the audit of the verification of the 2022-ESEF accounts (EUR 2,100) in electronic form and the audit of the 2022 Remuneration Report (EUR 3,100) for the financial year 2022. Other expenses mainly consist of losses on the settlement of reported claims and indemnities paid to natural persons.

### 23 Financial income and expenses

	in EUR	
	2022	2021
Net exchange differences	0	0
Interest income	20,235	12,284
Dividend income	16,025	13,915
<b>Total financial income</b>	<b>36,259</b>	<b>26,199</b>
Net exchange differences	-457,614	-25,670
Interest expense	-2,715	-4,189
Interest on provisions for severance grants and jubilee bonuses	-36,000	-16,443
<b>Total financial expenses</b>	<b>-496,329</b>	<b>-46,302</b>
<b>Net financial result</b>	<b>-460,070</b>	<b>-20,103</b>

Financial income consists of interest received on investments and receivables, income from non-current investments and foreign exchange gains on operating and financing activities. Financial expenses represent the accrued liabilities for the year on non-current and current financial and operating liabilities, and foreign exchange losses arising on operating and financing activities (forward foreign exchange purchases and sales).

## 24 Corporate income tax

The corporate income tax return is prepared in accordance with the Rules on Corporate Income Tax Returns at a rate of 19% of the tax base, which is unchanged from the previous year and the year before. The tax base in 2022 is reduced by allowances for investments in research and development, for employment of disabled persons, for tax-unrecognised adjustments of past claims initiated under the ZFFPPIPP act, for voluntary supplementary pension insurance, and for investments in equipment and donations.

	in EUR	
	2022	2021
Tax levied	10,015,959	7,591,736
Deferred tax	0	276,914
<b>Total income tax</b>	<b>10,545,469</b>	<b>7,314,822</b>
Change in tax base due to change to a new method of accounting, changes in accounting policies, corrections of errors and revaluations	-42,246	-38,781
Tax on increase in expenses	-11,718	-129,226
Tax on unrecognised expenses	213,617	523,711
Tax on tax credits	-821,480	-925,329
Tax on income reducing the tax base and other	-35,024	-15,816
<b>Total income tax</b>	<b>9,319,109</b>	<b>6,729,381</b>
<b>Effective tax rate</b>	<b>17.7 %</b>	<b>17.5 %</b>

The effective tax rate, calculated as the ratio of tax expense to accounting profit, is 17.7% and 17.5% in 2022 and 2021, respectively. Changes in deferred taxes in 2022 relate to additional provisions made/used for environmental, jubilee and severance payments and decreases/increases due to the reversal of valuation allowances on receivables.

The Company recorded a decrease in deferred tax assets arising from temporary differences. The decrease in 2022 relates to the difference between

	in EUR	
Description	2022	2021
Consumption of provisions	-738,232	-112,290
Reversal of valuation allowances on receivables	-113,928	-21,459
Provisions made	322,365	410,663
Allowance for receivables (investments) established	285	0
<b>Total</b>	<b>-529,510</b>	<b>276,914</b>



## VI. CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents for the financial year as the difference between the balance as at 31 December 2022 and 31 December 2021. It is drawn up using the indirect method from the statement of financial position as at 31 December of the financial year and the statement of financial position as at 31 December 2021, together with the supplementary information necessary to adjust the income and expenditure and to break down the significant items appropriately. Theoretically possible items are not shown, but the values are shown for the current and the prior period.

## VII. STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity takes the form of a composite table of changes in all components of equity. Theoretically possible items are not shown. Changes in equity relate to the decision of the General Meeting to allocate the previous year's balance sheet profit to the payment of dividends to owners which have been or will be paid and to the purchase of own shares. Pursuant to Article 64(14) of the Companies Act, a statement of the balance sheet profit is added to the statement of changes in equity.

## VIII. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

### Financial risks (liquidity and interest rate)

#### Liquidity risk

Cinkarna Celje d.d. is a business partner known for its payment discipline both domestically and abroad, a company with no bank debts and stable cash flows. The Company's business is traditionally conservative with high cash flow. Liquidity management includes, inter alia, planning and covering expected cash commitments, ongoing monitoring of customer solvency and regular collection of overdue receivables. The credit rating is AAA (platinum excellence). The following tables show financial and operational liabilities by maturity.

#### Maturity of financial liabilities as at 31 December 2022

in EUR

	Carrying amount	Contractual cash flows	
		Total	Up to half a year
Payables to suppliers net of advances	14,898,860	14,898,860	14,898,860
Commitments under contracts with buyers net of advances	157,520	157,520	157,520
<b>Total</b>	<b>15,056,380</b>	<b>15,056,380</b>	<b>15,056,380</b>

#### Maturity of financial liabilities as at 31 December 2021

in EUR

	Carrying amount	Contractual cash flows	
		Total	Up to half a year
Payables to suppliers net of advances	18,690,236	18,690,236	18,690,236
Commitments under contracts with buyers net of advances	136,087	136,087	136,087
<b>Total</b>	<b>18,826,323</b>	<b>18,826,323</b>	<b>18,826,323</b>

### Interest rate risk

Interest rate risk is the potential for losses due to adverse movements in market interest rates. The Company does not have any long-term financial commitments and has no measures in place to address them. If this were to change, appropriate measures would be put in place to manage this type of risk.

Due to its strong business performance and favourable financial position, the Company enters into deposit agreements with banks at positive interest rates in order to reduce the cost of bearing deposits. At the last balance sheet date, the balance of deposits with a maturity of up to one year amounted to EUR 21 million. If the bank interest rate were to decrease by 1%, this would result in an increase in financial expenses of EUR 210 thousand, whereas if it were to increase by 1%, this would result in an increase in financial income of EUR 210 thousand on an annual basis.

### Credit risk

The key credit risk of Cinkarna Celje d.d. is the risk that buyers will not settle their obligations when they fall due.

The risk is limited as we deal mainly with long-standing partners, often well-known traditional European industrial companies with high credit ratings. In recent years, we have noticed that payment discipline in Slovenia, the Balkans and Eastern Europe has been relatively poor, but we do not expect any further problems in this geographical area in the coming period, or the risk potential has significantly decreased. With the realignment/reorganisation of the portfolio of the Company's strategic business areas, specifically the discontinuation of the Graphic Repro Materials programme, the Rolled Titanium Sheet programme, the Anti-Corrosion Coatings programme and the Building Materials programme, the exposure to credit risk has significantly decreased, as evidenced by the maturity of receivables and the fact that we have virtually no further allowance for doubtful or defaulted receivables from buyers.

For many years, Cinkarna Celje has been carrying out internal credit control for each individual customer, who has been assigned an individual credit limit based on payment discipline, credit rating and good performance with the Company. The credit risk monitoring and management process was further enhanced in mid-2021 with the introduction of receivables insurance with an external institution, where credit limits are set, monitored and changed on a daily basis.

In addition to the regular monitoring of the credit limit for each buyer, the payment discipline of the buyer and the announcements made on the Ajpes register in connection with the announcement of proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP) are monitored on a daily basis. The buyer is also reminded of the due date of the receivable by a reminder, firstly by telephone and then in writing, and interest is charged from the due date until the date of repayment, with interest being calculated on late payment interest from the due date until the date of repayment of the debt. The process of regular monitoring and control of the portfolio of trade receivables is a permanent feature of the Company, resulting in a low proportion of write-offs or impairments of receivables in relation to the proportion of sales.

The carrying amount of financial assets most exposed to credit risk at the reporting date was as follows:

in EUR

	Notes	31/12/2022	31/12/2021
Financial investments	3	1,973,765	1,651,099
Trade receivables	4	22,087,040	29,148,099
Cash and cash equivalents	5	45,210,098	59,746,594
<b>Total</b>		<b>69,270,903</b>	<b>90,545,792</b>

As at the balance sheet cut-off date of 31 December 2022, the Company has, in addition to EUR 21 million, an additional EUR 24.2 million of cash to support its day-to-day operations. In order to mitigate credit risk and exposure to banks, the Company has assets spread across five banks with excellent credit ratings and strong balance sheets.

The Company has a healthy trade receivables structure, as shown in the table of trade receivables by maturity and in the table of the movement in the valuation allowance on current trade receivables.

#### Movement in valuation allowances on current trade receivables

in EUR

2022	Situation at 31 Dec 2021	Valuation allowance Formed 2022	Write-downs of valuation allowances of prior years	Situation at 31 Dec 2022
Buyers in country	267,017	0	32	266,985
Buyers abroad	381,437	1,500	11,142	371,794
<b>Total</b>	<b>648,454</b>	<b>1,500</b>	<b>11,174</b>	<b>638,780</b>

in EUR

2021	Situation at 31 Dec 2020	Valuation allowance formed 2021	Write-downs of valuation allowances of prior years	Written-off receivables paid	Situation at 31 Dec 2021
Buyers in country	367,302	0	100,285	0	267,017
Buyers abroad	360,960	28,975	0	8,498	381,437
<b>Total</b>	<b>728,262</b>	<b>28,975</b>	<b>100,285</b>	<b>8,498</b>	<b>648,454</b>

#### Trade receivables by maturity

in EUR

Group of receivables by maturity	Gross value 31/12/2022	Adjustment 31/12/2022	Gross value 31/12/2021	Adjustment 31/12/2021
Not past due	19,743,148	15,763	26,683,460	21,346
Past due under 15 days	1,960,633	1,569	1,240,457	994
Past due from 16 to 60 days	345,946	1,633	1,252,916	6,635
Past due from 61 to 180 days	56,335	56	240	0
Past due over 180 days	619,758	619,759	619,479	619,479
<b>Total</b>	<b>22,725,819</b>	<b>638,779</b>	<b>29,796,552</b>	<b>648,454</b>

in EUR

Group of receivables by maturity	Gross value 31/12/2021	Adjustment 31/12/2021	Gross value 31/12/2020	Adjustment 31/12/2020
Not past due	26,683,460	21,346	23,925,001	0
Past due under 15 days	1,240,457	994	448,553	0
Past due from 16 to 60 days	1,252,916	6,635	360,628	0
Past due from 61 to 180 days	240	0	0	0
Past due over 180 days	619,479	619,479	728,262	728,262
<b>Total</b>	<b>29,796,552</b>	<b>648,454</b>	<b>25,462,444</b>	<b>728,262</b>

All trade receivables are secured with an external institution as from 1 June 2021. As at 31 December 2022, 95.4% of the receivables are secured with an external institution (Coface PKZ, d.d.) (90.68% at the end of 2021), 2.5% of the receivables are secured with another form of insurance (letter of credit, advance) (7.06% at the end of 2021) and only 2.1% of the total receivables are not secured (2.3% at the end of 2021). The Company determines the concentration of the receivables by means of IT tools and the limits entered in the system. The information system for monitoring receivables allows us to keep track of the collateralisation of receivables, as the information system is updated daily according to changes in the type of collateral and changes in credit limits. At the end of the year, 6 titanium dioxide customers from the European Union accounted for 35% (29% in 2021) of the total fully secured receivables. The customers are spread across different markets and hence there is no significant exposure of the Company to any single customer.

### Currency risk

Cinkarna Celje d.d. purchases and sells on the world market and is therefore exposed to the risk of unfavourable cross-currency exchange rates. In particular, the EUR/USD exchange rate. As most sales are made in euro, the exposure is particularly acute for dollar purchases of titanium-bearing raw materials and, exceptionally, sulphur and copper compounds. The exposure is significantly lower in dollar-denominated sales.

We continuously monitor the movements and forecasts regarding the dynamics of the EUR/USD currency pair. Basically, we limit the short-term risk of adverse changes in the dollar exchange rate through the standardised and consistent use of financial instruments (dollar futures). We achieve virtually complete coverage of relevant business events involving the EUR/USD currency pair.

### Exposure to foreign exchange rate risk

in EUR

	31/12/2022		31/12/2021	
	EUR*	USD	EUR*	USD
Trade receivables	21,673,232	413,838	28,269,239	878,860
Advances given	1,168,851	0	396,433	36,099
Cash and cash equivalents	45,210,098	0	59,746,594	0
Current financial liabilities	-59,392	0	-197,503	0
Current trade payables	-19,450,525	-67,620	-17,093,801	-6,148,923
<b>Statement of financial position exposure (net)</b>	<b>48,542,264</b>	<b>346,218</b>	<b>71,120,962</b>	<b>-5,233,964</b>

EUR\* is the functional currency and does not represent an exposure to exchange rate risk.

In addition to the functional currency EUR, the Company uses the USD (US Dollar), which was used in the translation of the balance sheet items as at 31 December 2022 and is equal to the European Central Bank's reference rate of 1 national currency for 1 Euro as at 31 December 2022 of 1.0666 and as at 31 December 2021 of 1.1326.

### Sensitivity analysis

A 1% change in the value of the USD against the EUR as at 31 December 2022 and 31 December 2021 would change profit before tax by the amounts shown in the table below. The analysis, which is carried out in the same way for both years, assumes that all variables, in particular interest rates, remain constant. In calculating the impact of the change in the US dollar exchange rate, account is taken of the stock of receivables and payables denominated in dollars.

	in EUR			
	<b>31/12/2022</b>		<b>31/12/2021</b>	
USD currency change	1%	-1%	1%	-1%
<b>Impact on profit before tax</b>	<b>3,693</b>	<b>-3,693</b>	<b>302,125</b>	<b>-302,125</b>

Any further change of 1% in the USD exchange rate against the EUR would result in a further change in profit before tax of the above amounts.

### Capital management

The primary objective of Cinkarna Celje's capital management is to ensure a high credit rating and adequate funding ratios to ensure the proper development of its business and to maximise value for its shareholders.

Cinkarna Celje aims to keep pace with changes in the economic environment by managing and adjusting its capital structure. Dividends are paid in accordance with the revised dividend policy adopted at the December 2022 Supervisory Board meeting. Cinkarna Celje d.d. has no specific employee ownership targets and no share option programme. There were no changes in the capital management policy in 2021 and 2022. Cinkarna Celje uses a leverage ratio to control capital, which shows the ratio of net debt to capital and total net debt. Net indebtedness includes financial and operational liabilities less cash and cash equivalents.

	in EUR	
	<b>31/12/2022</b>	<b>31/12/2021</b>
Financial liabilities	59,392	197,503
Trade and other current liabilities	23,046,745	28,248,514
Cash and cash equivalents	45,210,098	59,746,594
<b>Net indebtedness</b>	<b>-22,103,961</b>	<b>-31,300,577</b>
Capital	209,010,148	190,165,790
<b>Capital and net indebtedness</b>	<b>186,906,187</b>	<b>158,865,213</b>
<b>Leverage ratio</b>	<b>-12%</b>	<b>-20%</b>



## IX. FAIR VALUE

in EUR

	31/12/2022		31/12/2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through other comprehensive income	1,973,765	1,973,765	1,651,099	1,651,099
Trade receivables	22,087,040	22,087,040	29,148,099	29,148,099
Cash and cash equivalents	45,210,098	45,210,098	59,746,594	59,746,594
Financial liabilities	-59,392	-59,392	-197,503	-197,503
Trade payables	-14,898,860	-14,898,860	-18,690,237	-18,690,237
Payables under contracts with buyers	-157,520	-157,520	-136,087	-136,087
<b>Total</b>	<b>54,155,131</b>	<b>54,155,131</b>	<b>71,521,965</b>	<b>71,521,965</b>

Investments are classified into three groups based on the fair value calculation:

- Asset group 1 – assets at market price;
- Asset group 2 – assets not classified in group 1, the value of which is determined directly or on the basis of comparable market data;
- Asset group 3 – assets for which market data cannot be obtained.

## Fair value of assets

31/12/2022

	31/12/2022			
	Group 1	Group 2	Group 3	Total
Financial assets at fair value through other comprehensive income	0	1,973,765	0	1,973,765
<b>Total assets measured at fair value</b>	<b>0</b>	<b>1,973,765</b>	<b>0</b>	<b>1,973,765</b>
<b>Assets for which fair value is disclosed</b>				
Trade receivables	0	0	22,087,040	22,087,040
Cash and cash equivalents	0	0	45,210,098	45,210,098
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>67,297,138</b>	<b>67,297,138</b>
<b>Total</b>	<b>0</b>	<b>1,973,765</b>	<b>67,297,138</b>	<b>69,270,903</b>

## Fair value of liabilities

31/12/2022

	31/12/2022			
	Group 1	Group 2	Group 3	Total
Financial liabilities	0	0	59,392	59,392
Trade payables	0	0	14,898,860	14,898,860
Liabilities under contracts with buyers	0	0	157,520	157,520
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>15,115,772</b>	<b>15,115,772</b>

The assumptions used in determining the fair value of investments and other items are set out in the introductory notes in Chapter III Significant accounting policies.

in EUR

**Fair value of assets****31/12/2021**

	<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>	<b>Total</b>
Financial assets at fair value through other comprehensive income	5	1,651,099	0	1,651,099
<b>Total assets measured at fair value</b>	<b>0</b>	<b>1,651,099</b>	<b>0</b>	<b>1,651,099</b>
<b>Assets for which fair value is disclosed</b>				
Trade receivables	0	0	29,148,099	29,148,099
Cash and cash equivalents	0	0	59,746,594	59,746,594
<b>Total assets for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>88,894,693</b>	<b>88,894,693</b>
<b>Total</b>	<b>0</b>	<b>1,651,099</b>	<b>88,894,693</b>	<b>90,545,792</b>

in EUR

**Fair value of liabilities****31/12/2021**

	<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>	<b>Total</b>
Financial liabilities	0	0	197,503	197,503
Trade payables	0	0	18,690,237	18,690,237
Liabilities under contracts with buyers	0	0	136,087	136,087
<b>Total liabilities for which fair value is disclosed</b>	<b>0</b>	<b>0</b>	<b>19,023,827</b>	<b>19,023,827</b>

**X. RELATED PARTY TRANSACTIONS – INFORMATION ON GROUPS OF PERSONS****Management's participation in capital**

At the end of 2022 and 2021, one member of the Management Board held 1,860 shares in Cinkarna Celje, representing 0.023% of the Company's total capital or 0.023% of voting rights. No Supervisory Board members held shares at the balance sheet cut-off date.

31/12/2022, 31/12/2021	Number of shares	Share in capital (%)
Nikolaja Podgoršek Selič	1,860	0.023

**Gross remuneration of groups of persons**

	in EUR	
	2022	2021
Members of the Management Board	661,946	594,141
Members of the Supervisory Board	152,540	113,060
<b>Total gross remuneration of groups of persons</b>	<b>814,486</b>	<b>707,201</b>
Employees on the basis of contracts not covered by the tariff part of the collective agreement	3,134,933	3,252,549
<b>Total gross remuneration of groups of persons and remuneration of employees on the basis of contracts not covered by the tariff part of the collective agreement</b>	<b>3,949,419</b>	<b>3,959,750</b>

**Remuneration of the members of the Management Board in 2022**

in EUR						
Name and surname	Function (President, Member)	Fixed remuneration – gross (1)	Variable remuneration – gross based on quantitative criteria	Bonuses	Other remuneration	Total gross
Aleš Skok	President	275,977	64,680	7,829	4,133	352,619
Nikolaja Podgoršek Selič	Deputy President	220,069	51,537	8,873	3,179	283,659
Filip Koželnik	Member	16,234	4,116	2,602	2,715	25,668
<b>Total</b>		<b>512,281</b>	<b>120,333</b>	<b>19,304</b>	<b>10,028</b>	<b>661,946</b>

**Remuneration of the members of the Management Board in 2021**

v EUR						
Name and surname	Function (President, Member)	Fixed remuneration – gross (1)	Variable remuneration – gross based on quantitative criteria	Bonuses	Other remuneration	Total gross
Aleš Skok	President	264,000	22,277	9,150	4,849	300,276
Nikolaja Podgoršek Selič	Deputy President	210,354	43,753	10,622	4,576	269,305
Filip Koželnik	Member	15,981	582	3,367	4,630	24,560
<b>Total</b>		<b>490,335</b>	<b>66,612</b>	<b>23,139</b>	<b>14,055</b>	<b>594,141</b>

## Remuneration of Supervisory Board members in 2022

in EUR

Name and surname	Function (President, Deputy, Member, External Committee Member)	Remuneration for the performance of duties – gross per year (1)	SB and Commissions' meeting fees – gross per year (2)	Total gross (1 + 2)	Travel expenses	Total remuneration
Mario Gobbo	SB Member + SB President + HR Chair	28,125	1,815	29,940	8,635	38,575
Luka Gaberščik	SM Member + SB Deputy President + HR Member	20,250	1,815	22,065	239	22,304
David Kastelic	SB Member + AC Chair	20,625	2,695	23,320	384	23,704
Mitja Svolfjšak	SB Member	17,385	1,540	18,925	162	19,088
Dušan Mestinjsek	SB Member + AC Member	18,750	1,595	20,345	0	20,345
Jože Koštomaj	SB Member + AC Member	18,750	2,695	21,445	0	21,445
Gregor Korošec	External Member	0	5,000	5,000	0	5,000
Žiga Gregorinčič	External Member	0	1,040	1,040	0	1,040
Lea Peček	External Member	0	1,040	1,040	0	1,040
<b>Total</b>		<b>123,885</b>	<b>19,234</b>	<b>143,120</b>	<b>9,420</b>	<b>152,540</b>

SB = Supervisory Board

AC = Audit Committee

HR = Human Resources Committee

## Remuneration of Supervisory Board members in 2021

in EUR

Name and surname	Function (President, Deputy, Member, External Committee Member)	Remuneration for the performance of duties – gross per year (1)	SB and Commissions' meeting fees – gross per year (2)	Total gross (1 + 2)	Travel expenses	Total remuneration
Mario Gobbo	SB Member + SB President + HR Chair	23,352	1,595	24,947	344	25,290
Luka Gaberščik	SM Member + SB Deputy President + HR Member	16,813	1,595	18,408	58	18,467
David Kastelic	SB Member + AC Chair	17,124	2,915	20,039	114	20,153
Mitja Svolfjšak	SB Member	6,875	770	7,645	80	7,725
Dušan Mestinjsek	SB Member + AC Member	15,568	1,595	17,163		17,163
Jože Koštomaj	SB Member + AC Member	15,568	2,695	18,263		18,263
Gregor Korošec	External Member	0	6,000	6,000		6,000
<b>Total</b>		<b>95,299</b>	<b>17,165</b>	<b>112,464</b>	<b>596</b>	<b>113,060</b>

SB = Supervisory Board

AC = Audit Committee

HR = Human Resources Committee

The bonuses of the members of the Management Board include the bonus related to the use of a company car also for private purposes and any other bonuses. Expenses allowances include reimbursement of travel expenses to work and of meals during work.

## **SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD**

On 7 March 2023, as dictated by Article 78 of the Act on Employee Participation in Management, at a meeting of the Works Council, in accordance with Article 16 of the aforementioned Act and the Rules of Procedure of the Works Council, elections were held for a new employee representative on the Supervisory Board of Cinkarna Celje.

Aleš Stevanovič was voted as the employee representative on the Supervisory Board of the Company and took up the full position on 8 March 2023.

At the same time, the company's management board announces that in 2023 the company is the recipient of aid in accordance with the Act on Aid to the Economy to Mitigate the Consequences of the Energy Crisis (ZPGOPEK), according to which the consequences for the cases defined in paragraph 12 of Article 16 apply.



## INDEPENDENT AUDITOR'S REPORT



Building a better  
working world

### INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CINKARNA Celje, d.d.

This is a translation of the original report in Slovene language

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of CINKARNA Celje, d.d. (the Company), which comprise the statement of financial position as at 31 December 2022, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CINKARNA Celje, d.d. as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the (financial statements). The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



**Building a better working world**

<p>On December 31, 2022 the environmental provisions amounted to EUR 14.817 thousand as disclosed in Note 13 Other Provisions.</p> <p>The determination of the provisions is based on management's judgement and estimates of nature, timing and amount of future costs to be incurred to cover long term obligations of waste disposal and rehabilitation of waste landfills and facilities and of legal basis for the provisions. The judgement required to estimate such costs is further compounded by the fact that there has been limited rehabilitation activity or experience with such activities against which the management could benchmark estimates of future costs.</p> <p>We focused on this area because changes in the assumptions can materially affect the levels of provisions recorded in the financial statements.</p> <p>Environmental provisions are thus significant to our audit, and we consider them a key audit matter</p>	<p>We obtained an understanding of the environmental provisioning process and evaluated and tested design of respective controls.</p> <p>In relation to the recognised environmental provisions, we evaluated the existence of legal and constructive obligations requiring the restoration and rehabilitation of each site and facilities.</p> <p>In relation to the long-term provision for the elimination of risks created in previous years from old burdens at the location of actual production of the Company, which the Company has released to other operating income in 2022, we tested whether there are still legal obligations for the recognition of a long-term provision.</p> <p>We inspected the legal opinions obtained by the management on the legal basis of the Company's obligation for old environmental burdens from legal experts employed by the Company and external legal experts on the changed circumstances occurred in 2022 in the legislation and other legal grounds that created the basis for recognition of these long-term provision in previous years.</p> <p>We discussed with the Company's legal experts and the Company's management regarding the reversal of this provision. We assessed the grounds of de-recognising the provision for old burdens, changed circumstances and reassessed the legal basis and the likelihood of outflows of resources after 31 December 2022.</p> <p>We evaluated assessment of the required provisions by management, who obtained the assessment of the required disposal and rehabilitation activities and respective cost estimates from the external experts in the current and in the previous years.</p> <p>In addition, we assessed the adequacy of assumptions used, such as the expected price growth rates, the discount rate and management's estimates of the timing of activities in calculating the required provisions for the environment as at 31 December 2022.</p> <p>Further, in order to assess the appropriateness of the amount of the provision recognised, we also evaluated the project documentation and the studies of the technical experts as the basis on which management made these provisions.</p> <p>For the amount of increases in the long-term provisions, we checked and assessed the cost estimates related to the expected future rehabilitation activities required, which are based on and evaluated with the help of external experts.</p>
--	---





	<p>We considered the competence and objectivity of management's external experts, who produced the cost estimates.</p> <p>For a sample of selected utilisation of long-term provisions, we verified supporting documentation for the utilisation, such as invoices received, contracts with contractors, provisional situations and contractors' recapitulations of the works, and verified that the utilisation of long-term provisions was justified.</p> <p>We inspected the Company's litigation and compliance reports in the environmental field, obtained independent legal letters and held discussions with the Company's internal legal specialist for all significant matters.</p> <p>We assessed the adequacy of disclosures on provisions included in Note 13 Other Provisions of the financial statements and their compliance with IFRS EU.</p>
--	--

#### Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

#### Responsibilities of management and those in charge with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis



of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those in charge with governance are responsible for overseeing the Company's financial reporting process and to approve the annual report.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those in charge with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those in charge with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.





## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### ***OTHER REQUIREMENTS ON CONTENT OF AUDITOR'S REPORT IN COMPLIANCE WITH REGULATION (EU) No. 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL***

#### **Appointment and Approval of Auditor**

We were appointed as auditors of the Company at the general meeting of shareholders on 15 June 2022, the president of the supervisory board has signed the audit agreement on 30 August 2022. The agreement was signed for the period of 3 years. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 4 years. Sanja Košir Nikašinović and Lidija Šinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

#### **Consistence with Additional Report to Audit Committee**

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on the same date as the issue date of this report.

#### **Non-audit Services**

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company.

### ***AUDITOR'S REPORT ON THE COMPLIANCE OF FINANCIAL STATEMENTS IN ELECTRONIC FORMAT WITH THE REQUIREMENTS OF DELEGATED REGULATION NO. 2019/815 ON A SINGLE ELECTRONIC REPORTING FORMAT***

We have conducted a reasonable assurance engagement about whether the audited financial statements of the CINKARNA Celje, d.d. for the financial year ended 31 December 2022 (hereinafter: the audited financial statements), are prepared in accordance with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 as well as adjusted Commission Delegated Regulation (EU) 2020/815 of 11 November 2020 supplementing Directive 2004/109 / EC of the European Parliament and of the Council Annex 1 with regard to regulatory technical standards on the specification of a single electronic reporting format applicable for 2022 (hereinafter referred to as the "Delegated Regulation").

#### **Responsibility of the management and those responsible for governance**

Management is responsible for the preparation and accurate presentation of the audited financial statements in electronic format in accordance with the requirements of the Delegated Regulation, and for such internal control as the management determines is necessary to enable the preparation of the audited financial statements in electronic format that are free from material misstatement, whether due to fraud or error.

Those in charge with governance are responsible for overseeing the preparation of audited financial statements in electronic format in accordance with the requirements of the Delegated Regulation.

#### **Auditor's Responsibility**

Our responsibility is to perform a reasonable assurance engagement and to express a conclusion on whether the audited financial statements have been prepared in accordance with the requirements of the Delegated Regulation. We conducted our reasonable assurance engagement in accordance with the revised International Standard on





Assurance Engagements 3000 (revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform the engagement to obtain reasonable assurance for reaching the conclusion.

We have acted in accordance with the independence and ethical requirements of the Regulation EU no. 537/2014, and the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (including International Independence Standards) (IESBA Code), which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standards on Quality Management (ISQM) 1, and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements of applicable law and regulation.

#### Summary of Work Performed

Within the scope of work, we have performed primarily the following procedures:


- identified and assessed the risk of material non-compliance of the audited financial statements with the requirements of the Delegated Regulation due to fraud or error;
- obtained an understanding of internal control relevant to the reasonable assurance engagement in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- assessed whether the audited financial statements meet the requirements of the Delegated Regulation applicable at the reporting date;
- obtained reasonable assurance that the audited financial statements, which are included in the annual report of the issuer are accurately presented in electronic XHTML format.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

#### Conclusion

Based on the procedures performed and the evidence obtained, in our opinion the audited financial statements of the CINKARNA Celje, d.d. for the financial year ended 31 December 2022, which are included in the annual report, have been prepared, in all material respects, in accordance with the requirements of the Delegated Regulation.

Ljubljana, 17 April 2023

  
 Sanja Košir Nikašinić  
 Director, Certified auditor  
 Ernst & Young d.o.o.  
 Dunajska cesta 111, Ljubljana

  
 Lidija Šinkovec  
 Certified auditor

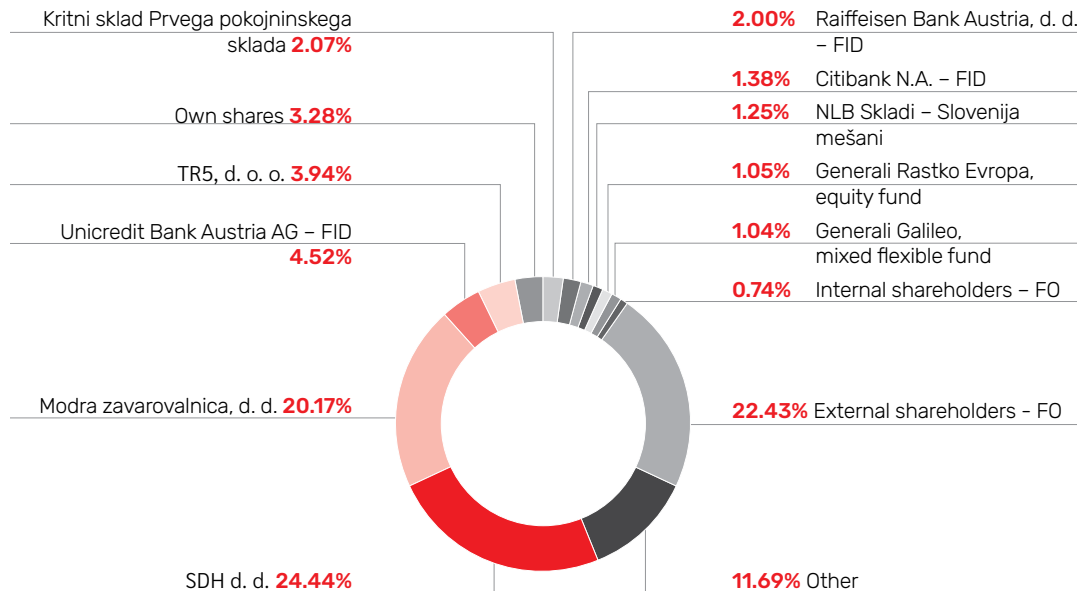
**ERNST & YOUNG**  
 Revizija, poslovno  
 svetovanje d.o.o., Ljubljana 1

## GENERAL MEETING/CAPITAL STRUCTURE

### Share ownership structure of Cinkarna Celje d.d.

	No of shares	%
SDH, d. d.	1,974,540	24.44
Modra zavarovalnica, d. d.	1,629,630	20.17
UNICREDIT BANK AUSTRIA AG – FID	364,840	4.52
TR5, d. o. o.	318,170	3.94
Own shares	264,650	3.28
KRITNI SKLAD PRVEGA POKOJNINSKEGA SKLADA	167,050	2.07
RAIFFEISEN BANK AUSTRIA, D. D. – FID	161,460	2.00
CITIBANK N.A. – FID	111,600	1.38
NLB SKLADI – SLOVENIJA MEŠANI	100,990	1.25
Generali Rastko Evropa, equity fund	85,110	1.05
Generali Galileo, mixed flexible fund	84,302	1.04
Internal shareholders – FO	59,932	0.74
External shareholders – FO	1,812,539	22.43
Other	944,957	11.69

### Chart: Share ownership structure of Cinkarna Celje d.d.



## STATEMENT BY MEMBERS OF THE MANAGEMENT AND PERSONS RESPONSIBLE FOR DRAWING UP THE ANNUAL REPORT

We, the above-mentioned and the undersigned members of the Management Board and the persons responsible for the drawing up of the Annual Report pursuant to Article 134(2) of the ZTFI-1 act, confirm that to the best of our knowledge:

- I. The financial report is in accordance with the relevant financial reporting standards, i.e. International Financial Reporting Standards. Such gives a true and fair view of the assets, liabilities, profit or loss and financial position of the Company;
- II. The financial report includes a fair review of the development and results of the Company's business and of its financial position, including a description of the material risks to which the Company is exposed.

The Annual Report 2023 is hereby adopted and approved by the Management Board on 27 March 2023.

Management Board of the Company

President of the Management Board

**Aleš Skok,**  
univ. dipl. in chemical engineering  
technology, MBA – USA



Member of the Management Board – Deputy Chairman of the Management Board – Technical Director

**Nikolaja Podgoršek Selič,**  
univ. dipl. in chemical engineering,  
spec.



Member of the Management Board – Works Director

**Filip Koželnik,**  
master of business studies



## PERSONS RESPONSIBLE FOR DRAWING UP THE ANNUAL REPORT

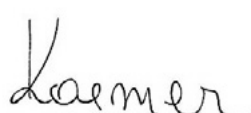
Member of the Management – Works Director

**Filip Koželnik,**  
master of business studies



Head of Accounting

**mag. Karmen Fujs,**  
univ. dipl. in econ.



## COMPANY CULTURE

### **BUSINESS PARTNERS**

We will continuously focus our efforts on meeting our customers' needs fairly, with quality and on time. We will develop relationships of mutual trust, cooperation and business friendship. We will meet our obligations to suppliers, banks and contractors with the utmost responsibility.

### **OWNERS**

We will strive to ensure that owners' investment, and thus their confidence in the correctness of this decision, is rewarded with the expected and appropriate returns. We will ensure the long-term viability and profitability of the Company by investing in development and in our employees. We understand that our responsibility is proportionate to the trust placed in us.

### **EMPLOYEES**

All employees will be treated with honesty. Fair pay for a job well done is an inalienable right. We will ensure that the rights to adequate information, personal security and equal treatment are implemented. The Company's management has a duty to promote a positive working atmosphere and to ensure that the rules and principles of ethical business conduct are developed and implemented.

### **LOCAL COMMUNITY**

Within the philosophy of sustainable development, investment in environmental projects and targeted technology design, we will work to find the most optimal ways and means to protect the environment and the health of our fellow citizens. Where possible, we will care for and participate in the development and progress of the local community in the fields of education, sport and culture.

# REPORTING INDICATORS ACCORDING TO GRI STANDARDS

Statement of use: Cinkarna Celje, d.d., has reported in accordance with the GRI Standards for the period January 1, 2022 till December 31, 2022.

GRI 1 used: Foundation 2021

Applicable GRI Sector Standard(s): At the time of preparation of this report, there were no accepted GRI industry standards for the chemical industry.

Disclosure	Page	Omission	
		Requirement (s) omitted	Reason Explanation
<b>General disclosures</b>			
2-1	Organizational details	31	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.
2-2	Entities included in the organization's sustainability reporting	47, 53, 91-92	
2-3	Reporting period, frequency and contact point	91-92	
2-4	Restatements of information	/	The first GRI report
2-5	External assurance	20-24, 75, 76, 87, 88, 89, 91	The sustainability report was not subject to external review.
2-6	Activities, value chain and other business relationships	32-34, 60-63, 129-134	
2-7	Employees	9, 48, 83, 109-127	
2-8	Workers who are not employees	111, 113	
2-9	Governance structure and composition	35, 37-39	
2-10	Nomination and selection of the highest governance body	37, 38, 41	
2-11	Chair of the highest governance body	31, 37-38, 45, 53	
2-12	Role of the highest governance body in overseeing the management of impacts	44, 45, 103-107	
2-13	Delegation of responsibility for managing impacts	44, 45, 103-106	
2-14	Role of the highest governance body in sustainability reporting	47, 48, 91, 92	
2-15	Conflicts of interest	37, 38, 39	
2-16	Communication of critical concerns	40-41, 75, 118, 141, 144	



Disclosure		Page	Requirement (s) omitted	Omission Reason	Explanation
2-17	Collective knowledge of the highest governance body	37-38			Information on competences is not available.
2-18	Evaluation of the performance of the highest governance body	21-24, 44-45			The assessment of the success of sustainable development has not been carried out.
2-19	Remuneration policies	39-40, 114			
2-20	Process to determine remuneration	39-40, 114			
2-21	Annual total compensation ratio	/		The topic is not material.	
2-22	Statement on sustainable development strategy	16-19, 47, 48, 55, 91			
2-23	Policy commitments	40-42, 143-146			
2-24	Embedding policy commitments	40-42, 143-146			
2-25	Processes to remediate negative impacts	87-89			
2-26	Mechanisms for seeking advice and raising concerns	40-41, 76, 77, 118-119, 141			
2-27	Compliance with laws and regulations	41-42, 79, 82, 83, 133, 144-146			
2-28	Membership associations	103			
2-29	Approach to stakeholder engagement	103-107			
2-30	Collective bargaining agreements	43-44, 113			
<b>Material topics</b>					
3-1	Process to determine material topics	105-106		A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.	
3-2	List of material topics	105-107			
3-3	Management of material topics	40-42, 47-49, 73-75, 105-106, 109, 121, 143-146, 153, 157, 167, 173-174, 179			
<b>Economic performance</b>					
201-1	Direct economic value generated and distributed	8, 12, 13, 60-63			
201-2	Financial implications and other risks and opportunities due to climate change	81			
201-3	Defined benefit plan obligations and other retirement plans	115			

Disclosure	Page	Omission	
		Requirement (s) omitted	Reason Explanation
201-4	Financial assistance received from government	248	Valid for 2023
<b>Market presence</b>			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	114	
202-2	Proportion of senior management hired from the local community	38	
<b>Indirect economic impacts</b>			
203-1	Infrastructure investments and services supported	56-57, 157, 158, 166	
203-2	Significant indirect economic impacts	10-13	
<b>Procurement practices</b>			
204-1	Proportion of spending on local suppliers	130	Restrictions on disclosure due to data confidentiality.
<b>Anti-corruption</b>			
205-1	Operations assessed for risks related to corruption	42, 83	
205-2	Communication and training about anti-corruption policies and procedures	40-41, 42	
205-3	Confirmed incidents of corruption and actions taken	42	
<b>Anti-competitive behavior</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	/	There were no legal proceedings for anti-competitive behavior and cartel and monopolistic practices.
<b>Tax</b>			
207-1	Approach to tax	209-210, 238	
207-2	Tax governance, control, and risk management	69, 221	
207-3	Stakeholder engagement and management of concerns related to tax	/	The topic is not material.
207-4	Country-by-country reporting	/	The headquarters of the company is in Slovenia.

Disclosure	Page	Omission	
		Requirement (s) omitted	Reason Explanation
<b>Materials</b>			
301-1	Materials used by weight or volume	146-149	
301-2	Recycled input materials used	149, 150	
301-3	Reclaimed products and their packaging materials	147, 148, 150-152	
<b>Energy</b>			
302-1	Energy consumption within the organization	158-163, 167, 168	
302-2	Energy consumption outside of the organization	167-168	
302-3	Energy intensity	158	
302-4	Reduction of energy consumption	157, 165, 166	
302-5	Reductions in energy requirements of products and services	160-163	
<b>Water and effluents</b>			
303-1	Interactions with water as a shared resource	173-175	
303-2	Management of water discharge-related impacts	175-177	
303-3	Water withdrawal	173	
303-4	Water discharge	175-177	
303-5	Water consumption	173	
<b>Biodiversity</b>			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	179-181	
304-2	Significant impacts of activities, products and services on biodiversity	175, 177, 179-181	
304-3	Habitats protected or restored	177, 179-181	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	179	
<b>Emissions</b>			
305-1	Direct (Scope 1) GHG emissions	167-168	
305-2	Energy indirect (Scope 2) GHG emissions	167-168	
305-3	Other indirect (Scope 3) GHG emissions	/	Data not available
305-4	GHG emissions intensity	167-171	
305-5	Reduction of GHG emissions	8, 99-100, 165, 166, 171	
305-6	Emissions of ozone-depleting substances (ODS)	169	

Disclosure	Page	Omission	
		Requirement (s) omitted	Reason Explanation
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	169		
<b>Waste</b>			
306-1 Waste generation and significant waste-related impacts	82, 153-155		
306-2 Management of significant waste-related impacts	19, 48-50, 57, 58, 69, 82, 95, 129, 130		
306-3 Waste generated	153-155		
306-4 Waste diverted from disposal	48, 49, 50, 146, 149-153		
306-5 Waste directed to disposal	153-155		
<b>Supplier environmental assessment</b>			
308-1 New suppliers that were screened using environmental criteria	129, 130		
308-2 Negative environmental impacts in the supply chain and actions taken	130		
<b>Employment</b>			
401-1 New employee hires and employee turnover	111, 112		
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	113		The topic is not material.
401-3 Parental leave	113		
<b>Labor/management relations</b>			
402-1 Minimum notice periods regarding operational changes	104, 109, 113, 117-119		
<b>Occupational health and safety</b>			
403-1 Occupational health and safety management system	93, 121-124		
403-2 Hazard identification, risk assessment, and incident investigation	124, 125		
403-3 Occupational health services	121-127		
403-4 Worker participation, consultation, and communication on occupational health and safety	124-127		
403-5 Worker training on occupational health and safety	115, 122		
403-6 Promotion of worker health	93, 121, 126		
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	121-127		
403-8 Workers covered by an occupational health and safety management system	121-127		

Disclosure	Page	Omission	
		Requirement (s) omitted	Reason Explanation
403-9 Work-related injuries	121, 123-124		
403-10 Work-related ill health	112, 125		
<b>Training and education</b>			
404-1 Average hours of training per year per employee	116		
404-2 Programs for upgrading employee skills and transition assistance programs	117, 118		
404-3 Percentage of employees receiving regular performance and career development reviews	111		
<b>Diversity and equal opportunity</b>			
405-1 Diversity of governance bodies and employees	37-38, 41, 109-111		
405-2 Ratio of basic salary and remuneration of women to men	/	Data not available	All employees of Cinkarna Celje, d.d., have the same opportunities regardless of gender, age and location.
<b>Non-discrimination</b>			
406-1 Incidents of discrimination and corrective actions taken	41-42, 94, 109		
<b>Freedom of association and collective bargaining</b>			
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	47, 113, 114		Data for suppliers is not available.
<b>Child labor</b>			
408-1 Operations and suppliers at significant risk for incidents of child labor	130		
<b>Forced or compulsory labor</b>			
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	130		



Disclosure	Page	Omission		
		Requirement (s) omitted	Reason	Explanation
<b>Security practices</b>				
410-1	Security personnel trained in human rights policies or procedures	/	Internal document - contract	Security guards are trained and licensed in accordance with national regulations, which includes the protection of human rights.
<b>Rights of indigenous peoples</b>				
411-1	Incidents of violations involving rights of indigenous peoples	/	The topic is not material.	The topic is not material.
<b>Local communities</b>				
413-1	Operations with local community engagement, impact assessments, and development programs	137-141		
413-2	Operations with significant actual and potential negative impacts on local communities	44, 48, 141, 169, 173, 177, 180		
<b>Supplier social assessment</b>				
414-1	New suppliers that were screened using social criteria	/	Data not available.	In accordance with the sustainable guidelines of value chain management, we will evaluate new suppliers in the future also according to social criteria.
414-2	Negative social impacts in the supply chain and actions taken	130		
<b>Public policy</b>				
415-1	Political contributions	/	The topic is not material.	Cinkarna Celje, d.d., does not make sponsorship or donation contributions to political parties.

Disclosure	Page	Omission	
		Requirement (s) omitted	Reason Explanation
<b>Customer health and safety</b>			
416-1	Assessment of the health and safety impacts of product and service categories	100-101, 133, 134, 144, 145, 146	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	79, 100, 101, 131-134	There are no known cases of non-compliance with regard to the effects of products on the health and safety of customers.
<b>Marketing and labeling</b>			
417-1	Requirements for product and service information and labeling	133, 134	
417-2	Incidents of non-compliance concerning product and service information and labeling	134	There was no case of non-compliance with information and labeling.
417-3	Incidents of non-compliance concerning marketing communications	/	There were no cases of non-compliance.
<b>Customer privacy</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	89	There were no valid complaints or privacy violations.

At the time of preparation of this report, there were no accepted GRI industry standards for the chemical industry.



Published by: Cinkarna Celje, d.d.  
On behalf: Aleš Skok, President of the Management Board  
Project manager: Bernarda Podgoršek Kovač  
Concept of the content, implementation: Fit media d.o.o.  
Text and editing: Cinkarna Celje, d.d., and Fit media d.o.o.  
Design: Metka Vehovar Piano, Fit media d.o.o.  
Photos: Peter Marinšek, Matjaž Očko, Aleš Fevžer, Uroš Čanžek, Jure Hictaler, archive of Cinkarna Celje, [www.shutterstock.com](http://www.shutterstock.com)

April 2023