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materials for a better life

Memorandum European Union Elections 2024

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Preface

In June 2022, Umicore launched "RISE 2030", its new strategic plan designed to accelerate value creative growth. The four pillars of our 2030 RISE Strategy are based on the acronym that RISE represents and our vision of what Umicore stands for: Reliable Transformation partner, Innovation and Technology Leader, Sustainability Champion, Excellence in execution.

In June 2024, European citizens will vote for European Parliamentary elections and the appointment of a new European Commission. The biggest challenge for the next Commission and Parliament will be securing growth while ensuring that the EU-27 stays on track for its climate, digital and energy targets. The values of our RISE Strategy are precisely the priorities we expect from the European policy framework, and thus the anchor points of our memorandum:

"R" stand for being a **Reliable Transformation Partner**: the European Union should work towards a coherent framework for its industry especially in terms of funding and permitting procedures and a strategic but open trade agenda.

"I" represents Umicore's **Innovation and Technology power.** The EU should take innovation also seriously by setting clear boundaries and remove remaining constraints in R&D programs especially in strategic domains such as advanced materials and batteries.

It is no coincidence that **"S"**, or **Sustainability Champion** takes up the bulk of this memorandum, where we envisage to remove the regulatory hurdles while implementing our ambitious decarbonization and sustainability agenda.

And let's not forget on **"E"**, **Excellence in Execution**. Throughout the European legislative framework, we need a proper reply to the cost increases as a result of the energy crisis and fierce competition from Europe's trading partners. This is needed to further build an European value chain in strategic technologies such as batteries and advanced materials.

Umicore, headquartered in the heart of Brussels and Europe continues to be a trustworthy discussion partner for policy makers. We hope this bundle of recommendations is of great value to you.

I wish you an inspiring reading.

Wouter Ghyoot
Vice-president Government Affairs

Memorandum European Union Elections 2024

2024 will be an important year for the European Union with elections taking place in a new political order and halfway the trajectory of the European Green Deal. It is a moment for EU policy makers to steer society and industry towards the world's first climate neutral continent while maintaining and attracting industrial production investments in clean value chains.

Umicore wants to remain a trustworthy partner for the European policy makers and therefore we have defined some priorities and recommendations to let Europe RISE stronger, greener and more competitive.

The 4 key pillars of our policy memorandum are fully aligned to our corporate strategy **Umicore 2030 – RISE** and should not only ensure the successful implementation of our own strategic ambitions but also contribute to those of the European Union and the welfare creation for its citizens.

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About Umicore

Umicore is the circular materials technology company with extensive expertise in the fields of material science, chemistry and metallurgy. Our overriding goal of sustainable value creation is based on the ambition to develop, produce and recycle materials in a way that fulfils our mission: **"materials for a better life".**

Which is why we are now more than ever determined to leverage our unique, mutually reinforcing portfolio of activities and closed-loop business model to accelerate the transformation of mobility, to respond to the growing need for advanced materials and enable an even greater circularity of critical metals.

1. Reliable Transformation Partner

We listen to the voice of our customers and focus on solving their issues

To be a reliable partner for our customers, both for new investments and existing operations, we need a secure investment framework by means of a predictable and simplified regulatory environment and a fair level-playing field with competitors outside of the EU.

This framework entails developing own-EU based supply chains in green technologies and critical raw materials, but also optimizing trade instruments with partner countries.

1.1. Green Deal Industrial Plan & critical raw materials

The Green Industrial Plan and the (proposals for a) Critical Raw Materials Act and Net Zero Industry Act acknowledge the need to introduce the creation of a one-stop-shop including time limits for permitting (12 months for new projects in processing and refining). We need however to be realistic need to be realistic that the timeframe of Umicore and to a broader extent the entire battery industry is NOW. We need speed as many supply chain decisions for 2030 will be finalised by the end of 2024. The adoption of the Critical Raw Materials and Net Zero Industry Act might but should not come too late.

Besides permitting we also need more coherence and perhaps even a clear trade-off framework between different pillars of the EU policy instrumentation.

Our Recommendations:

- **Swiftly implement** the Critical Raw Materials Act (CRMA) and Net Zero Industry Act including the implementing secondary legislation, to make sure that the concepts of shorter permitting procedures, one-stop-shops and strategic projects do not miss the mark. The benchmarks of the CRMA should be scientifically and socially aligned and the calculation should be transparent. Especially regarding permitting, ensure that **permits will not be challenged** once the project has started and that timings regulated by the CRMA and NZIA are respected.
- Ensure a **smooth transition from CRMA to NZIA** to avoid gaps in value chains. The production and recycling of cathode active materials should be eligible both under the CRMA and NZIA.
- Install an industrial **policy governance structure** within the European Union whereas not only DG Grow but also DG COMP, DG REGIO and DG CLIMA are involved to secure coordination and coherence of policy actions impacting European industry.
- Develop a **priority guidance** for member states to operationalize the principle of overriding public

interest to secure investments in strategic value chains including a clear trade-off framework between environment, nature, climate and energy (see also chapter Sustainability Champion)

- Ensure sufficient and **dedicated EU-level funding** that is aligned with the Critical Raw Materials Act's 2030 production benchmarks across the value chain such as advanced materials for clean mobility and give specific attention to activities that close the loop of these value chains such as battery recycling.
    - In the short to midterm, the funding should come from the proposed expansion of the EU Innovation Fund under the proposal for a **Strategic Technologies for Europe Platform** (STEP). This could be done by replicating the pilot concept of the EU Hydrogen Bank to the critical minerals sector and opening dedicated calls for proposals to that effect.
    - In the long run, a **long-term European Critical Minerals Fund** should be established as part of Europe's green investment agenda to support the Green Deal. To be effective, this should be operated at EU level and directly finance companies. In order to scale production in advanced materials and batteries, this Fund should be easily accessible, implemented quickly and provide investors with sufficient visibility and bankability.
- Maintain a possibility for member states to further improve the business case of strategic investment projects under the EU Green deal industrial plan, for instance by prolonging the Temporary Crisis and Transition Framework (TCTF) beyond 2025.

1.2. Optimizing trade instruments for resilient supply chains

Umicore is a global player with activities all over the world and benefits from an open economy in which the exchange of goods, services and people offer many advantages. In order to reduce our transport costs (as part of our so-called scope 3 emissions), we often opt for a local-for-local strategy. We build up regional production capacity in battery materials to supply regionals markets, which saves a lot of CO2- emissions in transport.

To further develop the European battery value chain, we need to respond appropriately to the export restrictive actions of our trading partners such as the Indonesian export restrictions on nickel and recently announced Chinese export control on Gallium and Germanium. Europe needs a strategic trade policy where sustainability should be a differentiating factor.

Our Recommendations:

- Create **one dedicated subheading** in the Combined Customs Nomenclature (CN) for Battery materials containing CAM and pCAM, reflecting the strategic importance of these materials in the built-up of the European Battery value chain.
- Negotiate **strict Rules of Origin** in upcoming Free trade agreements specifically for battery materials to create a strategic battery value chain in EU. For example, instead of the current multiple alternatives that are now as standard applied in chapter 28 on Inorganic Chemicals, only one option to obtain EU origin i.e., CTH (Change of Tariff Header), with the addition "except for non-originating cathode materials" should be introduced.
- **Prolong the tariff suspension** granted in respect of certain products related to battery production such as Lithium Hydroxide as defined in Council Regulation (EU) 2022/2583 and consider a full instead of a partial suspension.
- The EU Carbon Border Adjustment Mechanism will be an important trade instrument equalizing the price of carbon between domestic products and imports. In the next couple of years, **CBAM should not be extended to (upstream) critical raw materials** such as PGM-concentrates and raw materials for battery materials. Securing access to these crucial raw materials for the green transition

is important and possible resource reshuffling and trade diversion should be avoided, for which the transitional phase of CBAM and an impact assessment has to bring more clarity.

- Boost trade and investment through EU trade agreements with important partner countries for battery materials. Instead of focusing on a penalizing approach ("sticks") leading to a potential ban for importing specific products that are part of the critical raw materials list, the EU should work towards a **facilitating framework** ("carrots") by e.g. disseminating knowledge and expertise on forestation and biodiversity.

- Renew focus on **trading of waste for recycling** considering waste and secondary raw materials as important resources and let them continue benefitting from zero import duties and harmonize within the Combined Nomenclature (CN) the classification for end-of-life batteries and intermediate battery streams such as black masses. At the same time, avoid our 'urban mine' leaking outside Europe and address export restrictive actions taken by trading partners, also for waste products that go beyond environmental safeguards.

2. Innovation & Technology Leader

We are an innovation and technology leader delivering value through innovation in materials science, metallurgy and metal chemistry

To push the boundaries and to contribute to a sustainably driven world, Umicore embeds research and innovation in the core of all our activities. Our future success relies on us maintaining our technological advantage and value creation, whereby we need the further strengthening of EU's innovation capabilities in materials.

2.1. EU innovation programs

Considering the strategic importance for European industry to secure access to sustainable raw and advanced materials for the development of clean technologies, we need to keep strong on innovation in Europe.

The importance of innovation is reflected in our strategy towards 2030 with Umicore' R&D spend representing more than 7% of our 2022 revenues (about 30% more compared to 2021).

To innovate fast and well, we need collaborations up and down the value chain, with other industry and start-up players and also public research centers and universities, such as those facilitated and supported in frame of EU's Horizon Europe innovation program.

Our Recommendations:

- To deliver on the CRMA and NZIA and build industrial capacities & innovation capabilities, mitigate the discrepancies existing between Member States on State Aid for First Industrial Deployment by **making optimal use of the Strategic Technologies for Europe Platform (STEP)** for the acceleration of technology development and market deployment while reducing current constraints on "going beyond the state of the art" to enable the necessary speed, scale and scope of technology development (see also Reliable Transformation Partner).
- In current (Horizon Europe) and future (Framework Programme 10) versions of the partnerships on batteries, clean hydrogen and key digital technologies, **increase the share of the funding budget** going towards the development of advanced materials, their production and processing, and ensure funding continuity to support seamless technology development.
- Under current Horizon Europe and future Framework Programme 10, launch a **co-programmed partnership on advanced materials** based on the recommendations of the Advanced Materials Initiative 2023 (see explanatory box) to equip the European innovation eco-system with a world-class toolbox for the acceleration and cost-optimization of advanced materials discovery, development and production.
- Under current Horizon Europe and future Framework Programme 10, launch **a co-funded partnership**

on raw materials to equip the European innovation eco-system with world-class extraction, refining and recycling technologies to reduce EU's exposure to primary supply of CRMs from outside Europe.

- Do not hamper, through the elaboration and implementation of **too restrictive R&D frameworks (e.g., Safe and Sustainable by Design)**, the innovation and the development of advanced materials that are key for EU's open strategic autonomy (see also Sustainability champion).

Advanced Materials 2020 Initiative (AMI2030)

AMI 2030's was created in June 2022 by representatives of 4 key European Technological platforms (EMIRI, EUMAT, SUSCHEM and MANUFUTURE) to become a multi-sectoral accelerator for the design, development and uptake of safe and sustainable advanced materials towards a circular economy. The creation was preceded by the joint research and industry signing the Materials 2030 Manifesto. The Manifesto underlined the key role that advanced materials will play in reaching Climate neutrality and sustainability and thus served as a reference document for the foundation of the Advanced Materials 2030 Initiative.

AMI2030 offers a systemic approach to develop the next generation solution-oriented advanced materials which will offer faster, scalable and efficient responses to the challenges and thus turn them into opportunities for Europe's society, economy and environment today and in the future. To this end, AMI2030 provides an open and inclusive forum to coordinate and maximize the impact of joint actions and projects by engaging all stakeholders of the Advanced Materials ecosystems in Europe.

www.ami2030.eu

2.2. Attraction of (scientific) Talent

Europe can only grasp the opportunities of the digital and green transition if its people develop the right skills. This is more than ever relevant for companies like Umicore, that are at the heart of providing solutions for this transition, be it in battery materials or advanced materials.

Umicore operates 15 R&D sites across the world, with a team comprising over 35 nationalities. We continually invest to ensure we can attract the best scientific talent to our international R&D team, helping us develop the next generation of sustainable products and process technologies. The European Union has already embedded on a strategic level "enhanced skills" in the EU Green Deal Industrial Plan and the European Year of skills, but this needs further elaboration by the next Commission, Council and European Parliament.

Our Recommendations:

- Undertake **Strategic Workforce Planning** for the twin green & digital transition at European level to map how job supply and demand will evolve

in order to get a common ground of understanding (clear insights into future job losses, job creation and substantive changes in jobs) and define well-considered proactive labor market and training policies.

- Rapidly implement the actions proposed under the Critical Raw Materials Communication to develop and offer training and education programs to **reskill and upskill a workforce** for the upscaling of the critical raw material value chain in Europe. Also establish a large-scale skills partnership on CRMs with stakeholders and public authorities under the EU Pact for Skills with the objective of rolling out successful education and training activities across the entire value chain

- **Science, technology, engineering and mathematics education (STEM)** is key to developing the skills of future Umicore employees. The EU should guarantee a foundational knowledge of STEM skills in the basic education of every pupil and student and should therefore make STEM offerings evidence- based by monitoring how different STEM initiatives in every EU member state evolve and where adjustments are needed if the interest in STEM directions would decline.

- **Diversity & inclusion** – ensure policy measures support the need for enhanced diversity, inclusion & equality. Create solutions that support activation; are enabling minorities to be their best version of themselves, while offering them clear benefits. The challenge ahead of us is to enable & engage a larger and deeper pool of talented people across multiple domains of D & I : neurodiversity, LGBTQIA+ inclusion, gender equality, ethnic & cultural diversity

3. Sustainability Champion

"Sustainability is at the core of who we are and everything we do. We embed sustainability in our products, operations and in the way we do business".

3.1. Sustainability in (our) products:

Product legislation is becoming increasingly important in the EU's portfolio to stimulate the design and production of sustainable products. As Umicore we have a great experience and expertise with the development of the EU Battery Regulation and Battery passport of which the concept and methodology should inspire and be the blueprint for the further implementation of eco-design for sustainable products and the use of digital product passports enabling not only a sustainable production but also the circularity of products.

Umicore's involvement in the development of this first of its kind tool is perfectly in line with Umicore's ambition to be a pioneer and leader by example in all sustainability and circularity related efforts for the industry.

Our Recommendations:

BATTERY PASSPORT

- Mirror the supply chain due diligence approach to the **end-of-life chain** in order to complete the entire life cycle perspective. Strengthen end-of-life considerations by introducing traceability for the recycling process being the source for secondary raw materials
- Make the battery pass instrumental to minimize or put an end to leakage of batteries outside of the EU system boundary as a necessary measure to safeguard input for recycling processes by adding **additional data into the passport** and connecting to market surveillance and customs authorities' IT systems.
- Foster high-quality recycling based on a meaningful and **specific set of data points** to apply a comprehensive view on the circularity of a battery (e.g. circularity rate composed of material-specific recycling & collection indicators) Stronger incentivize "design for recycling" by means of **material / product- specific metrics** building on modularity and complexity reduction to facilitate disaggregation of products and components for smarter sorting of recycling inputs.
- Integrate the recommendations outlined in the content **guidance and position paper** to the JRC issued by the battery pass consortium into the upcoming secondary legislation process.

Battery Pass – a first of its kind tool

As of February 2027, the EU Battery Regulation mandates a digital battery passport for all light means of transport batteries, industrial batteries above 2 kWh, and electric vehicle batteries placed on the EU market. The aim: to support the sustainable and circular management of batteries by making comprehensive data along the entire battery lifecycle available through a decentralized digital infrastructure.

A battery passport is a structured collection of product related data with predefined scope, agreed data ownership, and defined access rights conveyed through a unique identifier, issued by the economic operator putting the battery on the market. Being a digital twin of a physical battery, it provides information through static and dynamic data from the entire battery life cycle related to sustainability, circularity and value retention. This will support the provision of transparency & awareness to switch from intuitive to conscious decision-making, drive the shift from linear to circular economies, and create a battery level playing field.

Umicore joined a consortium of leaders from industry and science in April 2022 that jointly work on the development of content and technical standards to compile data, demonstrate them in pilot trial runs, and asses the value for individual stakeholders, economy, and society. Being co-funded by the German Federal Ministry for Economic Affairs and Climate Action (BMWK) with EUR 8.2 million, the 3-year project provides the foundations of interoperable, open-source, open-standard and scalable data exchange along battery value chain to support sustainable and circular batteries and preparing for data exchange with global value chain stakeholders. The Battery Passport is a frontrunner undertaking serving as a role model for further future digital product passports driven by the ESPR.

More information on Umicore's activities within the Battery Pass consortium on
www.umicore.com/en/newsroom/news/battery-pass/

GREEN CLAIMS, ECODESIGN & DIGITAL PRODUCT PASSPORTS (DPP)

- Keep into account the specificity of metals, where recycled content targets and more specifically for metals that are part of the critical raw materials are not enough to contribute to a circular economy. More important for the implementing legislation covering the lots of digital products, electronics and intermediate products are **performance and information requirements on the design for dismantling and recycling.**

- To enable sharing of key product related information under ESPR but also for other purposes, build the **Digital Product passport (DPP)** as much as possible on the foundations of the Battery pass project but **whilst also integrating the end-of-life management of products** which also needs strengthening in the Battery passport. The battery passport is a frontrunner undertaking for future digital product passports, providing transparency to impact decisions, enabling the shift from linear to circular economies and creating a battery level playing field.

- When introducing product environment foot printing methods and Carbon Footprinting methodologies, align as much as possible with the methodology used in the Battery Regulation **enhancing the use of EU-wide (and eventual cross-border) unique claims** and Guarantees of Origin complying with the EU Renewable Energy Directive (see also next chapter on Decarbonisation).

- For metals, 'design for recycling', including collectability and recyclability is more important than recycled content. High recycled content targets could create a new dependency on import of recycled materials or could compete with lifetime extension projects. These **design for recycling** concepts should be included in the revisions of the directive on Waste from Electrical and Electronic Equipment (WEEE) and the Directive on End-of-Life Vehicles (ELV) that would better be converted into a regulation harmonizing the implementation within the EU.

Recycled content vs. recyclability

Metals are fully recyclable to the quality level of primary materials. The weak spot is collection. But after recycling, metals can be used in a variety of applications. If one product group had 'recycled content' targets and another did not, it could only result in a shift in recycled content. Or it could result in the import of recycled materials from markets where recycled content is given less importance. Moreover, it could be in competition with lifetime extension projects.

Therefore, we advocate focusing mainly on collection and quality of recycling and less on recycled content.

EURO 7

Umicore has more than 50 years of expertise in catalyst technology development and manufacturing offering technologies to meet the most stringent emission standards and providing the automobile industry with newest application technologies such as fuel cell catalysts and tailor-made catalyst design expertise.

- Swiftly adopt the Euro 7 emission standards ensuring that all powertrains contribute to improved air quality.

3.2. Sustainability in (our) operations

3.2.1. Decarbonization:

As the backbone of our climate action plan, our Let's Go for Zero ambition establishes our targets and milestones to reach our goals. We are committed to carbon neutrality for Scope 1 and 2 greenhouse gas emissions by 2035 with different milestones along the way, using 2019 as the baseline. In addition to our net zero target, we are also committed to running all our operations in Europe on renewable electricity by 2025.

Enabling a fast access to renewable electricity and creating a favorable framework for EU's industry decarbonization investments should therefore be given a top priority in the 2030 and 2040 European energy and climate policy framework.

Our Recommendations:

Renewable energy sourcing and indirect emissions:

- As Guarantees of Origin (GoOs) are a key part of industrial renewable Power Purchase Agreements (PPAs) (national or cross-border) within the EU, **confirm the unique and tradable character of Guarantees of Origin** of electricity in all EU member states and policy initiatives and set a binding deadline for the establishment of a single cross-EU interoperable digital platform to support and document the increasing production of renewable energy.
- Taking into account the heterogeneous availability of natural resources across Europe, make sure that **also for renewable biomass and biogas** the unique and tradable character of Guarantees of Origin is reinforced to make sure that a level-playing field is created for companies that want to decarbonize while not allowing for double-counting of renewable energy.
- Equally provide **rapid recognition of compliant voluntary schemes** with the rules included in the Renewable Energy Directive such as biogas and renewable fuels of non-biological origin.

- Keep indirect emissions out of EU's Carbon Border Adjustment Mechanism (CBAM) and **maintain the compensation of indirect emission costs** incurred by electro-intensive companies as long as the European electricity market is not significantly decarbonized (see explanatory box)

Carbon Capture Storage and Use (CCUS):

- Create a **level-playing field for Carbon capture projects** under the EU ETS, thereby limiting the impact on free allocation of emission allowances also for (sub)installations under the process emissions benchmarks and provide **direct funding to hard to-abate** industrial processes & stored or permanently chemically bound CO2, without compromising on smaller-scale projects.

- Issue a **Guidance on harmonized specifications** of captured carbon dioxide considering only the minimum needed quality and maintenance of transport and storage (sinks) infrastructure and technology, avoiding a fragmentation of quality criteria across the EU that could hamper the uptake of CCS projects.

Access to renewable electricity and on-site generation:

- Focus not on solar panels on roofs of industrial buildings but **stimulate larger projects** grasping economies of scale of renewable power production and providing flexibility in how to obtain the renewable power production as not all industrial sites and installations (roofs, security) are suitable.

- Introduce in the "renewables acceleration areas" of art. 15c of the new Renewable Energy Directive (REDIII) the concept of **"marginal lands"** to encourage the installation of solar panels on plots of land where other activities are excluded based on provisions of the environmental permit such as but not limited to roadsides and closed landfill areas not designated as nature or agricultural areas. **Advance the deadline to designate** these renewables acceleration areas to 18 months instead of 27 months after entry into force.

Indirect emissions are not the same as indirect costs

Indirect emissions

= emissions associated with the generation of electricity purchased for industrial production process

- occur physically at the facility where the electricity is generated
- accounted for indirect emissions of an industrial product because they are the result of the installation's energy use

≠

Indirect costs

= price effect of CO2 in the electricity market and is not an indication of the actual indirect emissions in the production process

- marginal price setting mechanism as inherit part of EU electricity market design
- says nothing about a company's individual efforts toward green electricity consumption

Any extension of CBAM to indirect emissions should be considered only once EU electricity system is almost completely decarbonised, which will ensure that the mismatch between indirect carbon costs and indirect carbon emissions has been reduced to a minimum.

At the same time, the methodology of calculating indirect emissions from imported products should not undermine the principles that make up the EU renewable energy framework

3.2.2. Environment & chemicals

We are a global company with a global footprint. And we're growing still – but that doesn't mean our footprint grows with it. On the contrary, we're determined to reduce the impact of our operations wherever possible, pushing our own limits to find innovative ways to protect land, water and air. We're talking diffuse emission reductions, water & resource efficiency and.

REACH

Umicore has embedded REACH in the core of its business ensuring full compliance throughout the value chain at all times. The relation and communication between all actors in the supply chain is key to be REACH compliant, we are therefore committed to support our suppliers and customers during the complete REACH process and its upcoming review that should lessen administrative requirements and the risk of uncoordinated chemicals policies impeding the EU's climate neutrality objective.

Our Recommendations:

- Start with a clear **prioritization system** to facilitate data collection and predictability for compliance with Chemicals policy
- To be effective and target what matters, risk management in REACH should remain **risk-driven and consider exposure potential in addition to hazard.** For example, with regard to the development of an EU battery manufacturing capacity contributing directly to the Green Deal and its electromobility goals, classification of Lithium-salts should be taken with the required consideration.
- **Avoid regrettable substitution** of crucial metals by considering safer and more sustainable alternatives in a lifecycle approach (see explanatory box)
- Consider specificities of metals that have already a low toxic level and therefore refine the upcoming **Mixture Allocation Factor (MAF)** and confirm the non-application for inorganic chemicals like metals.
- Extend the low tonnage information requirement proportionately

Why all metals matter for the EU Green Deal

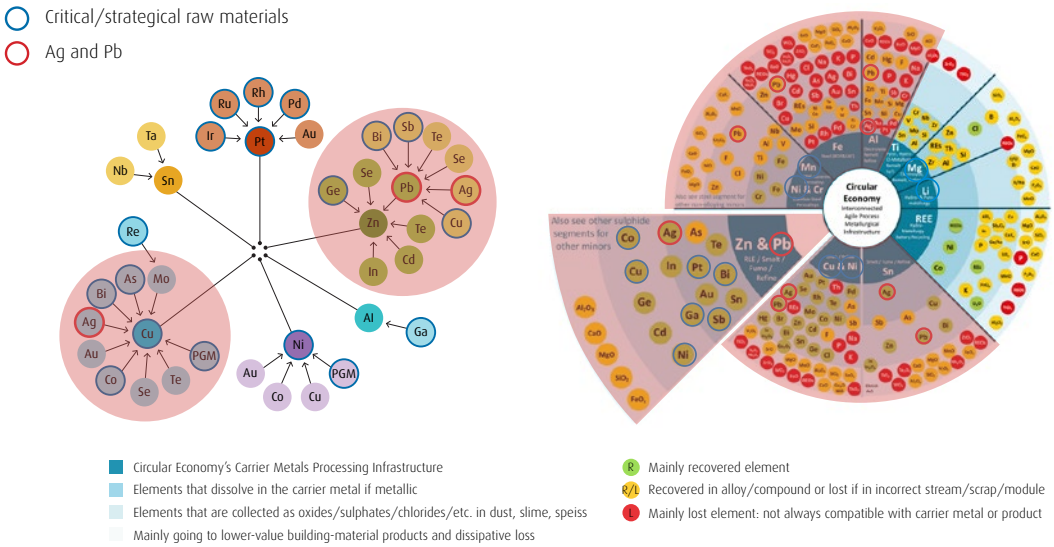
Metals eco-systems are enablers of the circular economy of Europe.

Banning single metals could damage well-functioning recycling loops and impact the access to critical/strategical raw materials

Collector materials, such as Pb and Cu, are essential to get access to 'technology elements' and to recycle them after the use phase.

WHY ALL METALS MATTERS FOR THE EU GREEN DEAL

Metals never occur in isolation: Not only interconnection in nature but also in recycling operations



PFAS

The current scope of the EU PFAS restriction proposal is too wide as for some PFAS the unacceptable risk at EU wide level is not demonstrated and while they are crucial for the production of key energy technologies of the European Green Deal like batteries and hydrogen.

Our Recommendations:

- Introduce in the restriction proposal a differentiation between hazardous PFAS and non-hazardous PFAS, and PFAS containing articles with dispersive use from articles with no intended release such as batteries of electric vehicles or electrolyzers.

SAFE AND SUSTAINABLE BY DESIGN (SSBD)

Our Recommendations:

- Avoid implementation of new constraints to creative and innovative materials for R&D purposes. Instead of the current zero hazard-based approach in SSbD which would take a lot of important technology metals out of the innovation toolbox, **use a risk-based approach and include a socio-economic assessment.**

- Introduce a **simplification and minimal data requirement** as the current SSbD methodology is time consuming and requires a lot of data that are not available for a lot of players.

BIODIVERSITY AND WATER PROTECTION

In early 2022, Umicore began a process to bring Zero Harm to biodiversity into the heart of our business, by starting our first-ever global biodiversity impact analysis.

Metals recycling reduces impact on biodiversity and deforestation compared with primary mining, on top of lower global warming impact. Umicore's recovery of essential critical raw materials striving for the highest yields by making sure we look to develop our processes in an integrated way, pre-processing and refining, we secure also the lowest environmental impact.

The upscaling of production processes directly related to the Net Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA) such as the production of Cathode Active Materials (CAM) and its precursors require access to water and the possibility to discharge wastewater.

Our Recommendations:

- Recycling of metals also leads to inert non-recoverable materials which have the impurities of the process they have gone through. In order to promote the recycling of critical raw materials, the concept of the **non-recoverable fraction after recovery** needs to be reinforced in European waste legislation and the viability of this type of end-of-waste reinforced in European waste legislation. The viability (by-products) of this type of end-of-waste needs to be promoted as a product use for instance in construction works. Therefore, an integral circularity approach is needed taking into account and adjusting the current impact of e.g. the Carcinogens and Mutagens Directive CMD 2004/37/EC).

- While we agree with a more stringent water policy framework going towards more average values of achievable emission level associated with application of the best available techniques (BAT – AEL), a secure investment framework is needed. Therefore, give industrial actors especially in the production of new enabling technologies as defined in the NZIA and CRMA **sufficient time** to innovate, partner for test cases and more circular water management to reach the new values.

3.3. Sustainability in (our) value chains

3.3.1. Due diligence & responsible sourcing

In our entire supply chain, we are committed to promoting fair and ethical business practices, ensuring health and safety, and managing the impact on people, climate and environment. In order to do so, we ask all our suppliers to adhere to Umicore's Global Sustainable Sourcing Policy, complemented by additional guidance for specific materials through a risk-based approach.

Umicore welcomes due diligence policy initiatives as a tool to create an intra-EU level playing field and to mitigate real risks in the European value chain, building to the global and well-established guidelines such as OECD Due Diligence Guidance for Responsible Business Conduct.

Our recommendations:

- **Harmonize national and regional frameworks** to avoid a fragmentation of due diligence reporting obligations and standards for companies, including templates and reporting formats.
- Focus on "goods" and **exclude secondary raw materials** "for the time being" in the Corporate Sustainability Due Diligence Directive to stimulate circular economy. Secondary raw materials can only be traced to the point where it can be unambiguously demonstrated that they are waste-derived materials. Due diligence should therefore not extend beyond that point.
- **Remove the reversed burden of proof** possibility as much as possible in due diligence legislation as it creates legal uncertainty for businesses.
- **Extend the scope of the EU Conflict Minerals Regulation** to refiners and traders to close loopholes that now exist and enable responsible refiners like Umicore also to be eligible for the "whitelist" (annex 2)
- Move forward with the **recognition of voluntary industry schemes** to focus on monitoring of and addressing the most significant due diligence violations and creating a secure framework of industry schemes whereby the mutual cross-recognition in other legislations such as the Critical Raw Materials Act is maximized.

3.3.2. Sustainability reporting and taxonomy

Transparency and disclosure are integral parts of good governance. For Umicore, that means full transparency on our contributions and impacts on sustainability and how we manage opportunities and stay resilient in the future. Umicore is committed to continuously improving the scope and granularity of our annual integrated reporting, for which we receive independent third-party assurance for financial and non-financial data. Our disclosure is designed to provide additional visibility and clarity on the impact and value Umicore contributes to society on ESG risks and resilience management and on our contributions to the Sustainable Development Goals and is in line with the requirements of the EU Taxonomy.

While we welcome new European initiatives on sustainability reporting such as the European Sustainability Reporting Standards (ESRS) and the continuous development and improvement of taxonomy criteria, they should lead to more coherence, interoperability and simplification.

Our recommendations:

- Simplify reporting requirements and reduce **reporting requirements for companies by 25%**, as laid out in the Better Regulations Guidelines.
- Consider **further convergence** of the European Sustainability Reporting Standards (ESRS) and interoperability with developing sustainability reporting standards such as the Global Reporting Initiative (GRI) and the newly released standards from the International Sustainability Standards Board (ISSB).

- Prior to any further regulatory development in the EU taxonomy for sustainable activities, such as sector specific standards or the introduction of a social taxonomy, **keep** the current EU sustainability framework stable to allow for further adoption, appropriation and simplification of regimes.

- More **specific and unambiguous definitions** are needed in order for disclosed data to be meaningfully comparable between entities. To align with the Sustainable taxonomy, we would be most supportive of **"product groups"** in terms of disclosure rather than going on a per-product level.

4. Excellence in execution

We achieve competitive cost positions through investment in operational excellence and digitalization

The past years with a Covid-crisis leading to disruptive value chains and an energy crisis hitting Europe's industry hard, have shown the challenges to have current industrial operations running. While Umicore has committed itself to further investing in the critical value chains of batteries and advanced materials, measures are needed to reinforce our competitiveness towards foreign competitors.

Besides a predictable and simplified regulatory environment (See also Reliable Transformation Partner), a framework in which innovation can flourish and policy initiatives that accelerate decarbonization and green investments, a competitive position is what is needed to secure and expand our business further in the EU. The competitiveness of an EU-based player in the critical-raw materials industry such as Umicore is the result of many separate EU policies and topics that need to be identified, made coherent and improved.

4.1. (Energy) cost competitiveness

As an electro-intensive company further investing in electrification of its processes, competitive electricity prices are key to avoid the risk of indirect carbon leakage. Besides our own investments in affordable renewable electricity, a large part of the electricity bill is formed by grid fees and taxes, which need to be addressed to enable cost excellence operations and further investments.

Our recommendations:

- Implement the recommendations of the proposal of the reform of the Electricity Market Design **focusing on removing the hurdles for the uptake of Power Purchase Agreements,** by allowing market mechanisms do their work not by increasing standardization, introducing credit support and other reporting requirements.

- As indirect emissions are not the same as indirect emission costs (see box above) **continue the compensation of indirect emission costs** via the EU state aid guidelines and stimulate the introduction by Member states to create an equal level-playing field within the EU. For the same reason keep indirect emissions for electro-intensive industries that are eligible for compensation of their indirect emissions, out of the scope of the CBAM for at least 2035 and as long as the EU electricity mix is not fully decarbonized. In the methodology to allocate compensation, use as much as possible the fall-back methodology for complex processes such as recycling, where different production steps are combined.

- **Reduce taxes on electricity** by maintaining exemptions for dual use processes in the EU Energy Taxation Directive (ETD) such as metallurgical processes thereby clarifying that also the production of battery materials from refining, producing and recycling of Cathode Active Materials (CAM) is included in the definition. Consider excluding electricity from the scope of this directive as this energy vector is already subject to indirect taxation under the EU ETS, to further stimulate electrification in the EU.

- **Reinforce** the EU's Climate, Energy and Environmental State Aid Guidelines (CEEAG) by evaluating the scope of the eligible sectors compared to new and foreign developments (such as the US Inflation Reduction Act).

- Make equally sure that new enabling electro-intensive activities such as the production of cathode active materials (CAM) and their precursors (pCAM) get a proper economic classification in the European nomenclature (e.g. NACE and PRODCOM) and are **prioritized in eligibility criteria** for energy tax reductions.

4.2. Waste & logistics policy

Circularity, where materials are given a new life repeatedly and are kept within the economy, is an essential differentiating factor in the way we do business. A significant part of our own metals actually comes from recycled sources, including production scrap, residues from customers and other industries, and end-of-life materials from our own operations.

The logistical exercise involved is unparalleled and has many hurdles even within the EU, making intra-EU shipping of secondary materials more difficult than shipping outside Europe, which could result in a significant drain of EU urban mine and technology.

Our recommendations:

- **Rapidly implement** the new measures of the Waste Shipment Regulation such as the Electronic Data Interchange & the streamlining of financial guarantees to make the intra-EU waste shipments more efficient as fast as possible.

- **Stimulate automatic tacit consent** from member states' competent authorities for intra-EU transit of critical raw materials containing waste destined for recovery in a EU pre-consented facility (art. 25 of EU WSR).

- Take a **more resolute stance on export of CRM-containing waste** enabling the recycling of critical raw materials containing waste in line with the objectives of the Critical Raw Materials Act and the Circular Economy Action Plan by **introducing incentives for EU recovery of critical raw materials** in the Waste from Electrical and Electronic Equipment (WEEE) and the Directive on End-of-Life Vehicles (ELV) e.g. by considering the CO2 emissions of transport of waste goods in take-back schemes.

- Introduce and enforce a harmonization of waste codes within the European List of Waste thereby **allocating uniform waste codes for waste EV batteries and all intermediate waste streams ("black masses") under the hazardous waste** section to ensure their proper recycling within the EU.

- Revise the Waste Framework Directive 2008/98/EC specifically for batteries (like EV-batteries and intermediate waste streams) excluding them from municipal waste categories and **promoting extended producer responsibility schemes** to make sure that their collection and recovery takes place in a EU level-playing field of battery recyclers.

The logistical exercise behind waste shipments explained

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