

Borealis suspends construction in Kallo after serious allegations against contractor and continues to support Belgian authorities in investigation

Restart of work on mega project postponed to allow time for investigation and additional social compliance measures

In light of recent developments and media reports of alleged misconduct by its contractor IREM at the construction site for the new propane dehydrogenation (PDH) plant in Kallo, Belgium, on July 27 Borealis decided to halt the construction of its Kallo PDH for three days and suspended the contract with IREM-Ponticelli, the contractor responsible for the piping and mechanical work for the construction of the new PDH project. As the thorough investigation and implementation of additional compliance measures is ongoing, Borealis decided on 1 August 2022 to extend the shutdown for its PDH construction site in Kallo until further notice. Project work will be resumed step by step.

For large construction projects, Borealis works together with specialized construction companies and pays market prices according to Western European standards. Contracts concluded with business partners and contractors contain safeguard clauses that oblige them to comply with all applicable laws, in particular social legislation.

In the specific case, the mega-project PDH in Kallo, Borealis commissioned the company IREM with work and included the protective clauses applicable to all business partners, in particular the Business Ethics Code of Conduct, in the agreement.

At the end of June 2022, Belgian social inspectors came to the site and carried out standard interviews on a number of works on the PDH site. The team involved in this review fully cooperated and was not aware of allegations of human trafficking at any time.

It was only after the intervention of the Belgian authorities in mid-July that Borealis realized that there might have been social fraud on a large scale. The extent of the social fraud and the possibility of human trafficking was not evident earlier and only became clear later in particularly alarming press reports end of July 2022.

Borealis has a zero-tolerance policy when it comes to endangering the safety of its own and contractors' employees and strongly condemns any form of human rights abuse. As a result, Borealis immediately suspended the contract with IREM-Ponticelli on 27 July 2022 due to IREM's alleged breach of several terms of the contract and the ongoing investigation by the Social Inspectorate. Borealis is investigating this matter with the highest priority and is working closely with the Social Inspectorate to advance their investigation. At the same time, Borealis engaged an external law firm to analyse the case.

"In line with our Goal Zero approach, we are currently putting in place additional social controls to identify and address any potential lack of control by contractors as quickly as possible," commented Wim De Smet, Borealis Site Manager Kallo. "Borealis condemns any kind of human rights abuse. Therefore we have decided to temporarily halt the construction of our mega project in Kallo until all additional compliance measures are in place."

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About Borealis

Borealis is one of the world's leading providers of advanced and sustainable polyolefin solutions and a European front-runner in polyolefins recycling. In Europe, we are a market leader in base chemicals and fertilizers. We leverage our polymer expertise and decades of experience to offer value adding, innovative and circular material solutions for key industries such as consumer products, energy, healthcare, infrastructure and mobility. In re-inventing essentials for sustainable living, we build on our commitment to safety, our people, innovation and technology, and performance excellence. We are accelerating the transformation to a circular economy of polyolefins and expanding our geographical footprint to better serve our customers around the globe.

With head offices in Vienna, Austria, we employ 6,900 employees and operate in over 120 countries. In 2021, we generated total sales of EUR 12.342 EUR billion and a net profit of EUR 1,396 million. OMV, the Austria-based international oil and gas company, owns 75% of our shares, while the remaining 25% is owned by a holding company of the Abu-Dhabi based Mubadala. We supply services and products to customers around the globe through Borealis and two important joint ventures: Borouge (with the Abu Dhabi National Oil Company, or ADNOC, based in UAE); and Baystar™ (with TotalEnergies, based in the US).

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About Borealis in Belgium

Borealis operates three production sites in Belgium, Kallo, Zwijndrecht and Beringen as well as a shared service centre in Mechelen with a total of about 1200 employees:

- In **Beringen**, Borealis has two polypropylene (PP) plants and a compounding plant. The main application areas served from Borealis in Beringen are advanced packaging, hygiene and electronic applications and automotive industry.
www.borealisgroup.com/beringen
- At **Kallo**, Borealis produces polypropylene and also operates a dehydrogenation unit to convert propane to propylene. In 2019 the construction works for a new, world-scale propane dehydrogenation (PDH) plant in Kallo started. It will be one of the largest and most efficient facilities in the world.
www.borealisgroup.com/kallo
- In **Zwijndrecht**, Borealis produces ethylene copolymers and polyethylene divided over two high pressure reactor lines used for polyethylene (PE) compounds for low density polyethylene and material handling facilities. Main application area is wire & cable industry.
www.borealisgroup.com/zwijndrecht
- The **Borealis Digital Studio** was set up near Brussels in 2018 as an autonomous unit within the Borealis Digitalisation Programme and consists of a team of around 30 digital professionals. It is the company's agile enabler for developing smart and proven added-value business solutions based on design thinking principles.
www.borealisdigitalstudio.com