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Sustainability Report 2023.

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MESSAGE OF THE PRESIDENT OF THE BOARD

Sustainability Report 2023

Here is the second NEXE Group Sustainability Report, in which we report on the material environmental, social, and management topics of NEXE Group's sustainable operations for the year 2023, transparently confirming our progress on these topics. The continuity of NEXE Group's reporting and presentation of sustainability information even before the legal obligation to report on sustainability according to the Corporate Sustainability Reporting Directive (CSRD), confirms our commitment to socially responsible business and sustainability strategy.

In 2023, NEXE Group maintained positive trends in its operations, continuing with the activities of the operational implementation of the NEXE Group Strategy for the period 2022-2030 and realization of an intensive cycle of investments in measures to reduce the carbon footprint, which aims to strengthen our resistance to regulatory and market challenges, ensuring long-term development and business sustainability. Guided by such an approach in our business, we recorded positive trends in financial indicators in 2023 – for example, consolidated sales revenues at the Group level grew by 3,7 % compared to 2022, while total operating revenues grew by 2,7 %. In contrast, the realized total business expenses at the Group level in 2023 grew by 2,3 % compared to the previous year.

In addition to the financial indicators of operations, positive trends in the environmental, social, and management areas continued, so I will highlight the most important achievements below.

Total energy consumption at the NEXE Group level was reduced by 8,53 % compared to 2022, while greenhouse gas emissions were reduced by 8,3 %. The share of renewable energy sources in total consumption is continuously increasing, and their share in the energy mix for 2023 is 11,4 %. Furthermore, all purchased electricity in NEXE d.d. and Dilj d.o.o. comes from renewable energy sources, which is confirmed by the HEP ZelEn certificate, and as a result of investments in energy efficiency measures, the energy intensity was reduced by 10,8 %. Intensive work continued on the CO_2NTESSA project, the implementation of which would achieve net zero cement production in our factory in Našice from 2029.

Significant progress was also achieved in the area of the circular economy. Recovered amounts of waste are continuously growing, and in 2023 they grew by 19,59 % compared to the previous year. The share of alternative fuels in cement production has also increased from 42 % at the end of 2022 to 51 % in 2023. The trend of reducing the average share of clinker in a ton of cement continued, and 67,08 % of the cement produced in 2023 was cement with lower greenhouse gas emissions per ton compared to the industry standard (0,822 t CO_2/t cement). In the coming period, we will continue with investments aimed at increasing the share of alternative fuels and raw materials in the production process, as well as the development of low-carbon products.

The key stakeholders for the realization of our strategy are our employees, and our activities in 2023 were also aimed at increasing the satisfaction of our employees in all aspects, from material working conditions to continuous investment in occupational health and safety, education and skills development. The high-quality cooperation and dialogue with the unions in our member companies has continued, which enables us to find the best solutions that will meet the expectations of both parties, the employees and NEXE Group as an employer.

The development of skills and knowledge of our employees is high on the priority list of NEXE Group. During 2023, the NEXE Academy was a place of professional development for 217 employees through 20 workshops. A total of 2 107 hours of education were realized, and a total of EUR 47 093 was invested in the project. A total of 25 % of our employees participate in some form of education, and in 2023, 50 % more hours of education were achieved compared to the previous year. We very carefully monitor, analyze, and improve all aspects with the aim of increasing the level of safety and health of our employees. Investing in process modernization, occupational safety equipment, and raising employee awareness resulted in a total of fewer

work-related injuries compared to 2022, although due to the decrease in the number of employees, the rate of workrelated injuries increased minimally.

Sustainable business is impossible without the support of the local community. Positive trends in our business, new projects, and opportunities for the future open up possibilities for new jobs, development of the local economy, but also support for numerous projects in the communities where we operate. Also in 2023, significant sponsorship and donor cooperation was achieved with numerous sports clubs, cultural and educational institutions, and civil society organizations in local communities where NEXE Group member companies operate. In total, EUR 2,97 million was invested in communities, which is an increase of 13 % compared to 2022.

In 2024, we want to be even better in all aspects of sustainability, and in this light we continue to responsibly build a better future for our customers, suppliers, employees, owners, and the social community.

About NEXE

NEXE Group is a business system of 15 companies operating in the Republic of Croatia, Serbia and Bosnia and Herzegovina: NEXE d.d., IGMA d.o.o., EKONEX d.o.o., LUKA TRANZIT OSIJEK d.o.o., NEXE GRADNJA d.o.o. Našice (merged with company NEXE d.d. on 29 September 2023), Dilj d.o.o., NEXE INVEST d.o.o., CE - MA d.o.o., Tvornica opeke d.o.o. Sarajevo, NEXE d.o.o. Sarajevo, NEXE BETON d.o.o. Sarajevo, N-INVEST d.o.o. Sarajevo, AD POLET IGK NOVI BEČEJ and NEXE BETON DOO NOVI SAD and POLET-KERAMIKA DOO NOVI BEČEJ (production activities stopped on 15 September 2023).

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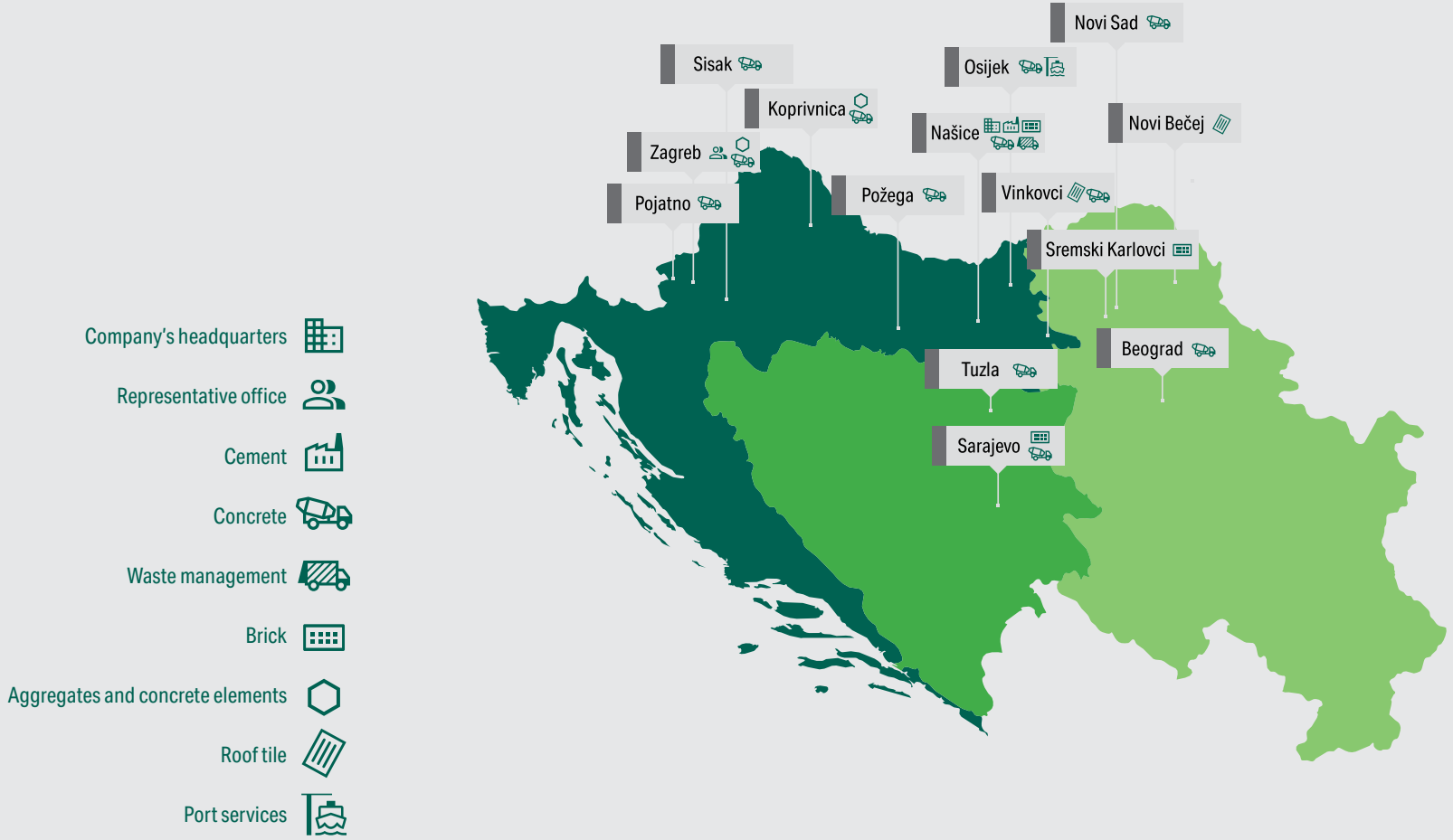
Core activity of NEXE Group is production of construction materials: cement, concrete, aggregates, concrete elements, roof tile, brick, and ceramic tiles (production stopped on 15 September 2023). Within the business system of NEXE Group there are also companies engaged in waste management and port services. NEXE products are used in almost all construction projects, from large public infrastructure projects to commercial buildings and residential properties.


Company's headquarters
Representative office
Cement
Concrete
Waste management
Brick
Aggregates and concrete elements
Roof tile
Port services
Novi Sad
Sisak
Osijek
Koprivnica
Našice
Novi Bečej
Zagreb
Požega
Vinkovci
Pojatno
Sremski Karlovci
Beograd
Tuzla
Sarajevo

VISION

The vision of NEXE Group is to be a leading manufacturer of construction materials, recognized for socially responsible business practices and sustainable creation of new values for its customers, owners, employees, and the community.

MISSION

The mission of NEXE Group is to build a better future responsibly. By investing in stable and growing markets, NEXE Group aims to create a portfolio that will ensure stable growth in the coming years in the markets within the region.

VALUES

STRENGTH OF NEXE GROUP is the source of business optimization of operations (quantitative synergy) and key to strategic development of companies (qualitative synergy).

TRUST AND EXCELLENCE in relationships with our customers and partners. NEXE Group aims to be a key actor in the construction market, serving as a platform that eliminates information asymmetry problems and acts as a factor of trust and excellence in every phase of the investment planning, realization, and utilization process. NEXE Group wants to be a key factor in the construction market, where it serves as a platform that eliminates the problem of asymmetry of information and serves as a factor of trust and excellence in every phase of the process of planning, realization, and use of the investment.

PEOPLE AND KNOWLEDGE are key to achieving excellence. NEXE Group wants to build its future based on people and their knowledge and implement that knowledge to improve business operations.

UNIQUE DEVELOPMENT enables simultaneous construction of the present and the future. It is necessary to simultaneously develop existing business in the construction materials industry (exploitation of existing resources and competences through efficiency, excellence, and differentiation) and build new business opportunities in the construction industry (exploration of new opportunities by opening up the potential of the construction industry).

RESPONSIBILITY is the foundation of long-term sustainable operations. The focus is on economic, environmental, and social responsibility.

INNOVATION is the bearer of added value through forecasting market demands, overcoming limitations and prejudices, and implementing bold initiatives.

Creating sustainable value for stakeholders is a key goal of many companies. Sustainable value refers to the long-term creation of value for all company stakeholders, including employees, customers, and the local community in which the company operates. The way in which NEXE Group creates sustainable value for stakeholders is shown below.

SUSTAINABLE CREATION OF VALUE

WHY WE HAVE RESULTS?

PURPOSE

We build
trust together

MISSION

Build better future
responsibly

VALUES

- Strength of NEXE Group
- Trust and excellence
- People and knowledge
- Unique development
- Responsibility
- Innovation

WHERE DO WE CREATE RESULTS?

STRATEGIC ORIENTATION

Development of people and organization

Market orientation

Implementation of new technologies

Operative excellence

HOW THE RESULT IS CREATED?

OPERATIVE MODEL

Matrix organization

Support functions

Digitalization

TO WHOM WE CREATE RESULTS?

VALUE CHAIN

Employees

Customers and partners

Investors

Local community

HOW DO WE CREATE RESULTS?

- Motivating working conditions that create satisfied employees
- Development and transfer of knowledge and competences
- Clarity of roles in organization and mutual relations
- Perspective of development of career paths
- Flexibility of business co-operation
- Trust in the excellence of materials and services
- Understanding the needs of customers and partners
- Support in achieving the goals of customers and partners
- Ensuring long-term sustainable development through simultaneous improvement of business efficiency and creating additional value through innovation
- Profit growth
- Managing key risks
- Support to economic development
- Partnership with the local community
- Decrease of negative impact on the environment
- Health safety and protection at workplace

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GOVERNANCE

STRUCTURE AND DIVERSITY OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The Board of NEXE d.d. consists of 6 members, who manage the entire business operations of NEXE Group. All Board members are executives and there are no independent members. In the Management Board of NEXE d.d. the share of women is 16,7 % while in the Supervisory Board there are no women. Worker's interests are represented by Marijan Baričević's participation in the Supervisory Board of NEXE d.d. Marijan Baričević was elected a representative of employees by the Worker's Council. All Board members received education in the fields of economics, finance, and engineering, as well as extensive experience in the construction materials industry, enabling them to have a good understanding and successful management of the most significant impacts, risks, and opportunities of the business. All members of the Board are familiar with the local conditions and peculiarities of the locations where they operate.


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THE BOARD OF NEXE d.d.

Ivan Ergović is the President of the Board of NEXE d.d. and coordinates the management of the entire NEXE Group. He is responsible for the processes of the head office, internal audit, and tourism division. He began working at Našicecement factory in 1983 as a mechanical engineer in the maintenance department. He became the head of the mechanical maintenance department in 1987, and in 1990 he was appointed the CEO of Našicecement factory by the then Workers' Council. From 1995, he was the CEO of Našicecement d.d. and from 2001, he was the President of the Management Board. From July 2003, he was the President of the Management Board of Nexe Grupa d.d. Našice and as of 1 July 2021, following the merger of Nexe Grupa d.d. with NEXE d.d., he has been appointed the President of the Board of NEXE d.d.

Stjepan Ergović is the Deputy President of the Board of NEXE d.d. and a Board member for Production and Technology. He is responsible for production, technology, product quality, and investments. Throughout his entire career, from 2008 to the present day, he has been working at Našicecement d.d. After completing his internship, he worked as an Engineer in Maintenance (2009-2011), and from 2011 to 2014, he was the Head of the Production Department. From 2014, he held the position of Director of the Production and Technical Affairs Sector until he was appointed a member of the Board for Production and Technical Affairs on 1 October 2015. From 1 November 2019 until 30 June 2021, he served as the President of the Board of Našicecement d.d. (now NEXE d.d.). As of 1 February 2019, he has been a member of the Board for Production and Technology of Nexe Grupa d.d. Našice, and following the merger of Nexe Grupa d.d. with NEXE d.d. on 1 July 2021 he became a deputy President of the Board and a Board Member of NEXE d.d.

Josip Ergović is a member of the Board of NEXE d.d. for commercial affairs, responsible for sales, marketing, CRM, procurement, and logistics processes. He graduated from the Faculty of Economics at the University of Zagreb, and also completed the GMP program at IEDC Bled, Slovenia in 2010. He has been employed in Nexe Group since 2005. From September 2008 to June 2012, he served as the Director of the Procurement Sector at Nexe Grupa d.d., where he was responsible for strategic and operational procurement in all Nexe Group subsidiaries in Croatia, Bosnia and Herzegovina, and Serbia. In July 2012, he transitioned to the position of Director of Commercial Affairs at Našicecement d.d. Našice (now NEXE d.d.), where his responsibilities expanded to include sales of cement and concrete, in addition to strategic procurement and logistics. On 1 October 2015, he was appointed a member of the Board for Commercial Affairs at NEXE d.d. From 1 February 2019, until the merger of Nexe Grupa d.d. with NEXE d.d. on 1 July 2021, he had also served as a member of the Board for Commercial Affairs at Nexe Grupa d.d.

Ivan Ergović is a member of the Board for Strategy and Development at NEXE d.d. His responsibilities include strategy processes and management of the investment portfolio, business development, and IT of the Group. He graduated from the Faculty of Economics at the University of Zagreb. He has attended numerous training sessions on change management, strategic management, and organizational design, and in 2017, he completed the Advanced Program in Business organized by the Institute for Innovation. In 2012, he started his professional journey at Nexe Grupa d.d. as a Treasury specialist. In 2014, he moved to Nexe beton d.o.o. Našice as the Director of the Commercial Affairs Sector, and in 2016, he was appointed Assistant Member of the Management Board for Commercial Affairs at Našicecement d.d. Našice (now NEXE d.d.). By decision of the Supervisory Board, on 1 February 2019, he assumed the position of a member of the Board for Strategy and Development at Nexe Grupa d.d. Našice, and with the merger of Nexe Grupa d.d. to NEXE d.d. on 1 July 2021, he became a member of the Board of NEXE d.d.

Ivana Čehulić is a member of the Board for Finance at NEXE d.d. She is responsible for finance processes, controlling, treasury, accounting, and managing business risks within the Group. She earned her degree at the Faculty of Economics at the University of Zagreb in 2000 at the study Business Economics and in 2008, she completed postgraduate studies in Quality Management. She has attended numerous domestic and international training sessions in financial management. In 2016, she successfully finished the „Oxford Finance and Corporate Governance Programme" at Saïd Business School at Oxford University.

She began her career at Hrvatske autoceste, where she advanced to the position of Head of the independent department for economic and financial affairs, responsible for company liquidity management and cash flow management. In this role, she collaborated with banks, auditing firms, and other financial institutions. In 2014, she moved to Tokić d.o.o. to the position of the Finance Director, where she was involved in business development and identifying new financing opportunities. From June 2019, in addition to her role as Finance Director, she was also a member of the Management Board of Autocentar Marinići d.o.o. From July 2019, she had been the Director of Tokić d.o.o. Slovenia. She joined Nexe Grupa d.d. as a member of the Board for Finance on 1 February 2020. With the merger of Nexe Grupa d.d. with NEXE d.d. on 1 July 2021, she was appointed a member of the Board of NEXE d.d.

Velimir Vilović is a member of the Board of NEXE d.d. responsible for human resources, legal affairs, management systems, and occupational health and safety. Velimir Vilović graduated from the Faculty of Economics at the University of Zagreb, specializing in Foreign Trade in 1996. He completed his postgraduate studies in Business Administration (MBA) at the IEDC business school in Bled, Slovenia, in 2006. Since 1998, he has pursued a business career in the construction materials industry, holding various managerial positions at "Dalmacijacement" (later "CEMEX Croatia") – till 2005, he worked as a regional sales director responsible for exports, then from 2006 to 2007, as a sales manager in Bosnia and Herzegovina and Montenegro, from 2008 to 2010 as a director of human resources, from 2010 to 2017 as a director of sales and logistics, and lastly, from 2017 to March 2022, he represented the Board as the company's director. From 1 September 2022, he continued his professional journey at NEXE Group as a member of the Board of NEXE d.d.

SUPERVISORY BOARD

Željko Lukač, the President of the Supervisory Board, graduated from Mary Hardin Baylor University in Belton, Texas in 1993 with a major in Marketing and Finance. In 1995, he completed his Master of Business Administration (MBA) at the University of Texas in Austin. In 1996, he joined Croatia Osiguranje d.d., a leading insurance company. From 1997, he worked at the European Bank for Reconstruction and Development (EBRD) in Zagreb and London, serving as a Chief Banker and being responsible for various lending and equity investment projects in the construction materials, food industry, tourism, and pharmaceutical sectors. In 2003, together with partners, he founded and managed the first Croatian private equity fund – Quaestus Private Equity Capital. In 2008, he took on the role of President of the Management Board of Metronet Telecommunications d.d., a company in which the Quaestus fund held a majority stake and which faced financial difficulties. After successfully conducting operational and financial restructuring, he successfully sold the majority stake in Metronet in February 2017. Currently, he works as the President of the Management Board at Inceptum ICT, where he is responsible for implementing the business plan and coordinating the Board members.

Oto Ostović is a member of the Supervisory Board of NEXE d.d. He graduated from the Faculty of Electrical Engineering at the University of Zagreb in 1980. After working at "Đuro Đaković" in Slavonski Brod and the Center for Education and Vocational Training "August Cesarec" in Našice, at the beginning of 1989, he began working at Slavonija IGM d.d. Našice, a member of Nexe Group. He joined the cement factory in Našice in 1992 as an electrical engineer in the Research and Development Department. From 1994 to 1998, he served as the head of the electrical power service, after which he held the position of director of Slavonija IGM d.d. Našice until 2000. From 1 May 2000 till 31 August 2003, he served as the director of the production sector and technical affairs at Našicecement d.d. From 1 September 2003, he'd been employed at NEXE Group as a senior advisor for technical affairs and from 1 September 2005, until his new appointment, he was the director of the Division for Cement, Lime, Concrete, and Aggregates and the general director of Našicecement d.d. With the appointment of a three-member Management Board of Našicecement on 1 October 2015, he was appointed the President of the Management Board of Našicecement d.d., a position he held until 31 October 2019. At the same time, from 1 November 2008 to 31 October 2019, he was a member of the Management Board of Nexe Grupa d.d. Našice.

From 1 November 2019 to 31 January 2023, he served as an advisor to the President of the Board of NEXE Group. As of 3 March 2020, he has been the deputy president of the Supervisory Board of NEXE d.d., a position he holds to this day.

Oleg Uskoković is a member of the Supervisory Board of NEXE d.d. He graduated in 1994 from the Faculty of Law at the University of Zagreb with a degree in law. Oleg Uskoković has more than 20 years of professional experience. He is a partner in the Law Firm Uskoković i partneri d.o.o. His experience and area of expertise in the branches of law are important for corporate clients (e.g. corporate and commercial law, finance, arbitration and litigation, labor law, etc.), where for the past seventeen years he has structured, implemented, and/or provided complete legal support for, among others, numerous acquisitions, mergers, divisions, and recapitalizations, joint ventures, investments, restructurings, public tenders, legal due diligence, issuance of securities and a wide range of contracts, litigation, and arbitration proceedings. Oleg Uskoković is a member of the Supervisory Board of NEXE d.d. Našice, Medika d.d. Zagreb, Atlantska plovidba d.d. Dubrovnik and PBZ invest d.o.o. Zagreb.

Ivan Gerovac is a member of the Supervisory Board of NEXE d.d. He obtained his bachelor's degree from the Faculty of Economics at the University of Zagreb (according to the curriculum of the former Faculty of Foreign Trade), and he earned his master's degree in economics at the University of Rijeka, where he was granted the title of Master of Science. He continuously participates in numerous seminars, conferences, courses, and targeted training programs. Throughout his career spanning the past thirty years, he has held various responsible managerial positions at Privredna banka Zagreb d.d. – from executive director, assistant general manager, and authorized representative for bank restructuring, to a member of the Board. He concluded his banking career as a member of the Board responsible for working with large companies, foreign exchange operations, and investment banking. In addition to his roles at Privredna banka Zagreb d.d., he has been a member of numerous supervisory boards in the fields of industry, tourism, and trade through the past thirty years. Since 1 January 2022, Ivan Gerovac has been a member of the Supervisory Board of NEXE d.d.

Marijan Baričević is a member of the Supervisory Board of NEXE d.d. Since 1985, he has been employed at the cement factory in Našice in the Electrical Maintenance Department, working as an electrician. By decision of the Workers' Council of the former Našicecement d.d., now NEXE d.d. as of 23 June 2017, Marijan Baričević was appointed as a workers' representative in the Supervisory Board. He performs the function of the main trade union commissioner of the Construction Union of Croatia – union branch of NEXE d.d.

ORGANIZATION STRUCTURE DIAGRAM NEXE d.d.

B O A R D

MEMBER OF THE BOARD FOR COMMERCIAL AFFAIRS

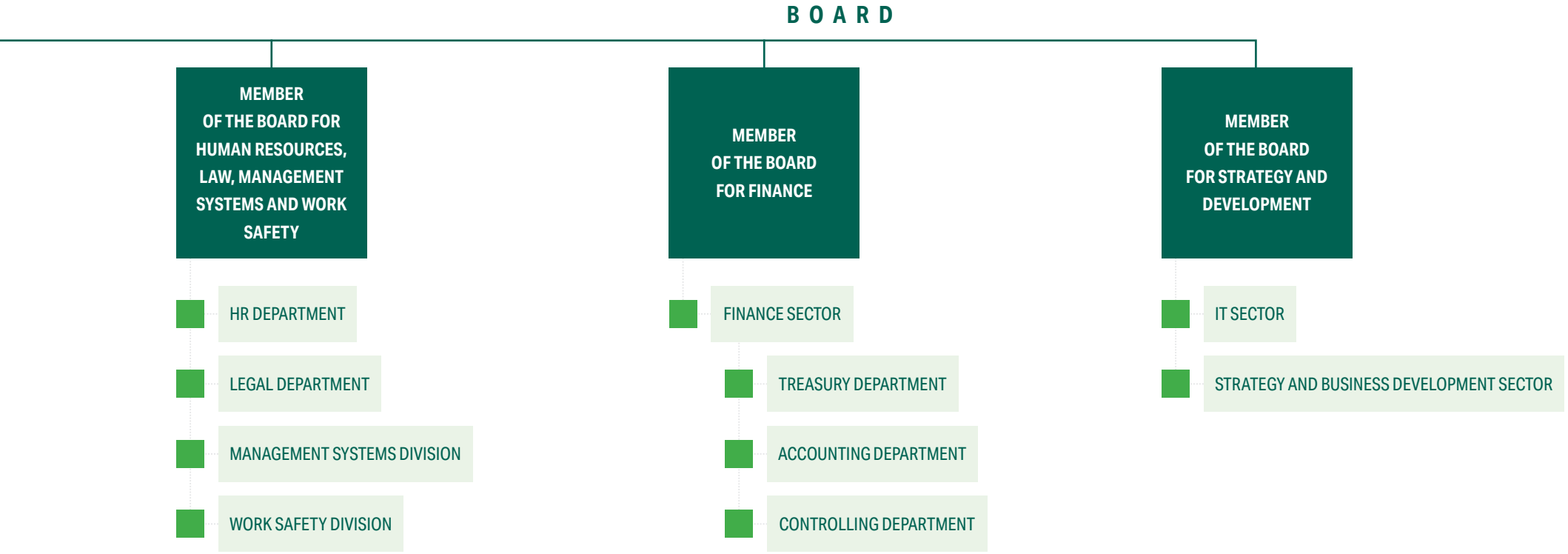
- PURCHASING SECTOR
- MARKETING SECTOR
- SALES SECTOR
  - ANALYTICAL SUPPORT DEPARTMENT
  - SALES DEPARTMENT CONSTRUCTION CHANNEL
  - SALES DEPARTMENT TRADE CHANNEL
  - SUPPORT DEPARTMENT

PRESIDENT OF THE BOARD

- HEAD OFFICE
- INTERNAL AUDIT DEPARTMENT
- TOURISM DIVISION

MEMBER OF THE BOARD FOR PRODUCTION AND TECHNOLOGY

- CEMENT PRODUCTION SECTOR
  - TECHNOLOGY AND QUALITY DEPARTMENT
  - CEMENT PRODUCTION DEPARTMENT
  - MAINTENANCE DEPARTMENT
- INVESTMENT SECTOR
  - ENGINEERING DEPARTMENT
  - CONSTRUCTION PROJECT DEVELOPMENT DEPARTMENT
- CONCRETE SECTOR
  - CONCRETE DEPARTMENT
  - TRANSPORT DEPARTMENT


BOARD
MEMBER OF THE BOARD FOR HUMAN RESOURCES, LAW, MANAGEMENT SYSTEMS AND WORK SAFETY
HR DEPARTMENT
LEGAL DEPARTMENT
MANAGEMENT SYSTEMS DIVISION
WORK SAFETY DIVISION
MEMBER OF THE BOARD FOR FINANCE
FINANCE SECTOR
TREASURY DEPARTMENT
ACCOUNTING DEPARTMENT
CONTROLLING DEPARTMENT
MEMBER OF THE BOARD FOR STRATEGY AND DEVELOPMENT
IT SECTOR
STRATEGY AND BUSINESS DEVELOPMENT SECTOR

ROLES AND RESPONSIBILITIES IN MANAGING ESG TOPICS

The management of NEXE Group, executive directors, sector directors, heads of departments and heads of divisions are responsible for managing impacts, risks and opportunities related to business. Members of the Board of NEXE d.d. are responsible for setting strategic guidelines, adapting the business model, and developing action plans and annual goals in order to reduce negative social and environmental impacts to the minimum possible, and achieve positive ones. Responsibilities are defined by their contracts and job descriptions, and business policies.

For key ESG areas, roles and responsibilities have been defined at the level of the Board and other organizational units, which is specified in the table on the following page. Managers of organizational units assess and manage impacts, risks and opportunities, and report the results to the competent member of the Board. In all member companies of NEXE Group, responsible persons have been appointed who collect data, monitor and report on the ESG indicators.

KEY ESG-AREAS	RESPONSIBLE BOARD MEMBER	ORGANIZATIONAL UNIT	RESPONSIBLE PERSON IN MEMBER COMPANY
Energy and GHG emissions	Board Member for production and technology Board Member for human resources, law, management systems, and work safety	Production sector of member company Management systems division	Production sector director in member companies, Head of sustainability and management systems, Head of management systems department, and staff associates for environment protection
Environment protection (emissions, waste, and biodiversity)	Board Member for HR, law, management systems, and work safety	Management systems division Production sector of member companies	Production sector director in member companies, Head of sustainability and management systems, Head of management systems department, and staff associates for environment protection
Work safety	Board Member for HR, law, management systems, and work safety	Work safety division Production sector of member company	Manager of work safety and protection process, and staff associate for work safety and protection
Employee management	Board Member for HR, law, management systems, and work safety	HR department	Head of HR department and staff associate for HR in member companies
Contribution to the local community	Board	Head Office HR department Management systems division	Head Office-Head Head of HR department Manager of management systems division Manager of sustainability and management systems

MANAGEMENT SYSTEMS IN NEXE GROUP

In order to have the best possible overview of the impacts and risks, the Board of NEXE Group established management systems and defined responsible persons who regularly report on the achieved results.

Management systems enable easier movement through ESG-risks related to climate change, energy, environment and health and safety, and represent the basis for business improvements and improvements in these segments.

MANAGEMENT SYSTEMS AND CERTIFICATES IN NEXE GROUP

	NEXE d.d.	Dilj d.o.o.	IGMA d.o.o.	AD POLET IGK NOVI BEČEJ	POLET-KERAMIKA DOO NOVI BEČEJ	Tvornica opeke d.o.o. Sarajevo	NEXE BETON DOO NOVI SAD	NEXE BETON d.o.o. Sarajevo
ISO 9001 (QMS)	DNV	DNV	DNV	DNV	DNV	DNV	DNV	DNV
ISO 50001 (EMS)	DNV	LRQA	SGS	NA	NA	NA	NA	NA
ISO 14001 (EMS)	DNV	NA	NA	NA	NA	NA	NA	NA
ISO 45001 (H&SMS)	LRQA	NA	NA	NA	NA	NA	NA	NA

ESG goals derive from NEXE Group's strategy, and process owners are responsible for their achievement. When defining goals, the areas of greatest impact, stakeholder interests, and business risks and opportunities are taken into account. The set goals are specific, measurable, time-limited, and a responsible person is assigned to each goal. Process owners report to the Board on key performance indicators on a monthly basis, and annually each process owner submits a report to the Board on measures implemented, results achieved, progress in achieving goals, and plans for the future period.

In this way, the Board is informed about progress towards the achievement of goals related to significant impacts, risks and occasions. ESG goals ensure that NEXE Group remains committed to sustainable business and responsible management resources.

INFORMING ADMINISTRATIVE, SUPERVISORY AND MANAGEMENT BODIES ABOUT ESG TOPICS

Material impacts, risks and opportunities are continuously discussed at all levels of NEXE Group during weekly meetings of sectors and services. Every week, the heads of departments and services inform the members of the Board about ESG topics. The interrelationship between sales-financial and ESG indicators is discussed at the meetings of the Board and the NEXE Group Board and at the extended Collegium of NEXE Group, which is usually held quarterly, and which includes managers responsible for environmental, social, and management (ESG) topics.

Reporting to the Board on the state of the quality management system, health and safety at work, environment, and energy is carried out once a year. The report to the Board contains ESG indicators, an overview of implemented measures and achieved results related to ESG topics.

The Board integrates sustainability issues into the company's development strategy and bases decisions on major transactions on considerations of potential impacts on society and the environment, as well as financial consequences on operations.

In 2023, the Board and the Supervisory Board considered following ESG topics:

- Circular economy
- GHG emissions
- energy
- environment protection
- work health and safety
- EU taxonomy
- employee management
- contribution to the local community.

In the reporting period, incentive programs were not linked to sustainability factors.

DUE DILIGENCE STATEMENT

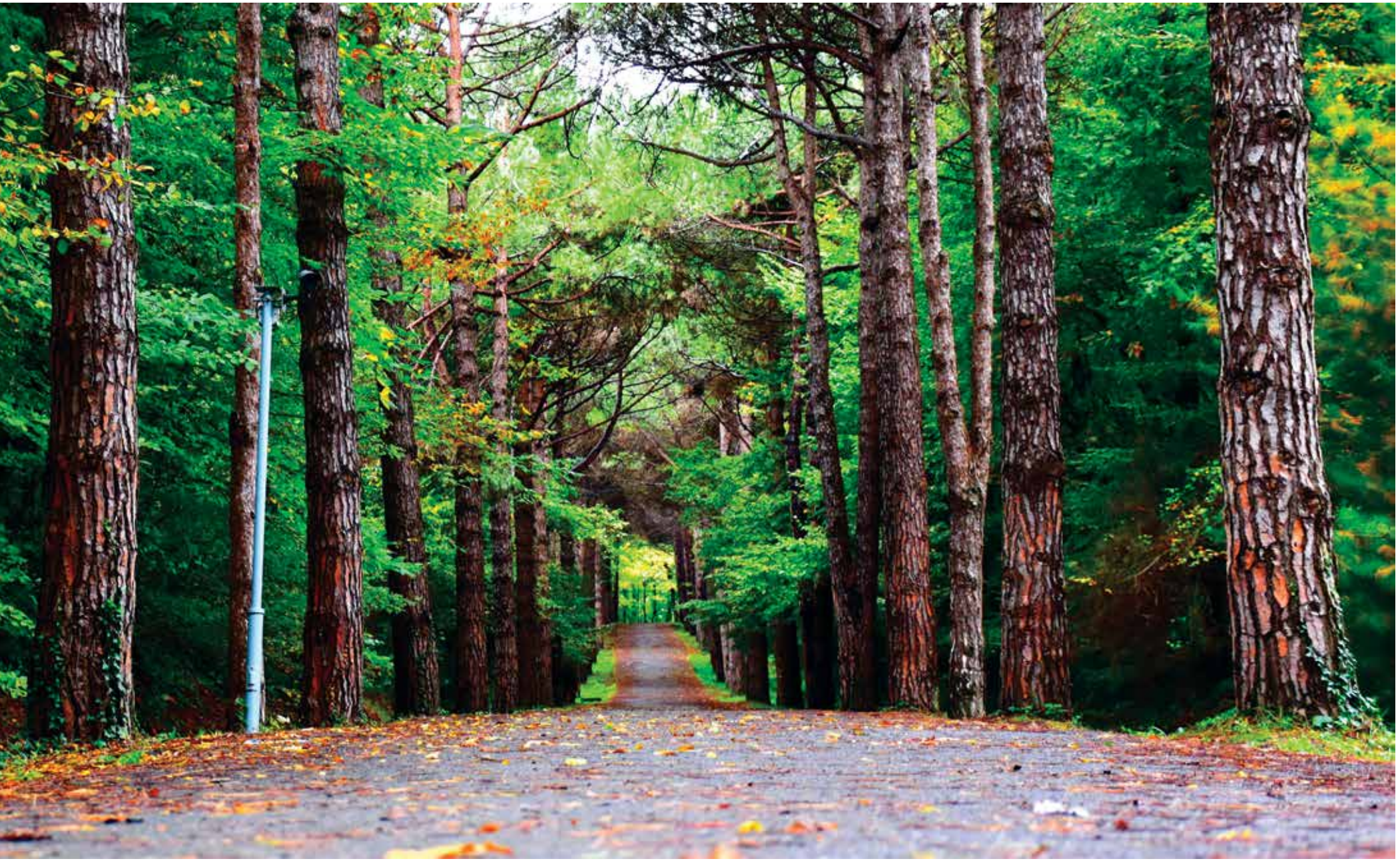
NEXE Group continuously determines and evaluates the actual and potential impacts of its operations with the aim of preventing and, where this is not possible, mitigating the impact on society and the environment. The main elements of due diligence are linked to a series of announcements and are presented in tabular form for the purpose of making it easier to navigate for the users of the information.

DUE DILIGENCE ELEMENTS	PAGES OF THE REPORT
Embedding due diligence in governance, strategy, and business model	pages 30, 62 – 67
Engaging with affected stakeholders in all key steps of the due diligence	pages 30, 52 – 55, 60, 172 – 174, 180, 187, 201, 209 – 211
Identifying and assessing adverse impacts	pages 56 – 67
Taking measures to reduce or minimize negative impacts	pages 88 – 93, 94 – 100, 116 – 123, 128, 139 – 142, 149 – 153, 175 – 177, 212 – 214
Monitoring the effectiveness of efforts and communication	pages 100 – 111, 124 – 125, 129, 143 – 145, 153 – 156, 178, 214

RISK MANAGEMENT AND INTERNAL CONTROL OVER SUSTAINABILITY REPORTING

Key risks associated with sustainability reporting include incompleteness, inaccuracy, and unavailability of data. In certain member companies of NEXE Group, management systems according to ISO 9001, ISO 14001, ISO 50001, ISO 45001 standards have been implemented, and in accordance with them, internal audits are conducted that include data verification, which reduces the risk of data accuracy and up-to-dateness. In order to reduce the risk of data availability considering the large number of member companies, data collection according to the same methodology was established even in member companies that are not certified according to the stated standards.

Data on human resources and the environment are collected in accordance with legal regulations and industry practice continuously throughout the year, mostly with the help of IT tools. For the purposes of sustainability reporting, data collection responsibilities are assigned to member representatives in charge of material ESG topics. The Management Systems Department consolidates and reviews the collected data. The “four eyes” principle minimizes the risk of human errors. The methodology of data collection during 2023 and 2024 was harmonized with the requirements of the ESRS standard.

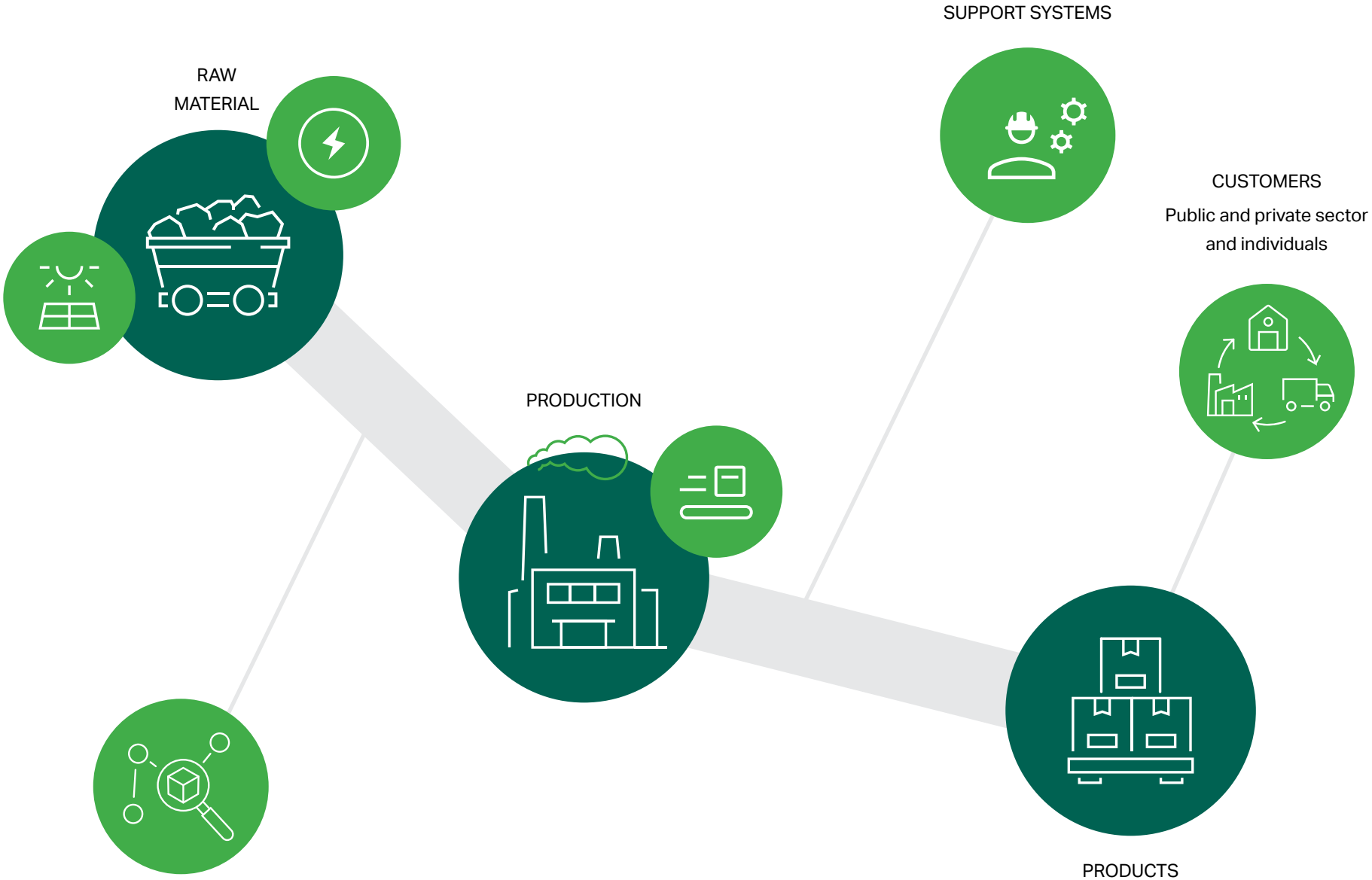


1.2.

SUSTAINABLE DEVELOPMENT STRATEGY OF NEXE GROUP

BUSINESS MODEL AND VALUE CHAIN

In 2023, NEXE Group's main products were cement, aggregate, concrete, concrete elements, roof tile, brick, and ceramic – basic construction materials. NEXE Group sells its products to concrete plants, distributors, builders and sales warehouses. The quality and durability of building materials are key to meeting high standards of construction and building safety, which is why they are a priority in business. In order to be in line with market expectations, NEXE Group continuously monitors trends, preferences, and customer needs and adjusts its products. A distribution network that includes warehousing, transportation, and delivery ensures that products are available to customers in a timely and cost-effective manner.


RAW
MATERIAL
SUPPORT SYSTEMS
CUSTOMERS
Public and private sector
and individuals
PRODUCTION
QUALITY CONTROL
Raw material, energy, product
PRODUCTS
cement, concrete, concrete elements,
aggregates, roof tile, brick, ceramic tiles

Cement production includes preparation of raw materials and fuels, clinker production, preparation of mineral additives, cement grinding, and distribution. The technological process of brick and roof tile production comprises preparation of raw materials, shaping of products and drying, preparation of color and coloring, baking, sorting, packing, and dispatch. Quality control involves testing materials for strength, durability, and other properties to ensure they are suitable for their intended use.

Marly limestones and clay sands are used in the production of cement, and clay is used in the production of bricks and tiles. Raw materials are mined in surface mines located near the plant and are transported by trucks to the plant, where they are prepared for production. Natural gas is supplied by a transport system managed by a gas distributor, petrol coke is supplied by trucks or by rail, and coal, alternative fuels, propane-butane and diesel fuel are supplied by trucks. In addition to raw materials and energy, NEXE Group also uses logistics services in its operations.

From the very beginning, product quality has been a priority in NEXE Group's operations. When it comes to the building materials industry, the importance of quality and durability of materials cannot be emphasized enough. Customers rely on building materials to build homes, offices, and other facilities that are safe, durable, and energy efficient. Poor-quality materials used in construction can result in safety risks, increased maintenance costs, and even collapses.

At the Group level, a Quality Policy has been established, which obliges NEXE Group to apply the requirements of its customers and strive to achieve their greatest satisfaction, to recognize and reduce risks that may affect the conformity of products, and to continuously monitor and harmonize the requirements of laws, standards, and customer expectations. In order to meet the goals, NEXE Group has implemented a quality management system that is certified according to the ISO 9001 standard for most of its members. All stages in the value chain affect product quality; therefore, NEXE Group procures high-quality raw materials, optimizes production processes, and implements strict quality control measures.

Marketing Sector and Sales Sector strive to listen to the needs of customers and spot their problems in time in order to maintain a high level of satisfaction. In the reporting period, NEXE Group members conducted a customer satisfaction survey. The survey was conducted using an online questionnaire, and the data was collected through the Salesforce CRM database. The sample consisted of a total of 290 customers. Member company Polet Keramika d.o.o. Novi Bečej did not participate in the research, since production was stopped in September 2023. According to the ratings of product features and business aspects of cooperation and their weighting according to the importance assigned to them by customers, customer satisfaction indices for all members of NEXE Group for the year 2023 are higher than 80, which is considered great satisfaction.

CUSTOMER SATISFACTION SURVEY RESULTS

	NEXE d.d. bagged cement	NEXE d.d. bulk cement	NEXE d.d. concrete	IGMA d.o.o.	Dilj d.o.o. roof tile	Dilj d.o.o. brick	AD POLET IGK NOVI BEČEJ roof tile	AD POLET IGK NOVI BEČEJ brick	NEXE BETON d.o.o. Sarajevo	NEXE BETON DOO NOVI SAD	Tvornica opeke d.o.o. Sarajevo
Total satisfaction index	92,94	90,05	84,93	89,59	91,71	82,31	88	83,88	95,09	94,16	89,05
Product satisfaction rating	4,78	4,5	4,56	4,36	4,68	4,29	4,12	4,25	4,77	4,43	4,65
Overall cooperation satisfaction rating	4,58	4,53	4,31	4,33	4,73	4,25	4,65	4,38	4,85	5	4,65
Satisfaction level	High satisfaction	High satisfaction	High satisfaction	High satisfaction	High satisfaction	High satisfaction	High satisfaction	High satisfaction	High satisfaction	High satisfaction	High satisfaction

PRODUCTS AND MARKETS

NEXE Group is a regional manufacturer of construction materials with plants and warehouses in the Republic of Croatia, Serbia, and Bosnia and Herzegovina. Top-quality products and services are aimed at five primary markets (Croatia, Serbia, Bosnia and Herzegovina, Hungary, and Romania) and eight secondary markets. In 2023, NEXE Group offered seven categories of products on the market in the building materials sector: cement, aggregate, tiles, ceramics, concrete, concrete elements, bricks, and services.

CEMENT

- Seven types of cement are produced depending on application
- Cement is used as a binding agent in concrete, as a second binding agent (e.g. mortars) and for the manufacture of other construction products.

1 cement plant

ANNUAL CEMENT PRODUCTION CAPACITY:

1 100 000 t

CONCRETE

- Concrete ranging from compressive strength class C8/10 to C50/60 that can be conventional, sulfate-resistant, freeze-resistant and freeze and de-icing salt-resistant, self-compacting, wear-resistant, and colored.
- They are used in civil engineering and building construction.

14 concrete plants

ANNUAL CONCRETE PRODUCTION CAPACITY:

1 048 000 m^3

AGGREGATE

- Natural gravel, separated and grinded aggregates of various fractions (0 – 1 mm, 0 – 3 mm, 0 – 4 mm, 0 – 32 mm, 0 – 63 mm, 4 – 8 mm, 8 – 16 mm, 16 – 32 mm, 32 – 63 mm).
- Purpose: for production of fresh concrete, drainage, agricultural purposes, beach landscaping and other purposes, e.g. coatings, landscaping, sports fields etc.

1 gravel pit

ANNUAL AGGREGATE PRODUCTION CAPACITY:

1 620 000 t

ROOF TILE

- Large and small size roof tiles, with corresponding ridge tiles and special elements intended for roofing various buildings.

2 roof tile plants

ANNUAL ROOF TILE PRODUCTION CAPACITY:

5 700 000 m^2

BRICK

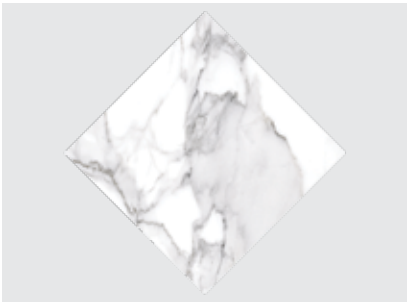
- Four types of brick according to programs: classic bearing, thermal bearing, partition, and ceiling.
- Classic bricks are used in wall construction as well as thermo bricks with higher thermal insulation properties, partitions for internal walls (high strength, easy replacement and reconstruction, insulation and vapor permeability properties, fire resistance), while the ceiling program consists of bearing beams and ceiling block fillings.

3 brick plants

ANNUAL BRICK
PRODUCTION CAPACITY:

265 000 000 JNF

CERAMIC



- Floor and wall tiles of different dimensions are used for cladding walls and floors in residential and non-residential buildings.

1 ceramic plant

ANNUAL* CERAMIC
PRODUCTION CAPACITY:

1 945 000 m²

* From 15 September 2023 Polet-Keramika.

CONCRETE ELEMENTS

- Main products include BETEL paving blocks, concrete sewage system, concrete elements for arrangement of watercourses and for reconstruction and construction of railways.
- Purpose: road construction, yards, parks, bike paths, sewage systems, rail platforms.

SERVICES

- Mediation in organizing waste recovery and disposal, waste collection and transport, waste recovery and port transloading services.

REFERENCE OBJECTS

NEXE materials are used in the most significant building and civil construction projects in the region. Significant projects include both simple and various complex visionary projects of contemporary architects. NEXE Group is proud to be a participant in building a better future.


MATRIX

STRATEGY

NEXE Group is aware of the challenges of climate change and the strategic plan of the European Union to achieve climate neutrality by the middle of the 21st century. In 2022, NEXE Group adopted a development strategy extending to 2030, fully focused on digital, green and energy transition. By 2030, NEXE Group will implement many technological solutions that enable the reduction of the carbon footprint and the increase of energy efficiency, which will be complemented by intensive digitalization. Collection and timely analysis of data are key to successful business management.

As one of the planned strategic projects that would enable the neutralization of carbon dioxide (CO_2) emissions that cannot be avoided due to the production process, the CO_2NTESSA project stands out – an innovative project for capturing and storing carbon dioxide, which would show that net zero cement production is not only possible but also cost competitive.

NEXE Group bases its strategic development on long-term relationships with customers and suppliers and active monitoring of market trends. A proactive approach will enable the development of innovative products, and the positioning of NEXE Group on the market as a partner in the decarbonization of the construction sector.

Plant modernization, investment in research and development of low-carbon products and application of the best technological solutions will enable NEXE Group to achieve operational excellence and maintain a competitive advantage.

However, the decarbonization of business will not be possible without competent employees, which is why one of the strategic goals in the coming period is the strengthening of organizational capacities, knowledge, and excellence in all processes.

NEXE Group's sustainable development strategy is based on four strategic pillars: market orientation, implementation of new technologies, operational excellence, and development of people and organization. The realization of the set strategic pillars with the associated strategic goals enables the creation of additional value and ensures long-term sustainable business.

MARKET ORIENTATION

STRATEGIC GOAL 1:

Proactive approach in utilizing market information to efficiently manage existing operations and identify potential opportunities for business expansion.

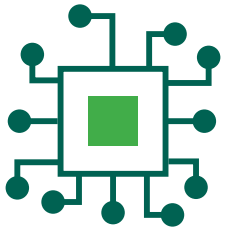
STRATEGIC GOAL 2:

Understanding the needs and supporting goals of customers and partners with the purpose of creating added value

STRATEGIC GOAL 3:

Optimizing the business portfolio (acquisitions and disinvestments) using market information

IMPLEMENTATION OF NEW TECHNOLOGIES



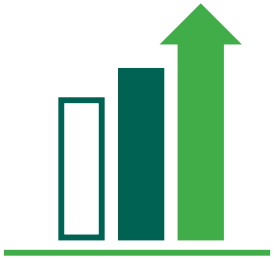
STRATEGIC GOAL 4:

Ensure long-term business sustainability (especially in the areas of CO_2 and energy) by investing in new technological solutions (modern equipment and digitalization)

STRATEGIC GOAL 5:

Utilizing the advantages of digitalization to optimize the business management system

OPERATIONAL EXCELLENCE



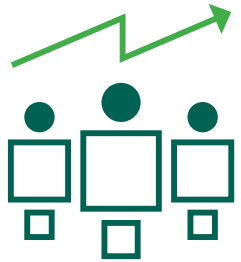
STRATEGIC GOAL 6:

Continuously optimizing costs of existing operations (actively monitoring industry standards) to increase business competitiveness.

STRATEGIC GOAL 7:

Targeted allocation of resources (in line with strategic direction and benefits/investment ratio) to enable more efficient implementation of business goals

DEVELOPMENT OF PEOPLE AND ORGANIZATION



STRATEGIC GOAL 8:

Improving organizational processes aimed at adapting to dynamic external environment and optimization of organizational activities

STRATEGIC GOAL 9:

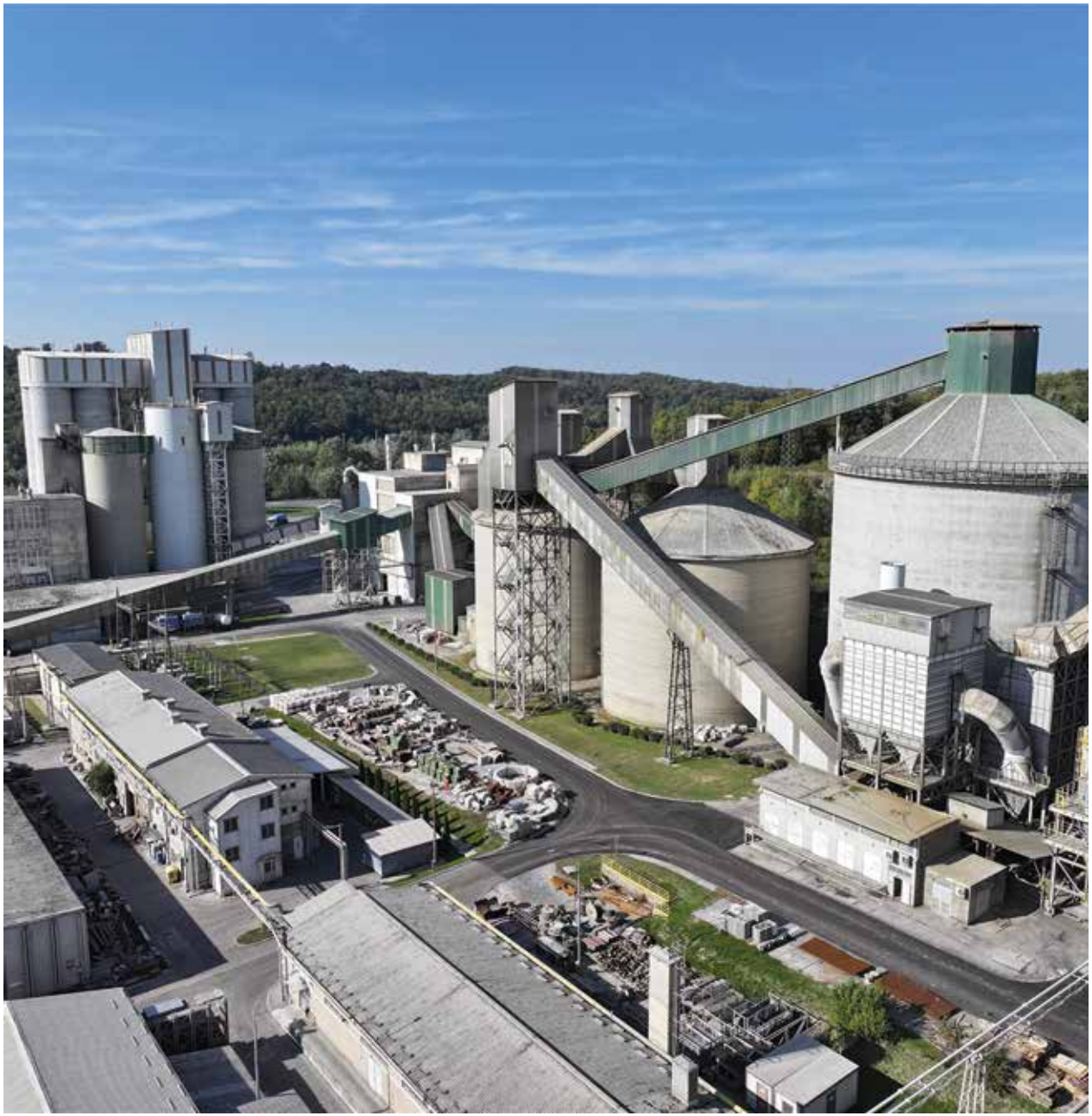
Adjustment of management systems to increase efficiency and quality of decision-making

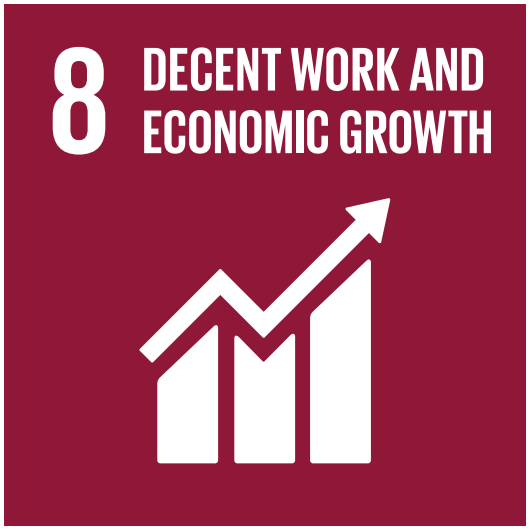
STRATEGIC GOAL 10:

Strengthening employee knowledge and competences to enable them to address changes in the external environment more efficiently and capitalize on market opportunities

CONTRIBUTION OF NEXE GROUP TO THE SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals are a universal call to action to address global challenges. The business sector is called upon to contribute to achieving these goals by reducing harmful and creating positive impacts on the economy, society, and environment. NEXE Group aims to contribute to the global sustainability agenda by identifying areas where its actions have the greatest potential to make a real and lasting difference.





* Data for 2023 and goals till 2030 refer to NEXE Group.

DECENT WORK AND ECONOMIC GROWTH (SDG 8)

With almost 1 700 employees and EUR 214 million in revenue, NEXE Group is responsible for creating safe and dignified workplaces. Employees expect job security, adequate income in line with the cost of living, protection from health risks, safety, and equal opportunities for professional development.

CONTRIBUTION

- We create new jobs, hire on a permanent basis, and provide competitive material working conditions.
- Health and safety in the workplace are our priority. We invest in protective equipment and new technologies that reduce the number of accidents, and we educate our employees about safe working practices.
- We ensure equality in the workplace and equal opportunities.
- We invest in the development of skills and knowledge of our employees through the NEXE Academy.

STATUS 2023*

- **96,57 % of employees is employed for an indefinite period**
- **39 injuries at work**
- **13,67 rate of injuries at work (injuries per million working hours)**
- **0 fatalities at work**
- **39 % of women in top management**
- **11,12 hours of education per employee**

GOALS TILL 2030*

- **0 fatalities at work**
- **0 injuries at work**

* Data for 2023 and goals till 2030 refer to NEXE d.d. In the previous reporting period, data at the level of NEXE Group was shown for low-carbon products that imply more than 25 % less GHG emissions compared to the industry standard.

** Green products are defined as products that meet the criteria of the EU Taxonomy for the activity of cement production in terms of contribution to the goal of mitigating climate change (0,469 t CO_2e per ton of produced cement or alternative binder).

INDUSTRY, INNOVATION AND INFRASTRUCTURE (SDG 9)

NEXE Group is a significant stakeholder in the construction materials industry, and very often a driver of economic growth in the areas where it operates. Changes in building standards, social expectations, and climate change call for companies to develop innovative solutions. NEXE Group takes a proactive approach to implementing new technologies and product development.

CONTRIBUTION

- We develop the industrial ecosystem in the areas where we operate by involving small entrepreneurs in our value chain.
- We continuously improve the quality of our products.
- We develop innovative, low-carbon construction materials to reduce the negative impact of the construction industry on the environment.

STATUS 2023*

- **3,52 % revenue from green** products**

GOALS UNTIL 2030*

- **99 % revenue from green products with CO_2NTESSA plant**

* Data for 2023 and goals until 2030 refer to NEXE d.d.

RESPONSIBLE CONSUMPTION AND PRODUCTION (SDG 12)

Smart design and use of alternative fuels and alternative raw materials increases resource efficiency and implements transition according to the circularity of the construction materials industry.

CONTRIBUTION

- We use alternative raw materials instead of primary raw materials in order to reduce consumption of natural resources and CO_2 emissions.
- We use fuel from waste as an alternative fuel and thus reduce consumption of fossil fuels, CO_2 emission, and the need to dispose of waste.
- We use modern technology to increase efficiency of resource use in production processes.
- We reduce the amount of waste from our production.

STATUS 2023*

- **51 % of alternative fuels in production**

GOALS UNTIL 2030*

- **90 % of alternative fuels in production**

* Data for 2023 and goals until 2030 refer to NEXE d.d.

** The planned amount of CO_2 capture and storage includes the emissions associated with BECCS (bioenergy with carbon capture and storage), the capture and storage of emissions generated by the use of alternative fuels.

CLIMATE ACTION (SDG 13)

Production of construction materials is an energy intensive industry, which is why it has a significant share in greenhouse gas emissions. Climate change is a global challenge that requires the contribution of all stakeholders, which is why NEXE Group continuously develops and applies innovative solutions with the aim of progressing towards a net zero future.

CONTRIBUTION

- We invest in the energy efficiency of our buildings and plants.
- We use electric energy from renewable sources.
- We reduce the carbon footprint of our products.
- We work on reducing greenhouse gas emissions from our business processes.
- We develop innovative solutions for CO_2 capture and storage.

STATUS 2023*

- **CO_2e emissions in scope 1: 601 722 t/year**
- **Share of energy from renewable sources: 14,73 %**
- **CO_2 capture and storage: 0 t**

GOALS UNTIL 2030*

- **CO_2e emissions in scope 1: app. 0 t/year**
- **Share of energy from renewable sources: 25 %**
- **CO_2 capture and storage: > 700 000 t/year**

* Status refers to data for NEXE Group.

SUSTAINABLE CITIES AND COMMUNITIES (SDG 11)

As one of the leading companies in the construction materials industry, NEXE Group accepts its responsibility in developing sustainable cities and resilient communities. NEXE products form the core of the most important city infrastructure, which is why they play an important role in urban development.

CONTRIBUTION

- We develop solutions that help cities reduce their negative impact on climate change and increase resilience to climate risks.
- By cooperation and support, we increase the social-economic value of the local communities in which we operate.
- We provide opportunities for young people who are just entering the labor market and provide them with mentoring.
- We communicate transparently about our impacts and how we manage them.

STATUS 2023*

- **Total amount of donations and sponsorships: EUR 2,97 million**
- **Donations and sponsorships are planned annually according to the needs of the local community**

INTERESTS AND STANDPOINTS OF STAKEHOLDERS

Communication with stakeholders is extremely important in order to continuously receive feedback, be in line with expectations, and reduce negative impacts; therefore, NEXE Group regularly and proactively participates in dialogue with its stakeholders. Constructive dialogue with stakeholders enables NEXE Group to identify problems related to product quality, working conditions, safety, impact on the environment or the community in time, which enables it to take the necessary steps to resolve them. Through two-way and transparent communication, NEXE fosters trust among its stakeholders and upholds its reputation as a reliable neighbor, employer and partner.

RELATIONS WITH STAKEHOLDERS

STAKEHOLDERS	COMMUNICATION METHODS	INTERESTS AND STANDPOINTS OF STAKEHOLDERS	STRATEGY AND BUSINESS MODEL
Employees	▪ Regular management -employees meetings ▪ Discussions at Worker's council meetings, Health and Safety Committee meetings, and Union meetings about impacts on employees and suggestions for improvement ▪ Informing employees through intranet, e-mail and NEXE News ▪ Annual satisfaction surveys aimed at identifying areas for improvement and evaluating existing initiatives ▪ Teambuilding and socializing of employees as opportunities to strengthen organizational culture ▪ Channels for expressing concerns	▪ Appropriate working conditions and salaries ▪ Safe jobs ▪ Opportunities for knowledge and skill development and advancement ▪ Protection against discrimination and harassment in the workplace	▪ Improving material conditions ▪ Establishment and development of NEXE Academy ▪ Investing in protection and safety at work, protective equipment, training, plant modernization, etc.) ▪ Code of ethics and development of organizational culture
Local community	▪ Meetings with civil society organizations to find cooperation opportunities ▪ Environmental impact reports to inform the community ▪ Study visits and field trips in order to educate younger generations ▪ Official NEXE web sites and social media for information purposes ▪ Donations and sponsorships with purpose to provide financial support to local projects ▪ Public consulting regarding environmental impact	▪ Responsible management of the impacts on the environment with the aim of maintaining high air quality and prevention of soil and air pollution ▪ Supporting the work of civil society organizations through donations and sponsorships ▪ Stable workplaces, business opportunities for the local population, and support for young people during the transition to the labor market ▪ Responsible management of production aimed at preventing potential adverse impact on health or life quality ▪ The local community recognizes NEXE Group as a reliable and socially responsible partner that takes care of life quality and invests in the development of infrastructure, sport, education, culture, and art	▪ Environment management system and transparent reporting on environmental impact ▪ Investing in environmental protection measures and reducing impact on local communities (e.g. noise) ▪ Donations and sponsorships to organizations of civil societies and participation in humanitarian actions (e.g. voluntary blood donation) ▪ Permanent employment, integration of local suppliers into the value chain, professional practices and support for student projects

STAKEHOLDERS	COMMUNICATION METHODS	INTERESTS AND STANDPOINTS OF STAKEHOLDERS	STRATEGY AND BUSINESS MODEL
Customers	▪ NEXE official website ▪ Individual meetings ▪ Annual satisfaction surveys ▪ Annual event „Customer gathering"	▪ High quality and reliability of products, and service satisfaction ▪ Finding solutions for construction challenges ▪ Innovations for sustainable construction ▪ Customers are satisfied with product quality and provided service and consider NEXE Group a reliable partner in business	▪ Quality management system ▪ Product development in line with market needs ▪ Development of green products to reduce environmental impact
Suppliers	▪ Regular meetings ▪ Quality audits ▪ Satisfaction surveys	▪ Payments in line with agreed conditions ▪ Equal opportunities in the purchasing process ▪ Stable and long-term cooperation	▪ Development of stable and long-term relations with suppliers ▪ Audits aimed at controlling raw materials, products, and services
Authorities	▪ Monitoring the activities of decision makers ▪ Monitoring of legal regulations ▪ Official letters ▪ Follow-up of official pages	▪ Compliance with the law ▪ Business operations in line with climate transition	▪ Monitoring and harmonizing operations with legal provisions and industry standards ▪ Investments in transition to low-carbon operations
Investors	▪ Regular meetings ▪ Financial reports ▪ Sustainability report	▪ Profit growth ▪ Avoiding negative impacts on the environment and society ▪ Business resistance to ESG-risks ▪ Long-term creation of added value	▪ Transparent reporting on sustainability ▪ Managing ESG-risks

1.3.

MATERIAL TOPICS

ASSESSMENT OF MATERIALITY

When defining material topics and preparing sustainability reports, NEXE Group was guided by the principle of double materiality as described in ESRS 1 Standard. Information about the social, environmental, and management impacts of a company represents one aspect of materiality. The second aspect of materiality concerns the information necessary to understand the development, business results, and position of the company and relates to risks and opportunities arising from sustainability issues that may have an impact on the company's financial result. The determination and assessment of ESG impacts, risks and opportunities was carried out in 2023.

ESG impacts, risks and opportunities are determined based on business model and strategy analysis, environmental analysis, industrial analysis of material topics, stakeholder analysis, and internal expertise in the fields of quality management, environment, human resources and finance. ESG impacts, risks and opportunities are presented and described in more detail in each chapter.

The assessment of material topics included an indexation of topics relevant to the construction materials industry at the EU level. Reports on the sustainability of companies in the industry were analyzed, and an overview of relevant research and EU policies significant for that industry was made. When indexing, it was necessary to take into account the context of the countries in which NEXE Group operates.

In NEXE Group, the following impacts on the environment are continuously monitored and analyzed: greenhouse gas emissions, air pollutant emissions, soil and water pollution, waste, noise, and the use of energy and water. The following table shows how NEXE Group determines, assesses, and monitors significant environmental impacts and risks.

TABLE: DETERMINATION, ASSESSMENT AND MONITORING OF ENVIRONMENTAL IMPACT

EMISSIONS AND ENERGY

Emission monitoring plan

NEXE d.d. and Dilj d.o.o. are part of the EU ETS system and have established procedures for monitoring and reporting on GHG emissions. In line with the Climate Change and Protection of Ozone Layer Act (Official Gazette no. 127/19) a report on greenhouse gas emissions and an annual report on activity levels are drawn up annually, and a Plan for monitoring greenhouse gas emissions is drawn up.

Energy inspection

Energy inspections of buildings and the production process are conducted in accordance with the Energy Efficiency Act (Official Gazette No. 127/14, 116/18, 25/20, 32/21, 41/21). Energy indicators and an energy management system according to the ISO 50001 standard were established in member companies NEXE d.d. and Dilj d.o.o.

CRVA analysis

In 2023, a Climate Risk Vulnerability Analysis (CRVA) was conducted to assess the vulnerability of the most significant activities to climate change and to determine resilience with regard to adaptation measures. Climate scenarios of the development of greenhouse gas concentrations according to the IPCC, including a pessimistic scenario RCP8.5 and a moderate scenario RCP4.5, were used in the analysis.

POLLUTION

Environmental permits

Members of NEXE Group that are obligated to obtain Environmental Permits determine and monitor their impacts on the environment through the Environmental Permit issuance process, which includes an environmental impact assessment and prescribes the methods and frequency of measurement, evaluation, and monitoring and reporting obligations to the competent authorities. Issuance of the environmental permit is based on the application of the best available techniques (BAT).

Water permits

Wastewater management at the locations of NEXE Group member companies is regulated by the Environmental Permit for those liable for its discharge, and at other locations by water law permits.

Environmental management system

NEXE d.d. has an implemented and certified environmental management system according to the ISO 14001:2015 standard, in accordance with which an internal methodology was developed for risk assessment of environmental aspects.

BIODIVERSITY

Procedures for environmental impact assessment (EIA) and assessment of the need for environmental impact assessment (EIA).

During the preparation of the Environmental Impact Study (for the purposes of the EIA procedure) and the Environmental Protection Study (for the purposes of the OPUO procedure), the authorized person conducted inspections of environmental parameters in the field, including insights into the distribution and diversity of flora and fauna, whereby various plant and animal species were documented. Special emphasis is placed on identifying endangered species with the aim of ensuring their protection and preservation. These studies and reports provide a comprehensive analysis of the impacts of planned activities on the environment and represent the basis for determining potential risks for business and making informed decisions about environmental protection.

WASTE

Environmental impact assessment

In the Environmental Impact Studies (made for the purposes of conducting the EIA procedure) and Environmental Protection Study (for the purposes of conducting the EIA procedure), which were prepared by authorized persons, the environmental impacts related to waste management in NEXE d.d. were determined, and the environmental impact assessment procedures assessed that interventions are acceptable with the application of environmental protection measures and implementation of the environmental monitoring program. Five environmental impact assessment procedures were carried out, and three related to the use of alternative fuels.

Waste management limits

NEXE d.d. is the holder of waste management permits issued by competent authorities.

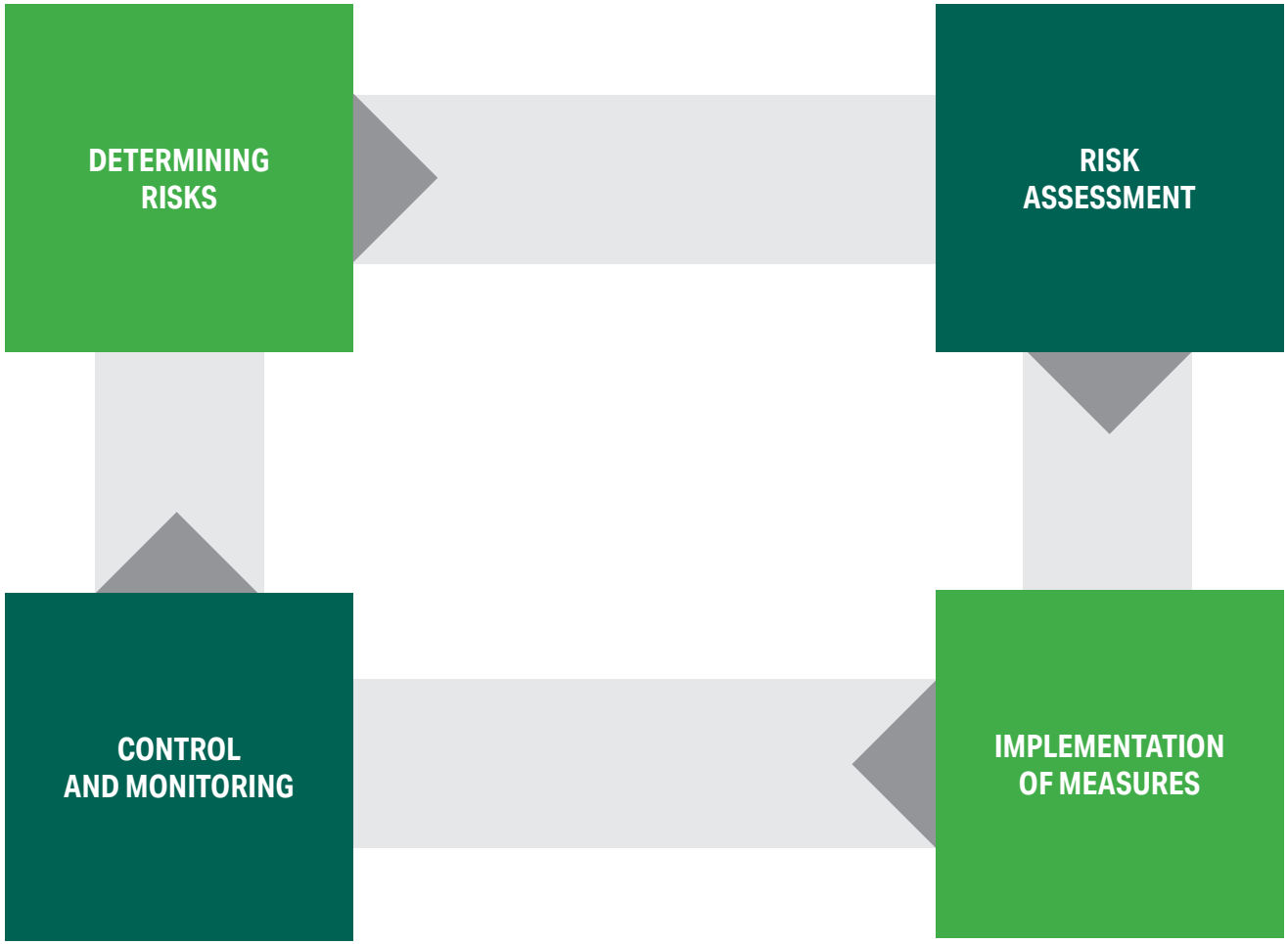
Monitoring the amount of waste

In member companies in the territory of the Republic of Croatia, for the types and quantities of waste that are produced, handed over to authorized persons, stored and recovered, Records on the generation and flow of waste are kept on the prescribed forms in the online application for keeping the Electronic Record Book on the generation and flow of waste by types of waste/key numbers. All the while, the relevant data on waste management from NEXE Group member companies in the territory of Serbia and Bosnia and Herzegovina was gathered from records on waste flows and waste management, which these member companies are required to maintain in accordance with the legal regulation that governs waste management. Data is entered post-haste and thoroughly after each change of state.

Risk management is a key part of NEXE Group's strategy. Good management of social, climate, and management risks affects the success of business decisions and opens up new opportunities and possibilities.

Each owner of the process, that is, the person responsible for the sub-process, is obliged to create a risk assessment and, if necessary, update it at least once a year. When assessing risks and opportunities, the process owner or responsible person takes into account the results of the SWOT analysis, the needs and expectations of interested parties, the results of measuring and monitoring the impacts in his area, the performed analyses, and the results of improvements. Risks and opportunities are assessed based on probability and consequence. In the first stage, for each defined impact on the process/subprocess, the basic risk is determined, then the existing measures are determined, and then the residual or residual risk is calculated.

For each risk, the impact on key performance indicators is analyzed. A risk decision is made based on the results of the assessments. The methodology is described in detail in the risk assessment form itself, as well as the criteria for risk assessment. The determined risks and implemented measures are reported to the Management and the Department for Strategy and Business Development, which take the risk assessment into account when planning development.

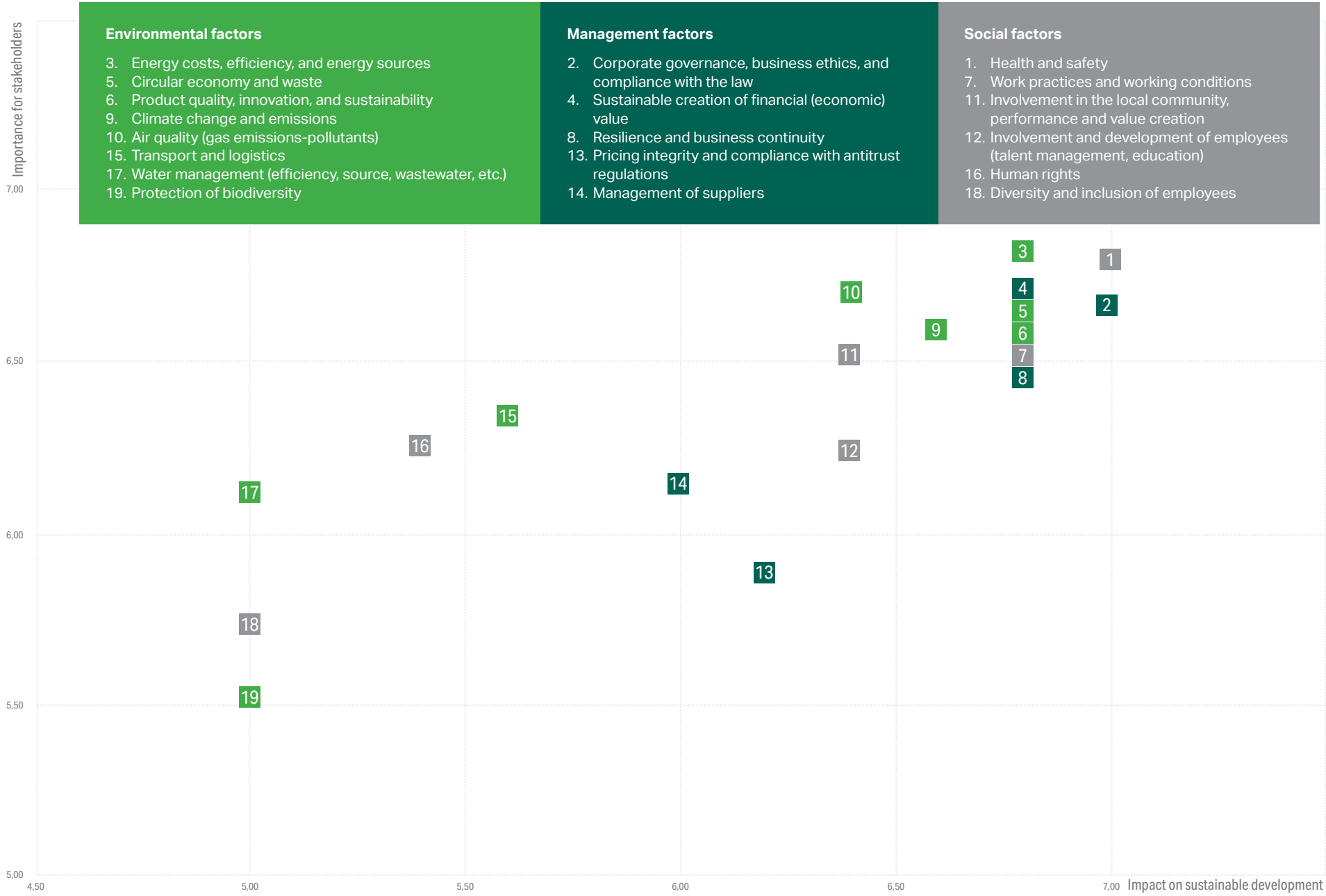

DETERMINING RISKS
RISK ASSESSMENT
IMPLEMENTATION OF MEASURES
CONTROL AND MONITORING

The initial list of impacts, risks and opportunities was supplemented through a dialogue with internal and external stakeholders (the Board, employees, union representatives, suppliers, customers, financial institutions, and representatives of the local community) which was conducted in the form of interviews or focus groups in the first quarter of 2023.

The impacts, risks and opportunities were grouped into material topics, and their significance was assessed by the stakeholders and the Board of NEXE Group. Health and safety at work, corporate governance and ethics, energy management, circular economy and waste, quality, innovative and sustainable products and working conditions were assessed as topics in which NEXE Group has significant impacts, risks and opportunities.

During the focus groups, the stakeholders emphasized the positive and significant contribution of NEXE Group to the development of the local community, the successful management of employee health and safety, and the management of environmental impacts. The stakeholders mostly had a positive attitude towards NEXE Group and had no significant objections to the business. This is an extremely positive sign for NEXE Group showing that it performs its business in accordance with the expectations of its stakeholders and has their support in the realization of strategic plans.

Material topics of NEXE Group are shown on the materiality matrix. There were no material changes in the reporting period.


Environmental factors
3. Energy costs, efficiency, and energy sources
5. Circular economy and waste
6. Product quality, innovation, and sustainability
9. Climate change and emissions
10. Air quality (gas emissions-pollutants)
15. Transport and logistics
17. Water management (efficiency, source, wastewater, etc.)
19. Protection of biodiversity
Management factors
2. Corporate governance, business ethics, and compliance with the law
4. Sustainable creation of financial (economic) value
8. Resilience and business continuity
13. Pricing integrity and compliance with antitrust regulations
14. Management of suppliers
Social factors
1. Health and safety
7. Work practices and working conditions
11. Involvement in the local community, performance and value creation
12. Involvement and development of employees (talent management, education)
16. Human rights
18. Diversity and inclusion of employees
Importance for stakeholders
7,00
6,50
6,00
5,50
5,00
4,50
5,00
5,50
6,00
6,50
7,00
Impact on sustainable development

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

CLIMATE CHANGE

NEXE Group's business model is characterized by high energy intensity, which results in significant emissions of greenhouse gases, which are considered the cause of climate change. Decarbonization of business is recognized as a strategic goal for achieving long-term sustainability, which is why investment in energy efficiency and renewable energy sources, energy and material recovery, development of low-carbon products, and capture and storage of CO_2 emissions are recognized as priority projects in the period up to 2030.

By focusing on more efficient use of resources, modernization of equipment, and digitalization, NEXE Group will create opportunities for operational savings and increased productivity, which will have a positive impact on the value of the company.

The share of costs for energy, CO_2 and raw materials make up 50-70 % of the total operating costs. At the same time, the share of raw material costs is more pronounced for concrete and aggregates, while energy and CO_2 are particularly important for cement, tiles, and bricks. Costs related to CO_2 emissions (up to 30 % of operating costs for cement) due to expected changes in the ETS system represent a future "weight" or competitive advantage of operations. This is precisely why NEXE Group is starting an intensive green and digital transformation of its business.

By monitoring and analyzing the market, it was concluded that there is a change in the demand for traditional products of building materials. Due to increasingly strict legal norms for construction standards (share of recycled materials in the final product, requirements for low-energy buildings) and the growth of GDP/c, the demand for "green" products is also increasing. NEXE Group follows such changes in the market by developing low-carbon products in the cement segment.

In 2023, an analysis of vulnerability to climate risks was carried out, and increasingly frequent extreme temperatures were highlighted as the most significant climate risk. NEXE Group is already investing in adapting its business to climate change, and in the coming period, additional solutions will be implemented to reduce business risk. One of the identified risks at the industry level is the dependence of construction activities on weather conditions. NEXE building materials are mostly used during outdoor construction activities; therefore, unstable and extreme weather conditions, which are becoming more frequent due to climate change, affect the planned quantities by up to 50 %.

IMPACTS

- Consumption of energy from non-renewable sources
- Own production of energy from renewable sources
- Greenhouse gas emissions in own operations and value chain

RISKS

Physical risks:

- Extreme air temperatures
- Fire
- Extreme weather conditions

Transition risks:

- Growth in unit emission prices
- Rising prices of energy and raw materials
- Stricter regulatory framework for climate transition
- Unknowns regarding the technology to be implemented to achieve climate neutrality

OPPORTUNITIES

- Greater resource efficiency through process modernization
- Implementation of technological solutions to reduce CO_2 emissions
- Operational savings by replacing energy sources
- Energy from own renewable sources
- Market opportunities for new product development

ENVIRONMENT

The value chain of production of building materials has an impact on the environment through the exploitation of raw materials, the consumption of natural resources, and the emission of pollutants into the air, water and soil. With the advancement of technology and environmental awareness, these impacts have significantly decreased in the last two decades. NEXE Group invests in the best technology for gas and water purification and is replacing more and more raw materials and fossil fuels with waste, thus reducing the negative impact on the environment. Pollutant emissions are consistently monitored, which enables prompt response in the event of incidents that could endanger the environment or the health of stakeholders.

	IMPACTS	RISKS	OPPORTUNITIES
Pollution	▪ Emissions of pollutants into air, soil, and water	▪ Loss of support of local community in case of environment pollution ▪ Penalties if non-conformities are found ▪ Increase of fees for pollutants emissions ▪ Increased costs in case of need to rehabilitate negative impact	
Biodiversity	▪ Land conversion ▪ Impact on habitats ▪ Conversion of terrestrial to aquatic habitat ▪ Emissions of greenhouse gases and pollutants ▪ Soil erosion	▪ Stricter laws and regulations around biodiversity protection ▪ Expansion of protected areas and prohibition of exploitation	▪ More efficient use of resources
Circular economy	▪ Creation of waste in production and maintenance ▪ Energy and material recovery of waste ▪ Use of natural resources (gravel, clay, and water) in production	▪ Slow market acceptance of green products ▪ Competitiveness of green products on markets outside the EU ▪ Growth in costs associated with waste disposal and recovery	▪ Increased demand for green products due to the development of ecological construction standards ▪ Improving reputation through product sustainability certification

EMPLOYEES

At the end of 2023, NEXE Group employed 1 692 employees who were guaranteed stable employment, opportunities for development, and competitive working conditions. Each of the strategic determinants of the development of NEXE Group's development is the continuous adjustment of the management system, including the health and safety management system, in order to minimize the negative impact on the health and safety of employees. On the other hand, NEXE Group recognized the importance of investment and professional development of employees. Strengthening knowledge and competence of employees creates a positive impact on employees, but also enables NEXE Group to effectively take advantage of market opportunities and successfully carry out the green transition.

A potential challenge for NEXE Group in terms of workforce is the lack of quality and professional candidates on the market. Namely, older employees are slowly retiring, and production and professional activities are less and less attractive to new generations. With competitive working conditions, care for the health and safety of employees, and opportunities for knowledge and skill development, NEXE Group succeeds in creating a positive image as an employer and achieves an advantage in attracting a limited workforce. In addition, it actively works on developing cooperation with local educational institutions in order to create a base of potential employees with appropriate knowledge and skills.

IMPACTS

- Possibilities of injuries at work
- Security of employment
- Collective negotiating and dialogue
- Development of employee competences
- Equal opportunities and protection from discrimination

RISKS

- Lack of quality and motivated workforce on the labor market
- Loss of working days and compensation related to work injuries
- Fluctuation of workers due to dissatisfaction with working conditions

OPPORTUNITIES

- Continued improvement of working conditions and organizational culture can increase the worker's satisfaction and productivity
- Creating a potential base of employees

LOCAL COMMUNITY

NEXE Group strives to achieve a positive impact in the communities in which it operates through donations, sponsorships, and joint development projects, and to limit the impact on the environment caused by exploitation and production activities. The support and approval of the local community is important for business success, which is why social responsibility and continuous investment in increasing the quality of life of the local population are part of NEXE Group's business strategy.

IMPACTS

- Contribution to the local community through donations and sponsorships
- Development of the local economy by creating jobs and opportunities for suppliers
- Impact of noise and emissions on the local population's life quality

RISKS

- Loss of support from the local community in case of environmental pollution

OPPORTUNITIES

- Cooperation with local educational institutions

CORPORATIVE GOVERNANCE

NEXE Group develops a corporate culture based on compliance with the law, ethics, and social responsibility. Aware of the reputational risk associated with unethical behavior, NEXE Group adopted the Code of Ethics and established internal channels for reporting irregularities. In 2023, the first Sustainability Report for 2022 was published, which increases transparency regarding sustainability. NEXE Group strives to maintain long-term relationships with suppliers.

IMPACTS

- Ethics in business operations
- Development of long-term relations with suppliers
- Potential impact on supplier's liquidity
- Transparent reporting on sustainability

RISKS

- Damaged reputation due to unethical behavior

OPPORTUNITIES

- Responsible advocacy of interests and inclusion in discussions of business-interest associations relevant to business

Environmental information

02

2.1.

EU TAXONOMY

By Regulation (EU) 2020/852 the European Commission has established a common scientifically based classification system for identifying sustainable economic activities. Classification of sustainable activities is a key prerequisite for redirecting capital flows to achieve climate neutrality and environmental sustainability defined by the European Green Deal. Article 3 of Regulation (EU) 2020/852 defines criteria for determining environmentally sustainable economic activities. Economic activity is considered environmentally sustainable if it:

- Substantially contributes to at least one environmental objective from Article 9 of Regulation (EU) 202/852
- Does not significantly harm other environmental objectives
- Is implemented in accordance with minimum protective measures established in Article 18
- Aligns with technical screening criteria established by the Commission in delegated acts for each taxonomy-eligible activity.

Reports on taxonomy-categorized activities and key performance indicators regarding the alignment of revenue, capital, and operational expenditures with significant contribution criteria to environmental objectives are mandatory for companies required to publish annual non-financial reports pursuant to Article 19a or Article 29a of Directive 2013/34/EU. Although NEXE Group was not subject to non-financial reporting obligations during the reporting period, it voluntarily chose to showcase its contribution to the environmental goals of the EU. The sustainability report covers all member companies of NEXE Group, while the taxonomy report in the following chapter shows only data for NEXE d.d.

NEXE d.d., Našice, cement factory

ACCEPTABILITY OF ECONOMIC ACTIVITIES

An economic activity is taxonomically acceptable if it is included in the delegated acts of the Taxonomy Regulation, i.e. if technical verification criteria have been announced for it.

The sustainability reporting work group conducted a review of the company's economic activities' eligibility according to the Delegated Regulation on climate change mitigation and regulation and has identified economic activity 3.7. cement production as taxonomy eligible in 2023. Climate change mitigation is identified as the primary environmental objective to which NEXE d.d. significantly contributes. Cement production is considered a transitional activity towards achieving the goal of climate change mitigation according to Article 10 of Regulation 2020/852.

ALIGNMENT OF TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES

If the activity is taxonomy-eligible, it is necessary to analyze taxonomy alignment based on technical screening criteria established by delegated acts.

CEMENT PRODUCTION

The alignment analysis for cement production in NEXE d.d. was conducted by the sustainability reporting work group with support of external experts. For cement production to be considered environmentally sustainable, the specific greenhouse gas emissions during production must be lower than 0,722 t CO_2e per ton of grey cement clinker or lower than 0,469 t CO_2e per ton of produced cement or alternative binder. NEXE Group is working on development of low-carbon products, and in 2023 it had cement in its portfolio whose specific emissions of t CO_2e per ton of cement are less than the criteria established by the EU Taxonomy (0,469 t CO_2e per ton of produced cement or alternative binder).

For cement production, criteria for avoiding significant harm (do no significant harm – DNSH) to the achievement of other environmental objectives were also analyzed.

DNSH 2: **Adaptation to climate change**	In 2023, climate risk analysis for the cement production activity was carried out according to the requirements from Annex A of the Delegated Regulation, which showed that the activity is vulnerable to extreme air temperatures and fire, for which NEXE d.d. has already implemented effective adaptation measures, thus satisfying the DNSH criterion.
DNSH 3: **Sustainable use and protection of water and marine resources**	NEXE d.d. conducted an environmental impact assessment study for its cement production plant in accordance with Directive 2011/92/EU of the European Parliament and the European Council, which includes an assessment of water impact in line with Directive 2000/60/EC. The best available techniques were implemented for reduction of water consumption and prevention of pollution, and risks are continuously monitored and evaluated.
DNSH 4: **Transition to circular economy**	The DNSH criterion was not established. The relation of NEXE d.d. towards the circular economy was described in chapter 2.5. Circular economy.
DNSH 5: **Prevention and control of pollution**	The criterion for preventing pollution from Addendum C, Annex A of Delegated Regulation were analyzed, and it was concluded that NEXE d.d. complies with applicable EU Regulations in performing its activities, and this complies with DNSH criterion. During its activities, no substances listed in Annex C Addendum A of Delegated Regulation are produced, put on the market, or used.
DNSH 6: **Protection and restoration of biodiversity and ecosystems**	NEXE d.d. conducted an environmental impact assessment study for its cement production plant in accordance with Directive 2011/92/EU of the European Parliament and European Council. The best available techniques were implemented for preventing environmental pollution and protection of ecosystems and risks are continuously monitored and evaluated.

In its operations, NEXE d.d. respects human and labor rights prescribed by international instruments and thereby meets the criterion of minimum protective measures.

KEY PERFORMANCE INDICATORS AND ACCOUNTING POLICIES

The Taxonomy Regulation determines 3 key performance indicators that must be disclosed depending on the proportion of taxonomy-eligible and taxonomy-aligned activities in the overall company activities:

- income
- operating expenditure (OpEx)
- capital expenditure (CapEx).

The key performance indicators for identified economic activity have been calculated and disclosed in line with Delegated Regulation on Disclosures (EU) 2021/2178.

TABLE: SHARE OF INCOME ALIGNED WITH TAXONOMY

	Economic activities			Substantial contribution criteria						DNSH criteria						MSS **(Y/N)**	Share of CapEx-aligned with taxonomy in 2023 (%)	Share of Capex -aligned with taxonomy in 2022 (%)	Category (enabling activity)	Category (transitional activity)
		Absolute income	Udio	CCM (%)	CCA (%)	WTR (%)	CE (%)	PPC (%)	BIO (%)	CCM **Y/N**	CCA **Y/N**	WTR **Y/N**	CE **Y/N**	PPC **Y/N**	BIO **Y/N**				E	T
INCOME	**A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)**																			
	A.1 Environmentally sustainable activities																			
	3.7. Cement production	3 463 382,00 EUR	3,53 %	100 %	0	0	0	0	0	/	Y	Y	/	Y	Y	Y	3,52 %	0 %		
	Income from environmentally sustainable activities A.1.	3 463 382,00 EUR	3,53 %														3,52 %	0 %	0 %	3,52 %
	A.2 Taxonomy-eligible, but not environmentally sustainable activities																			
	3.7. Cement production	95 030 394,3 EUR	96,48 %													Y				
	Income from taxonomy-eligible, but environmentally non-sustainable activities A.2.	95 030 394,3 EUR	96,48 %																	
	Total (A.1. + A.2.)	98 493 776,31 EUR	100 %																	
	B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
	Income from taxonomy-non-eligible activities (B)	0,00 HRK	0,00 %																	
	TOTAL (A + B)	98 493 776,31 EUR	100 %																	

- The denominator includes net income from the sale of cement and Namal. Income includes incomes recognized in accordance with International Accounting Standard (IAS) 1, point 82 sub-point (a), also adopted by Commission Regulation (EC) no. 1126/2008.
- The numerator includes income from cement and Namal, whose specific greenhouse gas emissions from the production of cement or alternative binder material are lower than 0.469 tCO_2e per ton of cement or alternative binder produced.

TABLE: SHARE OF CAPITAL EXPENDITURES ALIGNED WITH TAXONOMY

	Economic activities			Substantial contribution criteria						DNSH Criteria						MSS **(Y/N)**	Share of CapEx- aligned with taxonomy in 2023 (%)	Share of CapEx-aligned with taxonomy in 2022 (%)	Category (enabling activity)	Category (transitional activity)
		Absolute CapEx	% CapEx	CCM (%)	CCA (%)	WTR (%)	CE (%)	PPC (%)	BIO (%)	CCM **Y/N**	CCA **Y/N**	WTR **Y/N**	CE **Y/N**	PPC **Y/N**	BIO **Y/N**				O	P
CAPITAL EXPENDITURES	**A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)**																			
	A.1 Environmentally sustainable activities																			
	3.7. Cement production	3 435 964,00 EUR	19,86 %	100 %	0	0	0	0	0	/	Y	Y	/	Y	Y	Y	19,86 %	7,62 %		P
	Capital expenditure and environmentally sustainable activitiy costs A.1.	3 435 964,00 EUR	19,86 %	100 %													19,86 %	7,62 %	0 %	7,62 %
	A.2 Taxonomy-eligible, but not environmentally sustainable activities																			
	3.7. Cement production	13 861 534,00 EUR	80,14 %													Y				
	Capital expenditures from taxonomy-eligible but not environmentally sustainable activities A.2.	13 861 534,00 EUR	80,14 %																	
	Total (A.1. + A.2.)	17 297 497,46 EUR	100 %																	
	B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
	Capital costs from taxonomy-non-eligible activities (B)	0,00 HRK	0,00 %																	
	TOTAL (A + B)	17 297 497,46 EUR	100 %																	

The denominator includes increases in tangible and intangible assets in the financial year, before their amortization and remeasurements, including increases resulting from revaluations and impairments for the relevant financial year and excluding changes in fair value. The denominator includes increases in tangible and intangible assets that are the result of business mergers. Capital expenditures include costs that are calculated by applying: IAS 16, point 73.e), sub-point (i) and (iii), IAS 38 point 118.e) sub-point (i), IAS 40, points 76.a) and b) (for fair value), IAS 40, point 79.d) sub points (i) and (ii) (cost model), IAS 41, point 50 points b) and e) and IFRS 16, point 53.h), as stated in Annex I of the Delegated regulation on publications (EU) 2021/2178.

In 2023, total capital expenditures of NEXE d.d. regarding cement production activity amounted to EUR 17 297 497,46 EUR (denominator) and are considered taxonomy-eligible, out of which 19,86 % of capital expenditures, i.e. EUR 3 435 963,00 (the numerator) is considered an investment aimed at achieving compliance with the taxonomy through the reduction of greenhouse gas emissions.

In 2023 capital investments in the greening of activities (CapEx numerator) included:

- energy renovation and RES in the NEXE cement factory
- extension of the storage space for prepared fuel from waste
- plant for receiving compressed natural gas
- CO_2NTESSA project.

The numerator of the key performance indicator for the cement production activity includes part of the investment in tangible and intangible assets during the current year, which are listed in the Annual Report of NEXE d.d. for the year 2023 on pages 34 and 37 under the position of Increase.

TABLE: SHARE OF OPERATING EXPENDITURES ALIGNED WITH TAXONOMY

	Eco nomic activities			Substantial contribution criteria						DNSH Criteria						MSS **(Y/N)**	Share of CapEx- aligned with taxonomy in 2023 (%)	Share of CapEx- aligned with taxonomy in 2022 (%)	Category (enabling activity)	Category (transitional activity)
		Apsolutni OpEx	% OpEx-a	CCM (%)	CCA (%)	WTR (%)	CE (%)	PPC (%)	BIO (%)	CCM **Y/N**	CCA **Y/N**	WTR **Y/N**	CE **Y/N**	PPC **Y/N**	BIO **Y/N**				O	P
OPERATING EXPENDITURES	**A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)**																			
	A.1 Environmentally sustainable activities																			
	Operating expenditures of environmentally sustainable activities A.1.	0 EUR	0														0 %	0 %	0 %	0 %
	A.2 Taxonomy-eligible, but environmentally not sustainable activities																			
	3.7. Cement production	8 361 410,00 EUR	100 %													Y				
	Operating expenditures of taxonomy-eligible, but environmentally not sustainable activities A.2.	8 361 410,00 EUR	100 %																	
	Total (A.1. + A.2.)	8 361 410,00 EUR	100 %																	
	B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
	Operating expenditures from taxonomy-non-eligible activities (B)	0 EUR	0,00 %																	
	TOTAL (A + B)	8 361 410,00 EUR	100 %																	

- The denominator includes direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair and all other direct expenditures for daily servicing of real estate, plant and equipment performed by the company or a third party entrusted with these tasks, which are necessary for the proper functioning of these assets.
- In 2023, total operating expenditures at the level of NEXE d.d. in the cement production activity amounted to a total of EUR 8 361 410,00.
- In 2023, there were no operating expenditures aligned with taxonomy, which is why the key performance indicator for that activity is 0.

Company NEXE d.d. applies international financial reporting standards. When calculating key performance indicators for reporting purposes following the requirements of the Taxonomy Regulation, an analysis of individual elements that needed to be included in the calculation of key performance indicators was carried out.

2.2.

NEXE GROUP AND CLIMATE CHANGE

Climate change is one of the biggest challenges of the modern era, to which the building materials industry has contributed by significant greenhouse gas emissions. In order to stop the negative consequences of climate change in time and achieve climate neutrality, innovative and systematic solutions are needed. NEXE Group is committed to implementing solutions to reduce direct and indirect greenhouse gas emissions in the value chain of production and use of construction materials.

IMPACTS, RISKS AND OPPORTUNITIES

IMPACTS ON CLIMATE CHANGE

In its operations and value chain, NEXE Group creates greenhouse gas emissions that have a negative impact on climate change. Scope 1 includes GHG emissions from fuel production and combustion processes, company-owned vehicles and machinery, and emissions from cooling and air conditioning devices. Scope 2 includes emissions from the production of purchased electricity. In the last reporting period, NEXE Group began identifying indirect emissions in the value chain (scope 3). In this reporting period, the scope of categories was expanded, and additional categories were included. For the purposes of this report, data was collected, and emissions were calculated related to purchased raw materials (category 1), emissions from fuel production (category 3), raw material and energy supplies and shipping of finished products (categories 4 and 9), waste generated in business (category 5), employee commuting (category 6).

PHYSICAL CLIMATE RISKS FOR THE BUILDING MATERIALS INDUSTRY

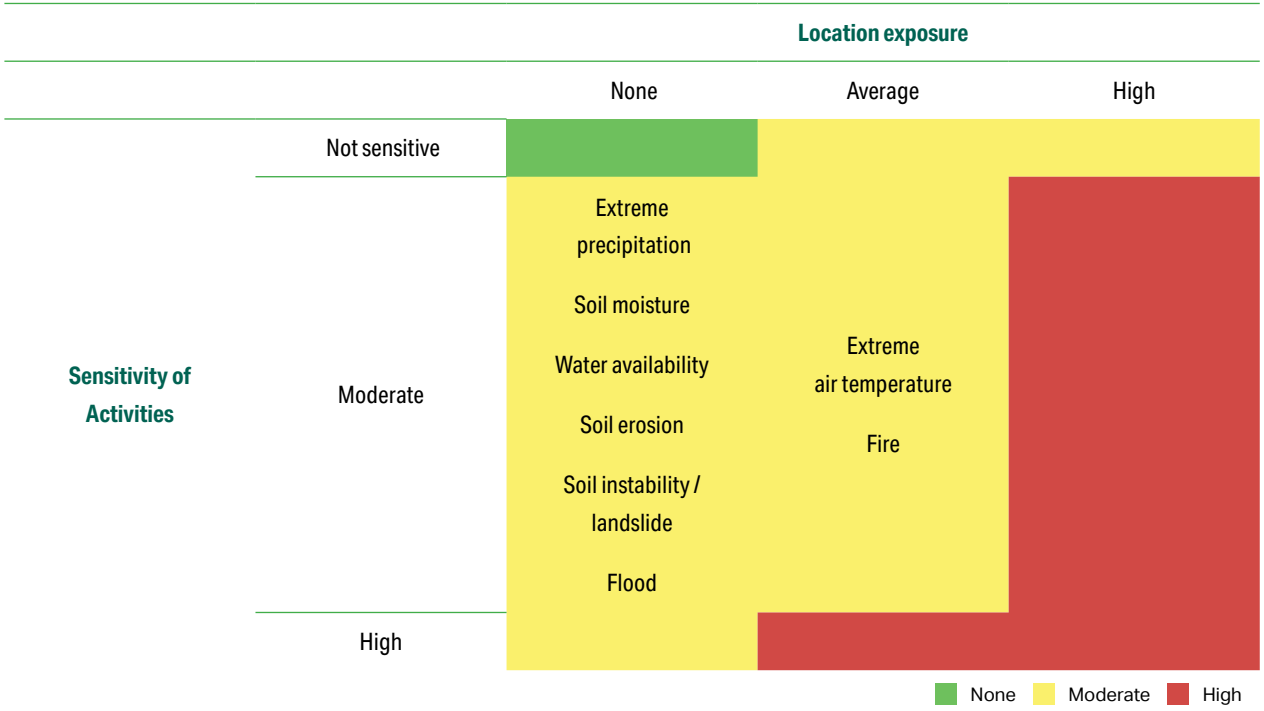
A specific risk for the construction materials industry is the dependence of construction activities on weather conditions. Harsh winters with extremely low temperatures or large amounts of precipitation throughout the year can have a short-term negative impact on construction activity with direct consequences for NEXE Group's revenues and operational performance. Construction activities are up to twice as large in the May-October period, which strongly affects the organization of business activities and the company's liquidity. Considering that the level of construction activities is up to 50 % lower compared to the planned quantities during weather extremes, a potential risk for business is created if weather extremes occur in the period of the year when construction activities are usually the highest. Weather extremes caused by climate change have a negative impact on construction activities, which can potentially affect business liquidity.

PHYSICAL CLIMATE RISKS FOR CEMENT, BRICK, AND ROOF TILE PRODUCTION

Vulnerability analysis conducted in NEXE d.d. and Dilj d.o.o. determined that the activities of cement, brick, and tile production are moderately vulnerable to extreme air temperature, extreme amounts of precipitation, soil moisture, water availability, soil erosion and instability/slides, fire, and floods.

Considering that almost all climate variables to which the activity is moderately vulnerable were not recorded in the observed, nor are they expected in the future climate conditions at the locations of the cement, brick, and tile production facilities, the risk assessment was carried out only for the climate variables extreme air temperature and fire. These two risks were determined due to the recorded increase in mean maximum air temperature in the basic/observed climate conditions. Such climate changes can make working conditions more difficult and increase energy consumption for cooling in the summer months.

MATRIX: VULNERABILITY ANALYSIS



MANAGEMENT OF PHYSICAL CLIMATE RISKS

Climate risk	Description	Impact on operations	Risk Reduction Measures
Extreme air temperature	Further increase in maximum air temperatures can hinder human work, which is also part of the production process and an important factor in economic activity. This impact can reduce the efficiency of employees and thus reduce the monetary profit of economic activity.	Reduction of output (products), decrease in monetary profit of economic activity	NEXE d.d.: ▪ For cooling rooms within cement factory premises cooling water chillers have been installed and if necessary, employees use mobile standalone fans. Thus, pleasant microclimate conditions are achieved for the work of employees in closed rooms. ▪ In extreme temperatures employees' working hours in the open are in the early morning and late afternoon, e.g. tasks in the quarry are carried out from 16:30 hrs till 19:30 hrs. ▪ Air-conditioners have been installed in the administrative building and production plant and all vehicles are equipped with air-conditioning. ▪ For most of the buildings, the transition to a more efficient heating and cooling system using heat pumps has been carried out, which will reduce the consumption of electricity for cooling, the consumption of which increases in the summer months during high temperatures. ▪ External cladding with improved insulation properties has been installed on part of buildings and continues to be installed on other buildings within the NEXE d.d. plant. in accordance with the plan. This reduces the loss of thermal energy during low temperatures and enables better insulation during extremely high air temperatures. ▪ External joinery (PVC with double ISO-glass) with better thermal coefficient was installed on the administration building and the central command, maintenance, engineering and mining building, in order to reduce the heat loss of the space, but also to ensure better insulation from high temperatures in summer. ▪ Thermal insulation of the ceiling in the warehouse for finished products. NEXE d.d. and Dilj d.o.o.: ▪ In order to further reduce the consumption of electricity from conventional fossil fuel power plants required for the operation of heating and cooling systems, NEXE Group started with the installation of integrated and non-integrated photovoltaic power plants. By reducing electricity costs, the risk of a significant negative impact of extreme weather temperatures on the business result is reduced. Dilj d.o.o.: ▪ New waggons of tunnel furnace and robot were installed instead of the outdated automation for manipulation, which reduces product breakage and thus the specific energy consumption and CO_2 emissions per product. ▪ Modernization of the equipment and management of the tunnel furnace (reduction of the specific consumption of energy sources, and therefore CO_2 emissions).
Fire	Further increase of maximum air temperatures, dry periods without precipitation, and increased influx of solar energy can increase the meteorological danger of fire occurrence, directly endangering property on-site and hindering operations.	Damage to property, production reduction, decrease in monetary profit of economic activity	Due to the characteristics of the activity, i.e. the production process, which involves high temperatures and the entire range of flammable gases, the plant is equipped with a large fire protection system. The fire protection system consists of: ▪ Internal and external hydrant network ▪ Foam fire-fighting equipment to protect the waste oils burning plant from fire ▪ Fire detection system ▪ Gas detection system ▪ Water sprinkler fire-fighting equipment (drencher) ▪ Fire extinguishers for initial fire extinguishing.

The transition to a low-carbon economy is a global challenge, and failure to achieve the goals set in the Paris Agreement and the EU Green Plan would have a significant negative impact on NEXE Group's business results. Transition risks in the period of the global transition to a low-carbon economy were determined and assessed in order to manage them as successfully as possible. Transitional risks and opportunities are determined by an integrated risk management system at the level of NEXE Group.

POLICY AND LEGISLATIVE TRANSITION RISKS

The EU has committed to the ambitious vision of making Europe the first climate-neutral continent by 2050, with the goal of reducing greenhouse gas emissions by at least 55 % by 2030 compared to 1990s levels. In order to achieve this goal, the EU needs to implement comprehensive changes, with a special focus on energy-intensive industries where urgent action is needed, especially in industries such as cement production, among others, which are characterized by long-term capital assets and the risk of retaining CO_2 emissions even after 2050. The cement industry is one of the most important industrial emitters of CO_2, globally responsible for about 7 % of all CO_2 emissions and about 4 % of all emissions at the EU level. Decarbonization of the cement and other industries alone is not expected to contribute to the EU's climate goals, but it is necessary for the overall path towards climate neutrality.

Each year, member companies of NEXE Group that are part of the EU ETS system (NEXE d.d. and Dilj d.o.o.) are allocated CO_2 emission units, and their quantity is determined by the European Commission based on historical European emission analyses. The allocation of free units is reduced every year in order to achieve climate neutrality in Europe by 2050. Considering the annual production and allocated units, NEXE d.d. must purchase units on the market to meet legal requirements. Dilj d.o.o. is currently using its free CO_2 emission units.

As a result of the above, in the medium and long term, a stricter regulatory framework has been identified as a risk, especially regarding permitted CO_2 emissions and emission unit prices. In the EU, existing and future regulations governing climate change and greenhouse gas emissions are expected to be tightened, especially in connection with the ambitions of the EU climate protection plan Fit for 55. Costs related to CO_2 emissions (up to 30 % of operating costs in cement production) due to the expected changes in the EU ETS system represent a risk for future business if activities to reduce CO_2 emissions are not undertaken on time.

The reform of the EU ETS, with the Carbon Border Adjustment Mechanism (CBAM), will expose energy-intensive industries to the full price of CO_2 by phasing out free allowances. That change forces industries to decarbonize or face financial penalties. CBAM will also require importers to pay for carbon certificates from 2026 to match EU carbon prices, preventing cheaper imports of high-emissions goods.

High costs associated with CO_2 could put European companies at a disadvantage compared to companies from third countries. This is precisely why it is important that the Carbon Border Adjustment Mechanism (CBAM) was introduced in 2023, intended to establish equal conditions between producers in the EU and importers by 2035 at the latest. Such a mechanism will certainly affect prices and business competitiveness.

With regard to the EU-level greening strategy and the growing preference of investors for green investments, there is a risk of higher borrowing costs if NEXE Group fails to achieve good ESG indicators and achieve its goals.

MARKET TRANSITION RISKS

One of the main market risks stems from a possible change in consumer preferences that may occur during the transition to a low-carbon economy. Such a change could lead to increased replacement of concrete with other construction materials considered to have a lower carbon footprint. As a result of increasingly strict legal norms for construction standards (share of recycled materials in the final product, requirements for low-energy buildings) and with the growth of GDP/c, the demand for "green" products grows, which can be a risk for business, but also an opportunity for NEXE Group to offer new, innovative and sustainable products on the market.

The second risk refers to the energy and raw materials market. The price of electricity and fossil fuels has been rising for several years, while substitute fuels and raw materials are increasingly difficult to obtain due to increasing demand on the one hand and decreasing availability on the other. The share of costs for energy and raw materials makes up 50-70 % of total business costs. The growth of these costs can significantly affect the business results of NEXE Group.

TECHNOLOGICAL TRANSITION RISK

New technologies are available on the market that affect business competitiveness. A passive approach to investing in new technological solutions, equipment modernization and digitalization will have a negative impact on the market position. That is why it is important to proactively start a green business transition, for which significant EU funds are available for investments in energy efficiency, reduction of CO_2 emissions and storage of carbon dioxide.

Technological risk in the transition to a low-carbon economy is investment in technologies that have not been fully industrially and commercially proven on the market. This risk exists especially in the context of innovative processes such as carbon dioxide capture, use and storage that may not be efficient enough in the future. Without adequate solutions for transporting and storing CO_2, companies will be forced to buy permits, increasing costs without benefiting the environment. By the second half of this decade, industries must decarbonize or face penalties, making capture, use and storage a vital option for many to achieve large-scale decarbonization. Demand for CO_2 transport and storage is expected to rise sharply, driven by EU sustainability measures that require large companies to adopt a strategy compatible with the Paris Agreement.

Decisions need to be made today, and this implies significant investments that currently affect business operations.

OPPORTUNITIES FOR GREATER RESOURCE EFFICIENCY

Projects to increase energy efficiency and reduce the share of non-renewable energy in the energy mix can result in operational savings and have a positive impact on the financial result. Energy efficiency is particularly important in the context of resistance to changing energy prices. NEXE Group has already started implementing measures related to increasing the efficiency of machines and equipment, heating and cooling, and increasing the energy efficiency of buildings. Advances in technology enable additional impacts on CO_2 reduction through the implementation of:

- Industrija 4.0 digitalization project
- Implementation of the state-of-the-art equipment
- Opportunities for operating savings through new sources of energy.

Transition to a low-carbon economy also implies changes in energy sources. The cement industry is traditionally based on fossil fuels, and in order to reduce CO_2 emissions, NEXE Group has already started investing in its own capacities for the use of renewable energy.

NEXE d.d. is already successfully using alternative fuels as a replacement for fossil fuels, and the share of substitution for the production of thermal energy in 2023 was 51 % in the cement factory, and the goal is to increase that share to more than 90 % through additional investments, i.e. to eliminate the use of fossil fuels as much as possible in the cement production process until 2030. The cement industry can recover certain types of waste, whereby waste substances (e.g. ash) are incorporated into the product itself. Fuel from waste and other types of waste that can be used for energy recovery in the process of obtaining energy serve as a substitute for fossil fuels (natural gas, coal and petroleum coke) in the clinker production process.

MARKET OPPORTUNITIES FOR THE DEVELOPMENT OF NEW PRODUCTS AND SERVICES

In recent years, the development of new generations of products with reduced CO_2 emissions has been accelerating on the market. Lower CO_2 emissions are possible due to changes in the structure of the raw material composition and the use of reactive substitutes. NEXE d.d. has so far developed several new generations of products that enable the reduction of CO_2 emissions compared to the industrial standard for cement production. NEXE d.d. sees the development of the market for green products as its opportunity.

TRANSITION PLAN

Climate change is currently one of humanity's greatest challenges. It has been scientifically established that the leading causes of climate change are increased concentration of greenhouse gases in the atmosphere, primarily resulting from emissions caused by burning fossil fuels, intensive agriculture, and deforestation of tropical forests. The energy-intensive cement industry can and must achieve ambitious plans for decarbonizing its operations. This is not only necessary to mitigate climate change and stop the rise in average global temperature, but it is necessary for long-term financial sustainability.

On average, NEXE Group's operations cause annual emissions of around 700 000 tons of CO_2e emissions (Scope 1 and 2), which makes it one of the largest emitters of greenhouse gases. At the same time, more than 86 % of CO_2 emissions are related to the cement production process in NEXE d.d. in Našice. Direct and indirect CO_2 emissions are mostly related to:

- Direct CO_2 emissions related to use of fossil fuels
- Direct CO_2 emissions related to use of raw materials in the cement production process and
- Indirect CO_2 emissions associated with the use of electrical energy.

The Paris Agreement is a global plan to stop climate change. The Republic of Croatia has been a signatory to the Paris Agreement since 2017, whereby it undertook to implement measures to reduce greenhouse gas emissions in accordance with the strategy of the European Union (EU). Through the document A Roadmap for moving to a competitive low-carbon economy in 2050, the European Union defined the goal of reducing greenhouse gas emissions by 80-95 % by 2050.

To keep the increase in global temperature below 1,5 °C, according to the Paris Agreement, it is necessary to achieve a carbon neutral economy by 2050. NEXE d.d., as a leader in the building materials industry in the region, wants to achieve climate neutrality as early as 2030.

NEXE'S PATH TOWARDS CO_2 NEUTRALITY

By 2030, the goal is to reduce specific CO_2 emissions per ton of cement to approximately 0 kg/t with the help of CO_2 capture and permanent storage technology. This will be achieved by:

- increasing the energy efficiency of production processes and assets
- increasing the share of energy from renewable sources in the total energy mix
- using alternative fuels
- using alternative raw materials
- developing new generations of existing products with reduced CO_2 emissions
- CO_2 capture and storage.

For the part of emissions that cannot be removed in other ways, the capture and permanent storage of CO_2 through a facility that would be built within the CO_2NTESSA project is the key, because without the application of this technology it will not be possible to achieve the set goals and climate neutrality. NEXE d.d. has been actively managing CO_2 emissions through the EU ETS system for several years and implementing measures to reduce them. In the period until 2030, the intensification of business decarbonization activities is expected.

ENERGY EFFICIENCY AND USE OF RENEWABLE ENERGY SOURCES

In order to reduce energy consumption and related CO_2 emissions, NEXE d.d. implements measures of:

- increasing the energy efficiency of buildings and facilities
- implementation of the latest generation equipment
- construction of photovoltaic power plants.

At the same time, it is important to note that in this category of projects there are significant indirect impacts of reducing CO_2 emissions (e.g. production of renewable electricity for own needs). The implementation of these projects is planned continuously until 2030, and the planned investments in NEXE d.d. amount to 50 million euros. The direct impact of reducing CO_2 emissions would be even greater, but NEXE d.d. is already using electricity entirely obtained from renewable sources. Energy efficiency measures have an annual potential for reducing CO_2 emissions of about 470 t, while the annual potential for reduction by energy production from new solar power plants is about 5 000 t.

Given that NEXE d.d. already procures electricity from 100 % renewable sources, the measure will not reflect the reduction of the carbon footprint but will have a positive impact on decrease of energy costs.

USE OF ALTERNATIVE FUELS

Fuel from waste and other types of waste that can be used for energy recovery in the process of obtaining energy serve as a substitute for fossil fuels (coal, petrol coke and natural gas) in the clinker production process. NEXE d.d. is already successfully using alternative fuels as a substitute for fossil fuels, and the share of substitution in 2023 was 51 % in the cement factory, and the goal is to increase this share to more than 90 % through additional investments, i.e. to eliminate the use of fossil fuels in the cement production process as much as possible by 2030. Investments in the amount of 29 million euros are planned, and the annual potential for reducing CO_2 emissions is up to 55 000 tons. The introduction of alternative fuels is also planned in tile and brick factories.

Biomass (sawdust, wood chips) is also used in the process of obtaining energy and for the purpose of substituting fossil fuels. During the burning of biomass, the resulting CO_2 emissions are of biogenic origin, that is, the CO_2 that the plant bound from the air during growth is released, which does not result in the creation of new CO_2 emissions. The non-biogenic part of CO_2e emissions that occurs during the combustion of biomass and alternative fuels (RDF, waste dry sludge) is reported with emissions in the EU ETS system. For the processing of sustainable biomass NEXE d.d. obtained the SURE certificate.

Fuel from waste that is used in production with the aim of energy recovery also contains a biogenic component, which means that no new CO_2 emissions are created. Considering that the decomposition of this waste in a landfill would lead to the creation of methane, which has 15 times greater impact on the greenhouse impact of CO_2, the use of waste to replace fossil fuels has a multiple positive impact.

USE OF ALTERNATIVE RAW MATERIALS

Significant CO_2 emissions are caused from using raw materials containing carbonates, due to which CO_2 is released in the production process due to the decarbonization process of the raw materials. The reduction of CO_2 emissions can be achieved by using construction waste as an alternative raw material, given that these are already decarbonated materials, the recovery of which does not emit CO_2. Although the capital investment value (mobile crusher) in relation to the benefits brought by construction waste is low, significant operational activities are necessary to ensure the quantity of quality construction waste. The planned quantity of construction waste that would be used as alternative raw materials by 2030 is up to 30 000 tons per year. Investments in the amount of 2 million euros are planned, and the annual potential for reducing CO_2 emissions is up to 10 000 tons.

DEVELOPMENT OF NEW GENERATIONS OF EXISTING PRODUCTS WITH REDUCED CO_2 EMISSIONS

In recent years, there has been an increased emphasis on the development of new generations of products with reduced CO_2 emissions. Lower CO_2 emissions are possible due to changes in the structure of the raw material composition and the use of reactive substitutes. NEXE d.d. has so far developed several products that have more than 25 % less greenhouse gas emissions compared to the industry standard. Further product development is aimed at reducing the average share of clinker in a ton of cement, with the goal of achieving a share of 60 % of clinker in a ton of cement by 2030.

NEXE d.d. already has the necessary infrastructure needed to implement the replacement of clinker in the cement production process, and significant additional investments will not be needed to improve the process.

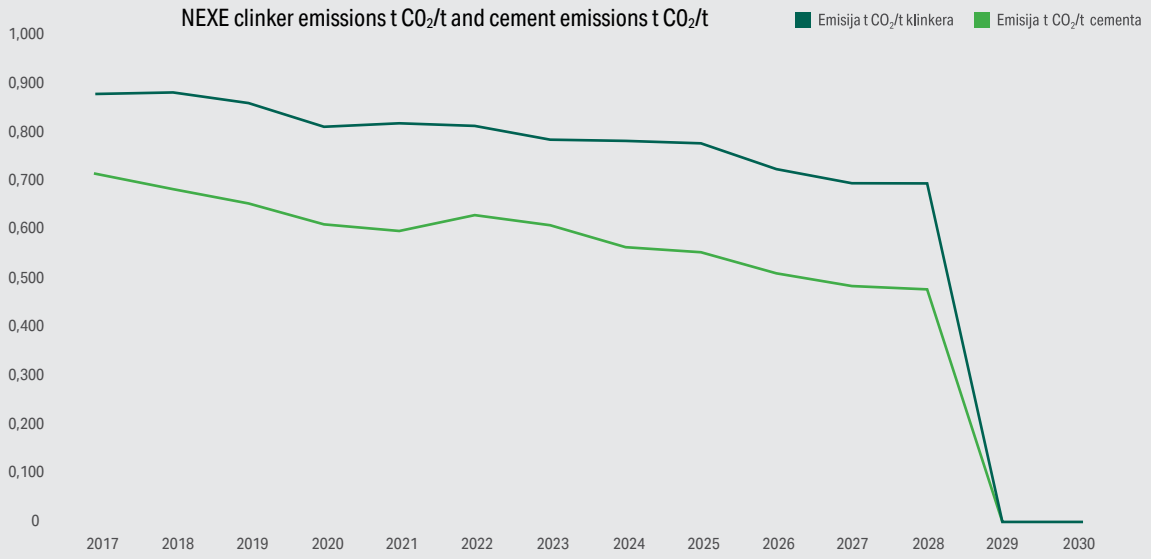
PLANNED MEASURES AND RESOURCES TO REDUCE CO_2 EMISSIONS IN NEXE d.d.

Decarbonization measures	Invested in the reporting period	Total planned investments	Planned annual reduction of CO_2 emissions*	Planned implementation period
Energy efficiency and use of renewable energy sources	5,28 mil EUR	50 mil EUR	up to 2000 t	2022 – 2026
Substitution of fossil fuels by use of alternative fuels	0,57 mil EUR	29 mil EUR	up to 55 000 t	2022 – 2030
Use of alternative raw materials	0,52 mil EUR	2 mil EUR	up to 10 000 t	2022 – 2030
Development of new generations of existing products with reduced CO_2 emission	0,50 mil EUR	2 mil EUR	up to 25 000 t	2022 – 2050
TOTAL	6,88 mil EUR	83 mil EUR	up to 92 000 t	

* The maximum design values are given.

In the period until 2030, investments worth more than 80 million euros are planned that will enable annual CO_2 emissions to be reduced by up to 92 000 t of CO_2. The remaining emissions will be captured through a facility built as part of the CO_2NTESSA project and stored in the Bockovac-1 saline aquifer. The planned investment in the CO_2NTESSA project amounts to EUR 400 million.

By 2030, the mentioned measures will enable the reduction of specific emissions of CO_2 per ton of clinker and CO_2 per ton of cement. It is expected that in 2030 CO_2 emissions/t of clinker will be approximately 0. Cement production will then be considered an environmentally sustainable activity according to technical screening criteria established by the EU Taxonomy.

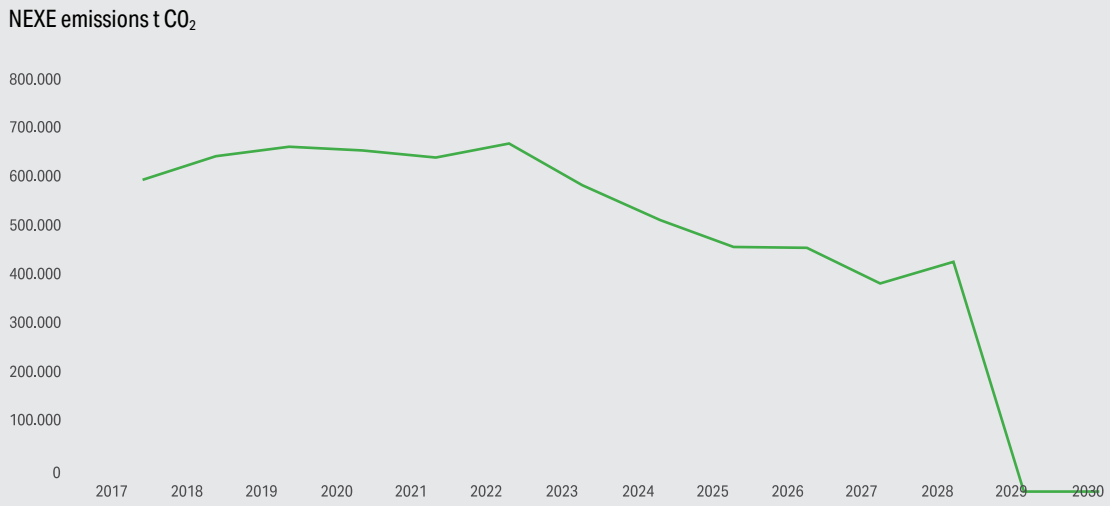


CAPTURE AND STORAGE OF CARBON DIOXIDE

Despite all efforts to reduce CO_2 emissions, achieving CO_2 neutrality is currently only possible by building an innovative system with accompanying infrastructure that enables the capture of up to 100 % CO_2 emissions from the cement plants' production processes and use of CO_2 for industry (EOR) or permanent CO_2 storage in underground structures. The strategic project of NEXE Group in upcoming period is CO_2NTESSA, which involves the modification of the clinker production process based on the second generation Polysius PureOxyfuel technology and which will enable the capture of the remaining emissions that will not be possible to reduce by optimizing the portfolio and production processes. The project is one of the few in the EU that also has an effective solution for the disposal of captured CO_2 through a transport pipeline to the location of Bockovac-1, where the CO_2 will be injected into the reservoir – a saline aquifer. It is predicted that CO_2NTESSA would be put into operation in 2029, which would make it possible to completely eliminate CO_2 emissions from 2029, which will make cement production in NEXE d.d. become a carbon-neutral activity, and the produced cement a green product compliant with the criteria of the EU Taxonomy for cement production.

The total investment amounts to 400 million euros. In March 2023, NEXE d.d. applied the CO_2NTESSA project to the large-scale call of the Innovation Fund with the intention of implementing the project by 2029. The project was granted the Project Development Assistance (PDA) by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). The CO_2NTESSA project was successfully applied to a new call from the Innovation Fund at the beginning of April 2024.

In 2022, the NEXE Group's Board adopted a new business strategy until 2030, which is based on green, energy and digital transition of business with the ultimate goal of achieving net-zero operations of member company NEXE d.d. in 2030. In the future period, own financial sources will be secured for decarbonization measures complemented by the support of financial institutions and the EU funds. External support will be necessary given the size and significance of the planned investments.



The graph shows emissions from 2017 and forecast emissions until 2030 when NEXE d.d., according to the transition plan, intends to achieve climate neutrality. From 2023 until 2029 emissions are predicted by clinker production optimization strategy to reduce average costs related to CO_2 emission. Considering the specifics of the EU ETS regulation, NEXE d.d. adjusts to the set goals of the EU ETS through oscillations in production. In some years, an increase in emissions is shown, while in fact it is about adjustments to the production process that result in a reduction of emissions in the long term, and which are necessary to achieve the goals in accordance with the regulation, which explains the increase in emissions in some years.

ENERGY AND EMISSIONS MANAGEMENT

Production of construction materials, especially clinker production processes and raw material and cement grinding require significant quantities of thermal and electrical energy. Fossil fuels, although their share is decreasing, represent a significant percentage in the total energy mix. Precisely because of the energy intensity of operations, the entire building materials industry significantly affects the climate in the form of greenhouse gas emissions that occur during production. NEXE Group recognizes its impact on the environment and is working on the implementation of measures to reduce CO_2 emissions. 86 % of all NEXE Group emissions are related to cement production activities in Našice. Therefore, most of this chapter will refer to measures and goals for reducing CO_2 emissions in cement production, however, it should be noted that NEXE Group also includes other activities in its policies and measures.

POLICY

The approach to energy and CO_2 emission measures has been established by NEXE Group through its policies: Quality Policy at the level of NEXE Group, Energy Management Policy in Dilj d.o.o. and Energy, Environment Protection and Health and Safety Policy at NEXE d.d. level. These policies are aligned with strategic goals of reducing the impact on climate change and reducing energy intensity and are publicly published on the website www.nexe.hr so that they are available to all interested parties. The policy is appropriate to the scope and activities of the Organization. NEXE Group undertakes to permanently harmonize its activities with applicable legislation and assumed obligations in the field of energy management, and to constantly monitor, prevent and reduce air emissions by using and purchasing modern and energy-efficient, organizational, technical and technological solutions aligned with the best available techniques. NEXE Group undertakes to rationally consume non-renewable resources and improve its energy indicators to reduce the negative impact of business operations on climate change.

The NEXE Group's Board is responsible for achieving the goals set in this policy, and the following sectors are responsible for the implementation of the measures: Production Sector, Investment Sector and Strategy and Business Development Sector. Monitoring of indicators and progress towards the achievement of goals is carried out by responsible persons appointed by the Board.

Environment Management System according to ISO 14001:2015 has been implemented and certified in NEXE d.d. since 2004. Environmental management systems have also been established in other companies of NEXE Group, although they are not currently certified. NEXE d.d., Dilj d.o.o. and IGMA d.o.o., as companies with energy-intensive production processes have decided to implement an energy management system, which is certified according to ISO 50001 as a further step in their operations and an upgrade of existing management systems.

MITIGATION MEASURES AND ADAPTATION TO CLIMATE CHANGE

Projects in 2023 aimed at mitigating climate change included, in accordance with the transition plan:

a) increasing energy efficiency and increasing the share of renewable energy sources in total energy sources
b) material and energy recovery of waste (shown in the circular economy chapter)
c) development of new generations of existing products with reduced CO_2 emission (shown in the chapter: Circular economy)

ENERGY EFFICIENCY AND RENEWABLE ENERGY SOURCES

ENERGY RENOVATION AND RENEWABLE ENERGY SOURCES IN THE CEMENT FACTORY NEXE d.d.

The project included implementation of energy efficiency measures and renewable energy sources in production plant and energy renovation of buildings aimed at increasing energy consumption efficiency and reducing the share of conventional sources by introducing renewable energy sources in cement factory NEXE d.d. in Našice.

The measures implemented as part of the renovation of the production facility and auxiliary buildings include:

- installation of a system for production of energy from the sun
- introducing more efficient electric motor drives
- replacement of compressors with more efficient ones
- implementation of technological and other measures and interventions in production/working process that result in a reduction of energy consumption and contribute to the energy efficiency of the process
- installation of smart meters and devices for more detailed monitoring of energy consumption
- thermal insulation of the envelope of the central command building and the restaurant
- installation of a more efficient building ventilation system
- replacement of heating and cooling systems with heat pumps.

By implementing the above measures, savings in energy delivery were achieved by 1 560 336,24 kWh (64,73 %) compared to the initial state. The implementation of measures to use renewable energy sources will result in an increased amount of renewable energy in the gross final consumption of the project unit by 917 130,4 kWh. It is expected that the implemented measures will reduce CO_2 emissions by 471,4 tons per year compared to the scenario without interventions. The total value of the project is EUR 3 433 904,76, and the project is co-financed by the European Fund for Regional Development in the amount of 38 %.

Investment projects for the period up to 2030 are being prepared. The plan is to build three more photovoltaic power plants:

- Jalovište – a 9,7 MW photovoltaic power plant
- Velimirovac – a 9,9 MW photovoltaic power plant
- Šipovac – a 4,2 MW photovoltaic power plant

Furthermore, the plan is to invest in a plant for the reception, storage and burning of wood biomass at the raw material dryer, a plant for the storage and dosing of waste dried sludge, a plant for the storage and dosing of liquid alternative fuels, a plant for the preparation, storage and dosing of RDF (fuel from waste), and the mentioned measures are described in more detail in the Circular economy chapter.

In order to adapt to climate change, new envelopes and ventilated facades were installed on the buildings of the central command, laboratory and restaurant of NEXE d.d. This will reduce the loss of thermal energy during low temperatures and enable better insulation during extremely high air temperatures. The total expected savings on the central command and laboratory building come to about 67 MWh/year, and on the restaurant building about 32 MWh/year. Also, in order to adapt to climate change, heat pumps for heating and cooling, which belong to renewable energy sources, were installed. The measure included the replacement of all radiators with fan coils and the installation of heat pumps in the building of the central command, administration and restaurant. The expected total savings on the central command building come to about 95 MWh/year, on the administration building about 50 MWh/year, and on the restaurant building about 30 MWh/year.

MODERNIZATION OF THE BRICK FACTORY DILJ d.o.o. PLANT IN NAŠICE

The modernization of part of the plant for handling dry and baked products was completed, and the wagons of the tunnel oven were replaced with new ones. This reduces the breakage of the product, and thus the specific energy consumption and CO_2 emissions per product. The modernization of the process plants of the tunnel furnace and chamber dryer is currently in the preparation and planning phase.

ENERGY RENOVATION AND RENEWABLE ENERGY SOURCES IN DILJ d.o.o.

Since 2022, a 1,1 MW solar power plant has been installed on the roof of the Slavonka production hall in Vinkovci, which is part of the project "Increasing the energy efficiency of the Slavonka plant", which, in addition to building capacity for the use of energy from renewable sources, also includes other energy efficiency measures. As part of the project, the following measures were implemented:

- Introducing more efficient electric drives
- Replacing the clay purifier with a wheel mill
- Introducing LED lighting
- Replacing diesel powered fork-lift with electric fork-lift
- Introducing energy management systems.

The project is worth EUR 1,6 million and is co-financed with EUR 956 175. It provides for the annual production of 1 542 351 kW of electricity for own needs. The total energy savings achieved by energy efficiency activities in this project amount to 2 242 934 kW per year, and the implemented measures are expected to reduce CO_2 emissions by 703 t per year.

At Dilj d.o.o. investments in increasing energy efficiency continue. Measures include:

- replacement of tunnel kiln waggons
- replacement of automatics with the aim of reducing breakage
- replacing the compressor with a more energy efficient one
- modernization of lighting
- installation of smart meters to monitor energy consumption
- replacement of vacuum pumps with a centralized system
- replacing the purifier with a wheel mill.

At a time when we are facing the global challenge of increasing energy prices, as well as their availability, a project like this that contributes to increasing energy independence has a significant impact on financial results. The project to increase the energy efficiency of roof tile and brick production was co-financed with funds of the Modernization Fund.

INCREASING ENERGY EFFICIENCY AND RENEWABLE ENERGY SOURCES AT OPA KETER IGMA d.o.o.

In 2022, the implementation of the project to increase energy efficiency and introduce renewable energy sources in the production facility of IGMA d.o.o. began. The purpose of the project is to increase the efficiency of energy use and reduce the share of non-renewable energy sources.

The measures that will be implemented within the production facility include:

- implementation of technological and other measures and interventions in the production/working process that result in a reduction of energy consumption and contribute to the energy efficiency of the process
- installation of smart meters and devices for more detailed monitoring of energy consumption
- installation of new systems to produce electricity from solar energy
- replacement of the existing floating dredger with a new one and installation of a system of mobile conveyors instead of the current transport by freight vehicles.

The implementation of the project and measures will save the energy supply to the project unit of 659 838,97 kWh, i.e. 65,22 % of CO_2 emissions amounting to 192.17 t/y. The implementation of measures for the use of renewable energy sources will result in an increased amount of renewable energy and gross final consumption of the project unit by 112 113,23 kWh. The total value of the project is EUR 4 130 373,91, i.e. 36 % is financed by the EU Recovery and Resilience Mechanism.

CAPTURE AND STORAGE OF CARBON DIOXIDE

CLIMATE NEUTRAL CEMENT PRODUCTION IN CEMENT FACTORY NEXE IN NAŠICE

The construction materials industry is reaching its limits in terms of reducing CO_2 emissions generated in production, which is why it is crucial to implement new solutions to achieve climate neutrality. Carbon capture and storage (CCS) is a key technology for the decarbonization of cement production, as the sector faces unavoidable process emissions.

These unavoidable process emissions result from the limestone decarbonation process and amount to 60-65 % of the total CO_2 emissions in cement production.

Carbon dioxide capture and storage is a process in which carbon dioxide is extracted from the flue gases of large stationary industrial sources, and then compressed, transported and pressed into deep geological formations with the aim of its permanent storage. This prevents CO_2 emissions from reaching the atmosphere. By capturing and storing CO_2, the concentration of CO_2 in the atmosphere is reduced, which contributes to the stabilization of the climate.

In 2022, NEXE d.d. started the development of the CO_2NTESSA project, which involves the modification of the clinker production process based on the second generation Polysius PureOxyfuel technology developed by the thyssenkrupp group. It is currently the most economical long-term solution for the complete elimination of CO_2 emissions in cement production. The CO_2NTESSA project will enable the capture of more than 700 000 tons of CO_2 per year, thus bringing cement production closer to zero emissions. The technology that would be implemented in the plant focuses on capturing CO_2 at the source, unlike most other technologies that act only at the end of the production process. The innovativeness of the project enables greater cost efficiency of the process compared to other CO_2 capture technologies, ensuring the long-term competitiveness of cement products in the Republic of Croatia and abroad. The project is a leader in the scope of the industrial application of the mentioned technology and is one of the few in the EU that has an effective solution for the disposal of captured CO_2 through a transport pipeline to the location of Bockovac-1, where CO_2 will be permanently injected into the saline aquifer.

The geologically very suitable onshore storage location Bockovac-1 is only 38 km away from the cement plant, which enables energy and cost-effective injection of captured CO_2. The project CO_2NTESSA would make NEXE d.d. the first user of the carbon dioxide transport and storage infrastructure that the Republic of Croatia is developing as part of the GT CCS project. The GT CCS project has been included in the EU list of projects of common interest (PCI), with the potential to become a regional hub for CO_2 storage, which will make the CO_2NTESSA project an important milestone in the development of carbon capture and storage in Croatia and beyond. The successful implementation of the CO_2NTESSA project would enable NEXE d.d. to become one of the first negative CO_2 emitters in the EU due to the use of substitute fuels with a biogenic component.

Carbon capture technologies in cement production require huge investments, making high costs the main barrier to widespread adoption of carbon capture solutions, so public funding is essential to achieve energy and climate goals in the cement industry. The total cost of the investment in the CO_2NTESSA project will be EUR 400 million, which makes it one of the largest planned investments in the industry in Croatia. NEXE d.d. applied the CO_2NTESSA project to the third large-scale call of the EU Innovation Fund funding in March 2023 (Innovation Fund Large-Scale Projects – General Decarbonization). The project was granted technical assistance for further development (PDA – Project Development Assistance) by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), and in September 2023 it was included in the List of strategic investment projects of the Republic of Croatia. The CO_2NTESSA project has already received broad support at the local and EU level with major industry stakeholders. With the aforementioned project, NEXE d.d. continues the green transition and ultimately creates the prerequisites for the production of CO_2 neutral cement.

GOALS

In order to transition to climate neutral operations, NEXE Group aligns with EU policies and recommendations at the level of construction materials production sector and sets goals and defines measures for their achievement accordingly. The plan for achieving climate neutrality is based on scientific research and guidelines to stay within 1,5 °C increase limit. In 2023, emission reduction and energy consumption goals were set at the level of member company NEXE d.d. for cement activity, given that this is the most carbon intensive production. In the next period, the goals will be developed for other activities, i.e. other member companies of NEXE Group as well.

The most energy-intensive member company of NEXE Group, NEXE d.d., has strategically committed to achieving net zero emissions by 2030 and reducing CO_2 emissions by 9 % until 2026 compared to 2022. This goal will be pursued by increasing the share of renewable energy sources and alternative fuels and raw materials and by increasing energy efficiency of the plant and processes. By 2029, a modification of the clinker production process (CO_2NTESSA project) is planned, which will remove the remaining emissions from scope 1, which due to the nature of the process cannot be reduced, thus making the production carbon neutral.

Base year for goals of NEXE d.d. is 2022, and base values* are:

- Scope 1: 658 964 t CO_2,
- Scope 2: 0 t CO_2.

The goals of reducing CO_2 emissions are in line with limiting the growth of the average global temperature to less than 1,5 °C, according to which the economy should achieve carbon neutrality by 2050. NEXE d.d. plans to achieve carbon neutral operations by 2030. The goals were determined with regard to the legal regulations and the strategy of decarbonization of the EU economy. The starting point of EU policy for the path towards a low-carbon economy is the reduction of greenhouse gas emissions by 80-95 % by 2050, defined through the document A Roadmap for moving to a competitive low-carbon economy by 2050 – carbon economy in 2050.

The assumption on which the fundamental goals of CO_2 reduction are based is the development and implementation of the CO_2NTESSA project, which will enable the complete removal of emissions from scope 1. NEXE will achieve CO_2 neutrality by 2029 through the implementation of the CO_2NTESSA project.

Goals of NEXE d.d. emissions until 2030 in scope 1 and 2

- Scope 1: app 0 t CO_2e. In 2030, all emissions generated in Scope 1 on outlet will be captured through the CO_2NTESSA system and transported and stored in saline aquifer Bockovac-1. Therefore, there will be no emissions released into the atmosphere from the production process.
- Scope 2: 0 t CO_2e. In 2030, there will be no emissions from electric energy consumption because energy will be obtained from renewable sources, for which NEXE d.d. has the HEP ZelEn certificate.
- Scope 3: NEXE d.d. is currently in the process of establishing a system for monitoring emissions from Scope 3, and targets for reducing emissions will be established in future reporting periods.

Limitations of scope 1,2 and 3 are defined according to standards of GHG protocols.

* Base values refer to NEXE d.d., which differs from the Sustainability Report for 2022, where the values for NEXE Group are presented.

GOALS TO REDUCE CO_2 EMISSIONS FOR THE COMPANY NEXE d.d.

	Base year (2022)	Reduction potential until 2030* (t/year)	goal 2030
GHG emissions (tCO_2e)	658 964 tCO_2e	/	0
Energy efficiency and use of renewable sources of energy		Up to 2000	
Substitution of fossil fuels by using alternative ones		Up to 55 000	
Use of alternative raw materials		Up to 10 000	
Development of new generations of existing products with reduced CO_2 emission		Up to 25 000	
Implementation of CCS technologies			App 0 t CO_2e emissions**

* The maximum design values are given.

** Related to the expected BECCS, because we will have negative CO_2 emissions with it

CONSUMPTION OF ENERGY AND CARBON FOOTPRINT

In 2023, the total energy consumption in NEXE Group amounted to 1 265 077 MWh, which is a decrease of 8,53 % compared to the previous year, while energy consumption from non-renewable sources decreased compared to 2022 by 8,97 %. In 2023, the share of energy from renewable sources in total consumption was 11,4 %, which is an increase of 5,74 % compared to 2022.

ENERGY MIX

		2021	2022	2023
(1) Consumption of energy from coal and coal products	MWh	292 100	298 018	271 322
(2) Consumption of energy from crude oil and oil products	MWh	247 039	254 426	153 942
(3) Consumption of energy from natural gas	MWh	374 775	392 413	365 253
(4) Consumption of energy from other non-renewable sources	MWh	261 174	266 177	295 253
(5) Consumption from nuclear sources	MWh	0	0	0
(6) Consumption of purchased or acquired electricity, heat, steam and cooling from non-renewable sources	MWh	145 914	35 722	35 045
(7) Total consumption of non-renewable energy	**MWh**	**1 321 002**	**1 246 756**	**1 120 815**
Share of non-renewable sources in total energy consumption	**%**	**98,35 %**	**90,14 %**	**88,6 %**
(8) Consumption of energy from renewable sources (including biomass, biogas, waste from non-fossil fuels, hydrogen from renewable sources, etc.)	MWh	0	0	21 512
(9) Consumption of purchased or acquired electricity, heat, steam or cooling from renewable sources	MWh	22 128	135 329	120 951
(10) Consumption of self-produced renewable energy without fuel	MWh	0	1103	1799
(11) Total consumption of renewable energy	**MWh**	**22 128**	**136 433**	**144 262**
Share of renewable sources in total energy consumption	**%**	**1,65 %**	**9,86 %**	**11,4 %**
Total energy consumption	**MWh**	**1 343 130**	**1 383 188**	**1 265 077**

Natural gas is the most represented non-renewable energy source in the energy mix with 32,59 %, followed by other fossil sources, i.e. alternative fuels with 26,34 %, whose share in the total energy mix has increased and is now greater than the share of coal, which is with 24,21 % in the third place.

NEXE Group replaces part of the energy from fossil fuels with alternative fuels. In 2023, a total of 295 253 MWh of energy, or 26,34 %, was generated by using alternative fuels.

The largest energy consumer during 2023 in NEXE Group is cement production in NEXE d.d. accounting for 66,49 % of total energy consumption from non-renewable sources. It is followed by the production of roof tiles and brick in AD POLET IGK NOVI BEČEJ with 14,57 % of total energy consumption from non-renewable sources and the production of roof tiles and brick in Dilj d.o.o.

HEP ZELEN

Since 2022, member companies of NEXE Group NEXE d.d. and Dilj d.o.o. have started using electricity obtained solely from renewable sources, as confirmed by the HEP ZelEn certificate. The cancellation of a sufficient number of guarantees of origin of electricity in the register of guarantees of origin of electricity maintained by the Croatian Energy Market Operator (HROTE) proves that the electricity used by member companies of NEXE d.d. and Dilj d.o.o. is obtained exclusively from renewable sources.

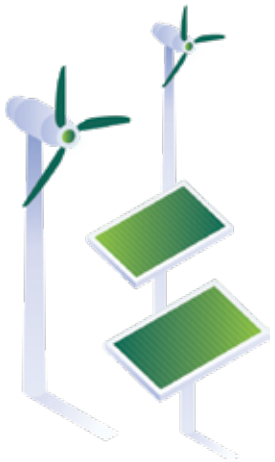
Supply of electricity with HEP ZelEn certificate

		2022	2023
HEP ZelEn electricity	MWh	135 329	120 029

ENERGY PRODUCTION

In 2022, NEXE Group started producing electricity from its own sources. In 2023, the total production amounted to 2054 MWh. This is the result of investment in the construction of solar power plants at NEXE Group locations, and the solar power plant of the Slavonka facility contributes the largest share to RES production. In the coming years, investments in own capacities for the production of electricity from renewable sources will continue, and further growth is expected.

		2021	2022	2023
Production from non-renewable energy	MWh	0	0	0
Production from renewable energy	MWh	0	1107	2054



ENERGY INTENSITY

In 2023, the energy intensity associated with activities in the sector with a large impact on the climate amounted to 0,0054 MWh per EUR 1 of net income. NEXE Group recorded a decrease in energy intensity compared to 2022, when energy intensity was 0,0060 MWh per EUR 1 of net income. In the mentioned period, revenues increased by 2,57 %, and energy intensity decreased by 10,8 %. The reduction in the energy intensity of operations is the result of investments in energy efficiency measures.

Income of member companies of NEXE Group in sectors with significant climate impact.

Income refers to member companies: NEXE d.d., Dilj d.o.o., IGMA d.o.o., EKONEX d.o.o., LUKA TRANZIT OSIJEK d.o.o., NEXE BETON d.o.o. Sarajevo, NEXE BETON DOO NOVI SAD, AD POLET IGK NOVI BEČEJ, POLET-KERAMIKA DOO NOVI BEČEJ and Tvornica opeke d.o.o. Sarajevo.

These are sales revenues within the scope of individual Audit reports that are publicly available. Changes in net income for 2021 and 2022 are the result of a change in data sources.

ENERGY INTENSITY BASED ON NET INCOME

		2021	2022	2023	% 2022/2023
Energy intensity (total consumption of energy per net income) connected with activities in sectors with significant climate impact	MWh/EUR	0,0073	0,0060	0,0054	–10,8 %
Net income from activities in sectors with significant climate impact	EUR	183 333 570	229 600 508	235 494 250	2,57 %

CARBON FOOTPRINT

Scope 1 includes emissions from the process of production and combustion of fuel, own vehicles and work machines.

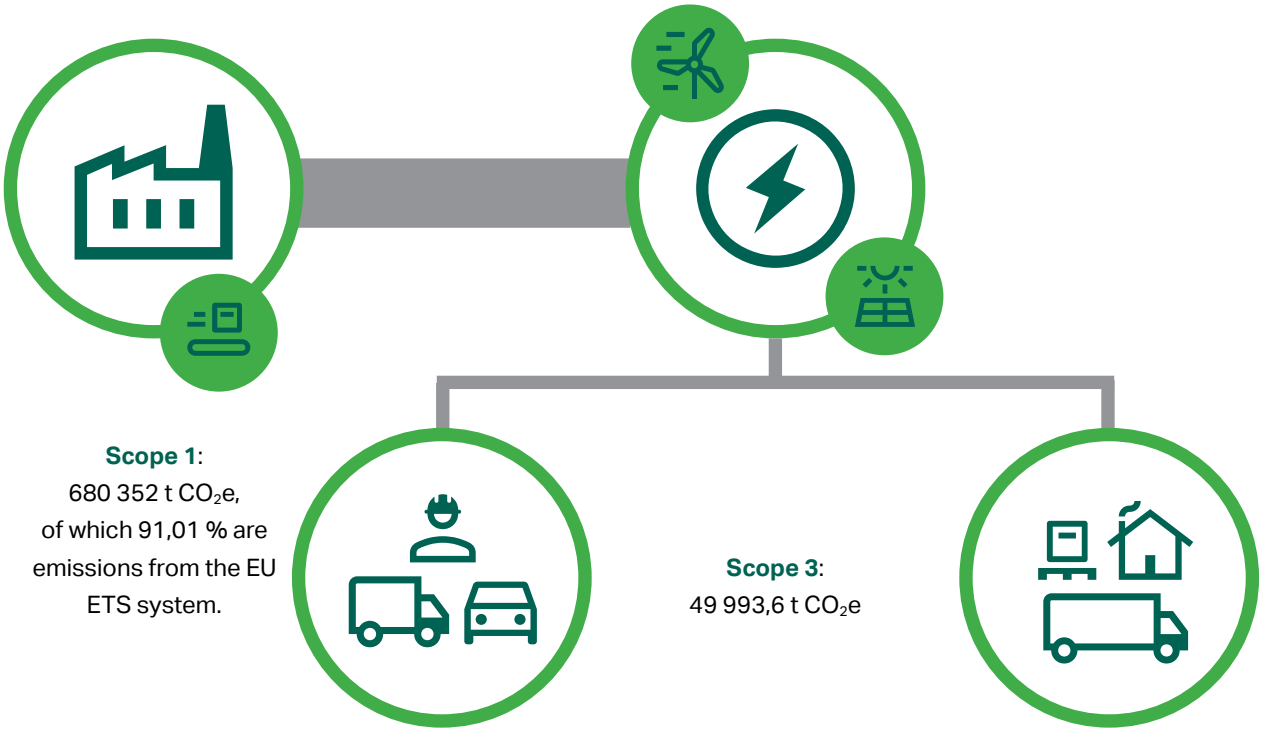
Scope 2 includes emissions resulting from the production of electricity from renewable and non-renewable energy sources.

In this reporting period, scope 2 emissions were recalculated for NEXE Group for the year 2022. The reason for the recalculation is the availability of emission factors for electricity for Bosnia and Herzegovina and Serbia. Emissions of scope 2 are therefore higher compared to the original calculation, because the emission factors of electricity for Bosnia and Herzegovina and Serbia are higher than originally used.

Scope 3 includes emissions from purchased products (category 1), emissions from fuel production (category 3), delivery of raw materials and energy sources and shipment of finished products (categories 4 and 9), waste generated in business (category 5) and employee's commute (category 6).

In this reporting period, scope 3 was expanded with two more categories and the existing categories were additionally developed, which is the cause of the increase in emissions in scope 3 compared to 2022.

Scope 2:
20 099 t CO_2e



Scope 1:
680 352 t CO_2e,
of which 91,01 % are emissions from the EU ETS system.

Scope 3:
49 993,6 t CO_2e

CARBON FOOTPRINT – NEXE GROUP

	GHG emissions [tCO_2e]			
	Base year (2022)	2022	2023	% 2022/2023
Greenhouse gas emissions from scope 1				
Gross greenhouse gas emissions from scope1 (tCO_2e)	757 915,0	757 915,0	680 351,6	–10,2
Percentage of greenhouse gas emissions from EU ETS (%)	87,11	87,11	91,0	4,5
Greenhouse gas emissions from scope 2				
Gross greenhouse gas emissions from scope 2 based on location (tCO_2e)	41 839,1	41 839,1	35 957,5	–14,1
Gross greenhouse gas emissions from scope 2 based on market (tCO_2e)	24 803,0	24 803,0	20 098,9	–19,0
Significant greenhouse gas emissions from scope 3				
Total gross indirect greenhouse gas emissions from scope 3 (tCO_2e)	**35 477,9**	**35 477,9**	**49 993,6**	**40,9**
1 purchased goods and services	1056,8	1056,8	1955,7	85,1
3 activities related to fuel and energy (not included in scope 1 or 2)	N/A	N/A	18 931,0	N/A
4 transport and distribution at higher level	10 969,5	10 969,5	7186,1	–34,5
5 waste generated during operations	N/A	N/A	202,7	N/A
7 employee's commutes	1149,5	1149,5	1429,2	24,3
9 transport at lower level	22 302,1	22 302,1	20 289,0	–9,0
Total emission of greenhouse gases				
Total emission of greenhouse gases (based on location) (tCO_2e)	**835 232,0**	**835 232,0**	**766 302,6**	**–8,3**
Total emission of greenhouse gases (based on market) (tCO_2e)	**818 195,9**	**818 195,9**	**750 445**	**–8,3**

Emissions based on location include total emissions without taking into account purchased certified renewable energy. Emissions based on the market are the actual total emissions attributed to NEXE Group, as certified energy from renewable sources is purchased for part of the purchased electricity.

CARBON FOOTPRINT – NEXE d.d.

	GHG emissions [tCO_2e]			
	Base year (2022)	2022	2023	% 2022/2023
Greenhouse gas emissions from scope 1				
Gross greenhouse gas emissions from scope 1 (tCO_2e)	658 964,3	658 964,3	601 721,9	–8,7
Percentage of greenhouse gas emissions from EU ETS (%)	99,59 %	99,59 %	99,49	–0,1
Greenhouse gas emissions from scope 2				
Gross greenhouse gas emissions from scope 2 based on location (tCO_2e)	17 728,1	17 728,1	14 011,6	–21
Gross greenhouse gas emissions from scope 2 based on market (tCO_2e)	0	0	0	0
Significant greenhouse gas emissions from scope 3				
Total gross indirect greenhouse gas emissions from scope 3 (tCO_2e)	**21 826,0**	**21 826,0**	**31 532,1**	**44,5**
1 Purchased goods and services	1056,8	1056,8	1923,9	N/A
3 Activities related to fuel and energy (that are not included in scope 1 or 2)	N/A	N/A	10 965,2	N/A
4 Transport and distribution at higher level	8313,5	8313,5	5967,0	–28,2
5 Waste generated during operations	N/A	N/A	32,3	N/A
7 Employee's commute	476,1	476,1	562,5	18,1
9 Transport at lower level	11 979,6	11 979,6	12 081,4	0,8
Total greenhouse gas emissions				
Total greenhouse gas emissions (based on location) (tCO_2e)	**698 518,4**	**698 518,4**	**647 265,6**	**–7,3 %**
Total greenhouse gas emissions (based on market) (tCO_2e)	**680 790,3**	**680 790,3**	**633 254,0**	**–7,0**

Cement production in NEXE d.d. has the most significant share of the carbon footprint of NEXE Group, which is why the emissions are shown separately. For NEXE d.d. a climate transition plan was adopted, which set emission reduction targets in scopes 1 and 2 and established planned decarbonization measures.

Activity/member company of Group		Total t CO_2/year		
		2021	2022	2023
Cement and concrete production				
NEXE d.d.				
	Scope 1	637 262	658 964	601 722
	Scope 2	16 702	0	0
	Scope 3	18 854	21 826	31 532
Concrete production				
NEXE BETON DOO NOVI SAD				
	Scope 1	556	639	6
	Scope 2	123	123	181
	Scope 3	1 143	1 560	1 015
NEXE BETON d.o.o. Sarajevo				
	Scope 1	410	319	295
	Scope 2	112	103	89
	Scope 3	313	293	248
Brick and roof tile production				
Dilj d.o.o.Vinkovci				
	Scope 1	24 470	25 573	21 111
	Scope 2	8 831	0	0
	Scope 3	1 472	1 285	4 629
Tvornica opeke d.o.o. Sarajevo				
	Scope 1	10 657	11 472	10 619
	Scope 2	4 280	4 730	4 036
	Scope 3	551	512	1 088
AD POLET IGK NOVI BEČEJ				
	Scope 1	45 808	45 355	36 903
	Scope 2	14 995	14 971	12 632
	Scope 3	2 485	1 980	4 349
Polet-keramika d.o.o. Novi Bečej				
	Scope 1	13 294	14 127	8 110
	Scope 2	4 024	4 184	2 632
	Scope 3	1 043	1 287	1 708
Gravel and sand extraction				
IGMA d.o.o. Koprivnica				
	Scope 1	1 462	1 413	1 184
	Scope 2	684	692	498
	Scope 3	6 829	6 811	5 253

Activity/member company of Group		Total t CO_2/year		
		2021	2022	2023
Port and warehouse activities				
LUKA TRANZIT OSIJEK d.o.o.				
	Scope 1	9	9	364
	Scope 2	0	0	31
	Scope 3	80	62	157
Other activities				
EKONEX d.o.o.				
	Scope 1	33	28	38
	Scope 2	0	0	0
	Scope 3	3	10	14
N-INVEST d.o.o. Sarajevo				
	Scope 1	0	0	0
	Scope 2	0	0	0
	Scope 3	0	0	0
NEXE d.o.o Sarajevo				
	Scope 1	0	0	0
	Scope 2	0	0	0
	Scope 3	0	0	0
NEXE INVEST d.o.o., Našice				
	Scope 1	0	0	0
	Scope 2	0	0	0
	Scope 3	0	0	0
CE-MA d.o.o. Našice				
	Scope 1	0	0	0
	Scope 2	0	0	0
	Scope 3	1	1	1
NEXE GRADNJA d.o.o., Našice				
	Scope 1	16	15	0
	Scope 2	0	0	0
	Scope 3	33	36	0
		2021	2022	2023
TOTAL	Scope 1	733 976	757 915	680 352
	Scope 2	49 751	24 803	20 099
	Scope 3	32 807	35 664	49 994

GHG INTENSITY

In 2023, GHG intensity of NEXE Group amounted to 0,0032 t CO_2e per 1 EUR of net income. NEXE Group recorded a decrease by 10,6 % of GHG intensity compared to 2022 when GHG intensity amounted to 0,0036 t CO_2e per 1 EUR of net income and by 28,89 % compared to 2021 when intensity amounted to 0,0045 t CO_2e per 1 EUR of net income. Decrease of GHG intensity is a result of increased income and decrease in total CO_2 emissions by increasing the use of biogenic materials and purchase of electricity exclusively from renewable sources.

GHG-INTENSITY BASED ON NET INCOME

NEXE Grupa	2021	2022	2023	% 2022/2023
Total GHG emissions (tCO_2e)	816 534	818 383	750 445	–8,30
Net income * from activities in sectors with big climate impact	183 333 570	229 600 508	235 494 250	2,57
GHG-intensity (tCO_2e/eur)	0,0045	0,0036	0,0032	–10,6

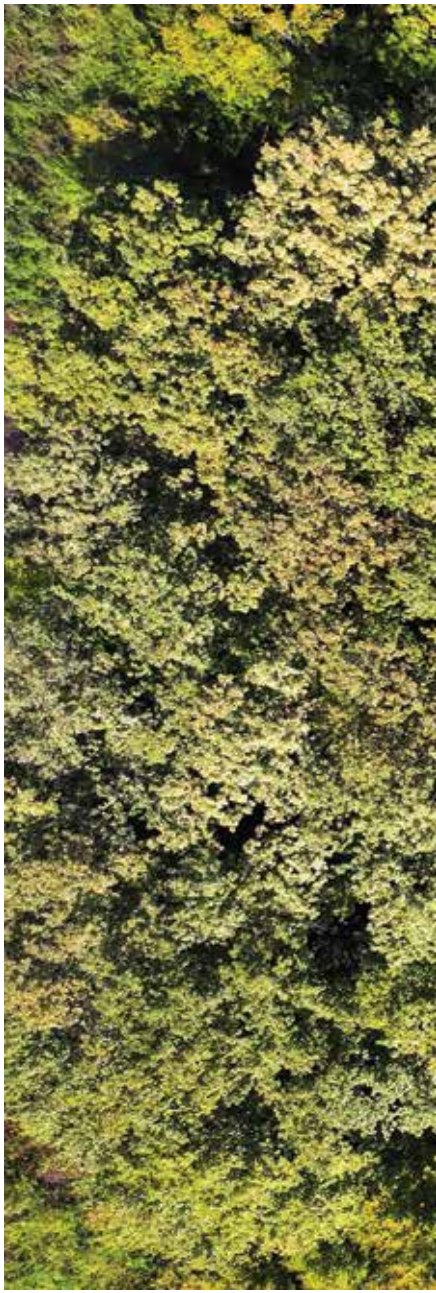
METHODOLOGY OF DATA COLLECTION AND CALCULATION OF INDICATORS

Responsible individuals in member companies of NEXE Group, who are also members of the sustainability reporting team, collect data on energy consumption and document it in prescribed format. Data and indicators on energy consumption and greenhouse gas emissions are continuously collected, calculated and monitored in accordance with legal requirements, ISO standard 50001:2018 and EU ETS system. Greenhouse gas emissions are calculated according to the methodology prescribed by the Greenhouse Gas Protocol and EU ETS rules. Data refer to following member companies: NEXE d.d., Dilj d.o.o., IGMA d.o.o., EKONEX d.o.o., LUKA TRANZIT OSIJEK d.o.o., NEXE BETON d.o.o. Sarajevo, NEXE BETON DOO NOVI SAD, AD POLET IGK NOVI BEČEJ, POLET-KERAMIKA DOO NOVI BEČEJ and Tvornica opeke d.o.o. Sarajevo.

*income of member companies of NEXE Group in sectors with big climate impact. Income refers to member companies: NEXE d.d., Dilj d.o.o., IGMA d.o.o., EKONEX d.o.o., LUKA TRANZIT OSIJEK d.o.o., NEXE BETON d.o.o. Sarajevo, NEXE BETON DOO NOVI SAD, AD POLET IGK NOVI BEČEJ, POLET-KERAMIKA DOO NOVI BEČEJ and Tvornica opeke d.o.o. Sarajevo. These are sales revenues within the scope of individual Audit reports that are publicly available. Changes in net income for 2021 and 2022 are the result of a change in data sources.

2.3.

AIR AND WATER EMISSIONS



MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

Emissions of pollutants into the air

The main impact on the environment from the activities of the NEXE Group's business system is the emission of pollutants into the air, partly due to nature of the processes and high process temperatures, and partly due to powder components in the production process. Emissions into the air occur at the locations of production plants due to the performance of production activities, and are related to the production processes of cement, tiles, bricks, ceramics (until September 15, 2023), concrete and during the exploitation of raw materials. Emissions into the air that occur at the outlet of the rotary kiln and other outlets of dedusters and boiler rooms are: sulfur oxides (SO_X), nitrogen oxides (NO_X), total organic carbon (TOC), hydrogen chloride (HCl), hydrogen fluoride (HF), ammonia (NH_3), dioxins, furans and heavy metals, particulate matter (PM_{10}, $PM_{2.5}$) and non-methane volatile organic compounds (NMVOC). NEXE Group continuously improves processes by installing new and efficient devices and by applying new technological solutions that achieve results of air emissions lower than those allowed by law.

Emissions of pollutants into water

The production of construction materials can have a potentially negative impact on water resources if water is not managed responsibly. Water is categorized into: technological (for washing machines), cooling (cools the gases before they go to the furnace deduster and equipment), precipitation and sanitary. Pollutants (nitrogen, phosphorus, phenols, nickel and their compounds, lead and compounds, cadmium, copper, zinc, chromium, cobalt) can get into wastewater. To prevent water pollution before discharge of wastewater into waterways or public drainage systems, wastewater treatment and regular control at the discharge points are carried out in accordance with the requirements of the environmental and water law permit. In member companies AD Polet, NEXE BETON DOO NOVI SAD at locations Batajnica and Ostružnica, LUKA TRANZIT OSIJEK d.o.o., Dilj d.o.o. plant Našice and IGMA d.o.o. the water is discharged into a natural recipient.

RISKS RELATED TO POLLUTION

Loss of support of local community – if NEXE Group fails to responsibly manage its impacts on the environment, it could lose the support of the local community and jeopardize its reputation on the market.

Penalties – exceeding the limit values of emissions of polluting substances into the environment prescribed by law can result in significant fines, which would affect the success of the business.

Increased business costs – in case of extraordinary events of environmental pollution, there may be increased costs due to remediation of the negative impact.

POLICY

The approach to the management of negative impacts on the environment was determined by the NEXE Group's policies: the Quality Policy at the NEXE Group level and the Energy, Environmental Protection and Health and Safety Policy at the NEXE d.d. level.

With the policies, NEXE Group undertakes to permanently align its activities with the applicable legislation and other commitments in the field of environmental protection, and to constantly improve its management systems and processes that affect the environment. NEXE Group undertakes to use and procure modern and energy-efficient, organizational, technical and technological solutions aligned with the best available techniques, to constantly monitor, prevent and reduce emissions of pollutants into the air, water and soil, waste production and rational consumption of natural resources.

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NEXE Group strives to encourage the development of awareness of energy consumption and environmental protection among its employees and external suppliers of goods and services, and to be a responsible and acceptable neighbor to the local community, open in communication with interested parties regarding its environmental impact and environmental indicators. As part of the documentation of the management system, procedures are prescribed for controlling and preventing air and water pollution, operation of devices for exhaust gas dust removal and wastewater treatment, and monitoring of air and water emissions.

Companies NEXE d.d., Dilj d.o.o. and Tvornica opeke d.o.o. Sarajevo are obliged to obtain an Environmental Permit. The Environmental Permit itself prescribes the method and dynamics of individual measurements, the evaluation of results and the obligation to monitor them and report them to the competent authorities. Measurement dynamics and emission limit values may thus be different from those prescribed in current legislation.

In order for a company to obtain an Environmental Permit, with regard to its activity, it must prove that it applies the best available techniques. According to the Environmental Protection Act, the best available techniques are the most advanced stage in the development of activities and their working methods, which shows the practical applicability of certain techniques as a basis for emission limit values and other permit conditions that are designed to prevent and, where this is not feasible, reduce emissions and impact on the environment as a whole.

The main goals of the policy are to prevent environmental pollution by limiting the emissions of pollutants within the limits prescribed by the environmental permit and the law, and to apply the currently best available techniques. The implementation of the policy is the responsibility of the production sectors and the persons responsible for the environmental protection process in the member companies, while the Board is responsible for achieving the goals.

AIR EMISSION MANAGEMENT MEASURES

During the last decades, industrial air pollutant emissions in the European construction materials sector have significantly decreased. This was achieved precisely by applying the best available techniques such as modern dust filtering devices (bag dust collectors), closed systems for storage, transport and dosing of raw materials and fuel, online emission analyzers and optimization of process management, selective non-catalytic reduction (SNCR) to reduce emissions NO_X and a system for reducing SO_2 emissions – dry desulphurization. Member companies of NEXE Group have implemented the aforementioned solutions that enable low emissions of pollutants into the air.

MEASURES TO REDUCE EMISSIONS OF TOTAL POWDERY SUBSTANCES

In the cement industry, dust control is important for the health and safety of workers as well as for the local community and for protection of the ecosystem, that can also be negatively impacted by dust. NEXE Group consistently implements measures that prevent air pollution with dust.

1. **Dust collection systems**: bag filters are installed at emission points in factories that capture dust particles preventing their release into the atmosphere.

2. **Regular maintenance and cleaning**: one of the simplest methods of preventing dust emissions is regular cleaning of machines and plants, which removes accumulated dust and prevents it from rising into the air.

3. **Proper management of warehouses**: storage of raw materials or energy can result in dust if the warehouses are not properly secured. Procedures have been set up in the organization to ensure that warehouses are well secured with the aim of preventing dust emissions.

4. **Monitoring of emissions**: dust emissions are continuously monitored at the discharge of the rotary kiln in NEXE d.d. and periodically in accordance with the requirements of the environmental permit and legal requirements at other discharges, and in case of unusually high values, monitoring is carried out by the operator and corrective measures are implemented.

MEASURES TO REDUCE POLLUTANT GASES

In NEXE d.d. various measures are applied to reduce sulfur dioxide (SO_2) emissions and nitrogen oxides (NO_X), which are harmful to the environment and human health.

1. **Use of low-sulfur fuels**: By replacing traditional high-sulfur fuels, such as coal and petroleum coke, with low-sulfur fuels, such as alternative fuels and natural gas, SO_2 emissions are reduced. Low-sulfur fuels have a naturally lower sulfur content, which results in lower SO_2 emissions

2. **Flue gas desulfurization** in the cement industry is based on adopting existing technologies from other industries. In NEXE d.d. a dry process was applied in which hydrated lime is used as a reagent.

3. **Application of certain primary measures to reduce emissions of nitrogen oxides**: flame cooling, low NO_X burner, optimized automatic controlled process.

4. **Selective non-catalytic reduction (SNCR)** for NO_X emission reduction: involves injecting a 25 % amonia solution at predetermined locations within precalciner heat exchanger. Upon its injection and mixing with hot flue gases, a chemical reaction occurs between nitrogen oxides (of which nearly 95 % are NO_X oxides) and ammonia molecules, resulting in nitrogen and water vapor.

5. **Combustion optimization**: Proper control of the combustion process in the furnace can reduce the formation of NO_X. Examples of measures include adjustment of combustion parameters, optimization of air flow, proper fuel distribution and use of combustion air preheating systems.

6. **Monitoring and control of the process**: an automatic measuring device at the discharge of the rotary kiln continuously monitors the emissions of pollutants into the air, which enables a quick reaction in case of high values at other discharges in the plant.

INTERNAL MONITORING OF POLLUTANT EMISSIONS INTO THE AIR

The internal monitoring system enables constant monitoring of air emissions, pollution control and enables the implementation of operational measures to ensure compliance with air quality regulations.

Unlike other facilities where emissions monitoring and testing dynamics are primarily conducted according to legal obligations, for holders of Environmental Permits, the method and dynamics of individual measurements, result evaluation, monitoring obligations, and reporting to authorities are prescribed directly in the Environmental Permit itself. Consequently, the monitoring dynamics and emission limit values may differ from those specified in the applicable legislation.

In accordance with the legal requirements for monitoring the emission of pollutants from stationary sources, NEXE d.d. is the only member company of NEXE Group, obligated to continuously measure emissions of pollutants into the air from the smokestack of the rotary kiln. This is done using an automatic measuring system that ensures data on the concentration and emitted mass flow rate of pollutants in the waste gas during continuous operation of the stationary source, as well as data on the parameters of the waste gas (temperature, pressure, humidity, and others). The automatic measurement system for the continuous measurement of pollutant emissions includes: measuring instruments, recording and storage of all measurement results, relevant values of parameters of the state of waste gases and parameters of the mode of operation of a stationary source, evaluation of measurement results, i.e. values of established emission quantities and values of parameters of the state of waste gases, daily, monthly and annual reporting and continuous transmission to the information system on emissions monitoring managed by the competent Ministry of Economy and Sustainable Development.

Calibration and regular annual control of the automatic measuring system for continuous measurement is performed using prescribed reference measurement methods in accordance with HRN EN 14181. A report has been prepared on the results of calibration and regular annual verification of the measurement system. Continuous measurements of total particulate matter SO_2, NO_2, TOC, HCl, HF and NH_3 are carried out at the rotary kiln outlet, and occasional measurements of dioxins and furans, heavy metals, and mercury are also carried out.

On other outlets and in other member companies of NEXE Group, occasional monitoring of emissions of particulate matter and other gases is conducted according to their respective activities. Measurements of pollutants emission into the air are also carried out at outlets of the boiler rooms. Companies and locations that are not covered by the environmental permit monitor emissions of pollutants into the air in accordance with national legislation. All measurements are in accordance with legal requirements and are carried out by authorized testing laboratories.

AIR QUALITY MONITORING STATION IN ZOLJAN

Immissions are substances measured in a particular area, enabling the assessment of air quality. In order to enable the local community to monitor the impact of cement production on air quality in their town, NEXE d.d. established an air quality monitoring station in Zoljan in 2004. This decision was the result of an environmental impact assessment conducted for the transition from gas to coal at the NEXE d.d. clinker production plant. Since then, data from the station has been collected and verified according to legal and norm requirements referring to air quality monitoring, and air categorization is performed.

The exact location of the measuring station is determined by the Decision of the Ministry responsible for environment protection and based on the Environmental Impact Study, taking into account the wind rose at the factory premises. The station is macro-located between NEXE d.d. plant and Našice, 2200 m north of the plant at a slightly higher altitude in the direction of the predominant air flow and 6 km southeast of the city of Našice. In regards to micro-location the air flow is secured, as well as secure electrical and information infrastructure that enables its continuous operation. The station is positioned in a way that it provides data on the highest concentrations of pollutants to which the population is likely to be exposed, directly or indirectly, during a period significant in relation to the averaging time of the limit values.

Continuous measurements of sulfur dioxide (SO_2), nitrogen dioxide (NO_2), and concentrations of particulate matter with an aerodynamic diameter <10μm (PM_{10}) are carried out at the automatic air quality monitoring station. Additionally, measurements are conducted to determine the quantity of total suspended particles (TSP) in the air and analyses of heavy metals in those particles. These measurements are performed according to accredited testing methods by external testing air quality monitoring laboratories: NZZJZ Andrija Štampar (TSP and heavy metals) and Ekonerg d.o.o. (gases and PM_{10}). Since the establishment of the monitoring station until today, the data from the Zoljan monitoring station have indicated Category I air quality in Našice. Monitoring of TSP and heavy metals is carried out in concrete plant Osijek, IGMA d.o.o. and Dilj d.o.o. (Našice plant).

MEASURES TO REDUCE NEGATIVE IMPACT ON WATER

DRAINAGE AND WATER TREATMENT SYSTEM

In accordance with the Environmental Permit and elaborated Rulebook on the Operation and Maintenance of Facilities and Devices in Function of Preventing Water Pollution, NEXE d.d. has developed a drainage, treatment, and water quality monitoring system for wastewater.

The drainage system of NEXE d.d. factory consists of rainwater, contaminated rainwater, and sanitary drainage. Industrial wastewater does not originate from the technological process itself at NEXE d.d. factory because the water intended for cooling the technological process is used in a closed recirculation system. Rainwater at the NEXE d.d. site is generated from rainfall and the melting of snow and ice from pavements, roof surfaces, surface mining areas for mineral extraction, and green areas within the factory premises and waste dumps. Contaminated rainwater, or rainwater-process water at NEXE d.d. factory, refers to water that is collected from washing facilities, trucks, machinery, and vehicles, as well as water from contaminated, traffic and handling areas.

WASTEWATER DRAINAGE AT NEXE d.d. IS CARRIED OUT THROUGH:

- Separate drainage system of buried pipes for sanitary water
- Separate drainage system of buried pipes for combined drainage of rainwater
- Separate drainage system comprising partially open earth excavations (channels) and partially buried pipes for rainwater drainage.

WASTEWATER TREATMENT AT NEXE d.d. IS CARRIED OUT THROUGH THE FOLLOWING PROCESSES:

- Primary treatment, including the use of oil and grease separators, grease traps, sedimentation tanks, which are used to remove solid waste of larger dimensions, such as coal, sand, gravel, and similar substances, as well as the separation of fats and oils from water. It also involves the use of sand filters for removing oils and lubricants, emulsions, oil-water mixtures, greases from grease traps, and degreaser-water mixtures

- Secondary treatment involves the biological degradation of organic matter using BIO-DISK type purifiers.

DRAINAGE AND WATER TREATMENT IN OTHER MEMBER COMPANIES OF NEXE GROUP:

Rainwater is drained into a water collection channel and oil and oil derivatives are removed in the grease/oil separator if they are present in the water. At the exit from the separation, a settling tank is used, after which the water is discharged into the sewer or a natural recipient.

INTERNAL MONITORING AND MAINTENANCE MEASURES OF FACILITIES AND DEVICES IN THE FUNCTION OF PROTECTING WATER FROM POLLUTION

Drainage systems are regularly maintained and monitored in every NEXE Group company with the aim of promptly detecting any discharged pollutants into the water. Before discharging, in line with obligations, wastewater and rainwater are treated using appropriate physical processes. At the Tajnovac 1 site (cement production), sanitary wastewater is treated in a biological treatment plant before being discharged into waterflows. Regular inspections are conducted at discharge points to monitor emissions of pollutants in accordance with Environmental Permit and Water Permits.

In NEXE d.d. waterproofing tests were carried out on various facilities, including separators, grease traps, coal clarifiers, sand filters and the BIO Module. All facilities met the standards HRN EN 1508:2007 and Rules for the accreditation of water supply and drainage system testing HAA-Pr-2/12. With the aim of improving waterproofing, works on the rehabilitation of the drainage system in NEXE d.d. were contracted, with the replacement of the rainwater and fecal sewage pipelines with a total length of 434 meters in the period from 2022 to 2024. By the end of 2023, a total of 103,18 m of rainwater sewers and 103,18 m of fecal sewers were completed and located, in which EUR 70 978,05 was invested. The waterproofing test of the drainage system was carried out in November 2023 in all three plants of the member companies Dilj d.o.o. (Plant 1, Slavonka Plant and Našice Plant) using the "V" method according to HRN EN 1610:2015.

Monitoring of wastewater from the cement factory according to the requirements of the environmental permit is carried out four times a year for sanitary and technological use and twice a year for rainwater and discharge into the Jelav stream. Wastewater analyzes of Sesvete Concrete plant are carried out twice a year. All analyses are carried out by authorized laboratories.

PROCEDURE IN CASE OF AN EMERGENCY EVENT AT NEXE d.d.

Due to the presence of hazardous substances at the cement production site in NEXE d.d., a documented procedure for handling emergency events has been developed and implemented. In other members of NEXE Group, there are no hazardous substances, so they are not required to develop the mentioned planning documents. However, in other members of NEXE Group, the development of an Evacuation and Rescue Plan is mandatory.

Documents PL.B-4.1-01 Operational Plan for Protection and Rescue, PL.B-4.1-02 Plan and Program of Measures in Case of Emergency Events – Ionizing Radiation Area, and DP. B-4.1-12 Management of Emergency Situations in NEXE d.d. outline the prevention measures, procedures in case of emergency situations, and methods for mitigating potential negative environmental impacts in case they occur. The adequacy of these documents and the readiness of all personnel designated to participate in such situations are periodically verified through simulated emergency events, and additional training is conducted as needed, with necessary updates or modifications to the documents.

According to the Regulation on the Prevention of Major Accidents Involving Hazardous Substances (OG 44/14, 31/17, 45/17), NEXE d.d. falls into the lower class of facilities where hazardous substances are present in small quantities and must have an established Major Accident Prevention Policy. This policy is part of an integrated management system in which all hazards related to the handling and storage of hazardous substances are recognized, identified, and analyzed. All measures are taken to prevent major accidents that could endanger the lives and health of employees and suppliers, the environment, material assets, and the company's operations.

The mentioned Regulation prescribes the information which the operator is obliged to provide to the public in case of a major accident hazard. The Major Accident Prevention Policy and Public Information on the Safety Management System in NEXE d.d. are available on the NEXE Group's website.

For entities holding environmental and water permits, the mandatory requirement includes the preparation of an operational plan of measures in the event of extraordinary and sudden water pollution.

GOALS AND INDICATORS

AIR POLLUTION

Limit values of air emissions are prescribed by the legal regulation governing the area of air protection and by the Environmental Permit for those obliged to obtain it. The continuous goal of NEXE Group is to achieve values lower than the prescribed limit values of pollutant emissions and to reduce pollutant emissions into the air by applying the best available techniques. The goal is to maintain the highest category I air quality in the vicinity of the NEXE Group plant.

At the measuring station Zoljan, in the reporting period, the number of overruns of hourly and daily concentration limits for pollutants (PM_{10}, NO_X and SO_2) that are monitored, was lower than allowed in the calendar year, and the average annual concentration for the pollutant PM_{10} was lower than the limit values. Also, the results of measuring the amount of total precipitable matter (TPM) and the analysis of heavy metals in it showed that the determined concentrations of heavy metals (lead, cadmium, arsenic, nickel, mercury, and thallium) were below the limit values of emissions prescribed by legislation and the Environmental Permit. Data from the measuring station Zoljan show the first category of air quality in Našice.

Air quality monitoring based on the total precipitable matter and heavy metals is also carried out in concrete plant Osijek, the Dilj's facility in Našice and on locations of exploitation company IGMA d.o.o. According to the obtained results of measuring the total amount of precipitable matter and the amount of metal in it, the air in the environment for the mentioned locations in the test period during 2021, 2022 and 2023 was of the 1st quality category.

THE TOTAL EMISSIONS OF POLLUTANTS INTO THE AIR ARE LOWER COMPARED TO THE PREVIOUS PERIOD.

Emissions of pollutants into the air at the NEXE Group level

	2021 (t/year)	2022 (t/year)	2023 (t/year)
SO_2 (sulfur dioxide)	759,92	794,73	661,38
NO_X (nitrogen dioxide)	781,56	942,54	809,62
NMVOC (non-methane volatile organic compounds)	3,01	2,58	0,35
$PM_{2,5}$/PM_{10} /total particulate matter	40,87	43,94	37,77
NH_3 (ammonia)	42,49	48,23	45,14
Total heavy metals	0,18592	0,21846	0,21387

Air pollutant emissions were measured according to the frequency defined in the Environmental Permit or in accordance with legal requirements in all member companies. Measurements, apart from the continuous one, which has special legal requirements, are carried out on other discharges by an authorized testing laboratory that is accredited according to ISO 17025:2017 and for methods of measuring individual pollutants. In 2023, there were no air emission limit values exceeded for any pollutant.

WATER POLLUTION

Environmental and water permits dictate the prescribed limit values and permissible concentrations of hazardous and other substances in wastewater. The continuous goal of NEXE Group is to achieve values lower than the prescribed limit values in above documents.

In the reporting period, no inconsistencies with the limit values prescribed by the environmental and water permits were found.

Emissions of pollutants into water during reporting period

	2021 (t/year)	2022 (t/year)	2023 (t/year)
Total nitrogen	0,03094	0,07055	0
Total phosphorus	0,00505	0,00667	0,01350
Phenols	0	0,00008	0,00000
Nickel and compounds	0,00041	0,00136	0,00042
Lead and compounds	0,00083	0,00104	0,00049
Cadmium	0,00001	0,00003	0,00000
Copper	–	–	0,00055
Zinc	–	–	0,00106
Chromium	–	–	0,00041
Cobalt	–	–	0,04648

METHODOLOGY FOR DATA COLLECTION AND CALCULATION

Within NEXE Group, designated individuals responsible for environmental protection organize monitoring of pollutant emissions into air and water. At the points of discharge, the authorized testing laboratory takes wastewater samples and conducts analyses in accordance with reference methods. The total amount of pollutants released into the environment is determined based on the presence of substances in the sample and the total amount of water released.

2.4.

WATER MANAGEMENT

IMPACTS, RISKS AND OPPORTUNITIES

Water withdrawal and consumption – cement production is a dry process where a minimum amount of water is used for cooling gases, equipment and washing machines. In NEXE Group, water is used in the raw material exploitation phase (gravel, clay, etc.), for plant cooling, for dust prevention, in the process of producing concrete and concrete products, and for cleaning plants and property. In order to reduce the withdrawal of drinking water, water is recycled wherever applicable.

AD POLET IGK NOVI BEČEJ, Stražilovo plant in Sremski Karlovci

MEASURES

In order to reduce water consumption in activities, NEXE Group strives to optimize the management system so that water is kept in the system as long as possible.

WATER CIRCULATION IN THE COOLING SYSTEM

This is best seen in plant cooling where the same water circulates in the system. The existing room cooling system consists of a water cooler (chiller). In cooling units, the cooling water is heated by removing heat from the space, which consequently cools the space. The water cooler cools the cooling water again and sends it to the cooling units in the spaces that need to be cooled

CLOSED SYSTEM OF WATER USE IN CONCRETE PRODUCTION

In the production of concrete and concrete elements, a wastewater recycler is used, which is used in the production process and incorporated into the finished product. In the production of concrete, the water from the washing of truck mixers is used to the maximum by purifying it on devices for extracting suspended substances and recycling it back into the production process. Water recycling is carried out in NEXE d.d., IGMA d.o.o., NEXE BETON d.o.o. Sarajevo and NEXE BETON DOO NOVI SAD. A total of 8 602,5 m^3 of water was recovered in 2023.

Tvornica opeke d.o.o. Sarajevo

INDICATORS AND GOALS

TABLE: WATER CONSUMPTION AND RECYCLING IN NEXE GROUP

	2022 [m³]	2023 [m³]	2023/2022 [%]
Water withdrawal in m³	296 798	237 517	–19,97
Water discharge in m³	119 138	101 704	–14,63
Total quantity of recycled and recovered water in m³	4612	8602,5	+86,52
Total quantity of stored water	0	0	0
Changes in storage in m³	0	0	0
Total water consumption in m³	177 660	135 813	–23,55
Total water consumption in m³ in areas exposed to water risks including areas with severe water shortages	0	0	0
Water consumption intensity (total water consumption in m³/mil EUR net income)	773,78	576,71	–25,5

2.5.

BIODIVERSITY PROTECTION

The exploitation of mineral raw materials and climate change have an impact on biodiversity, and it is extremely important that companies in the construction materials production sector responsibly manage their impacts and implement measures to protect and restore biodiversity. NEXE Group depends on the exploitation of mineral raw materials in its business, and this activity affects land conversion and landscape change. In its operations, it accepts its responsibility in the protection of biodiversity and is committed to the implementation of all prescribed measures for the protection of biodiversity and ecosystems during the exploitation of mineral raw materials, as well as the process of environmental rehabilitation after the end of exploitation.

CONTRIBUTION TO PRESERVATION OF ARCHAEOLOGICAL FINDINGS

AD POLET IGK from Novi Bečej conducted archeological research and protective works at sites within the exploitation field "Stražilovo" in Sremski Karlovci. Three phases of preservation works were carried out at the sites, including geophysical surveying, manual excavation, and preservation of archaeological material, which was handed over to museums for further preservation and study. These researches, worth more than 100 000 EUR, enabled the preservation of archaeological sites and further exploitation of raw materials in the area.

Author: Jelena Kralj


Mladje-keter
Drnje municipality
Jagnježđe 2
Legrad municipality
Prosenica
Gabajeva Greda
„Kukljaš"
Našice
„Bukova glava-Vranović"
Našice
„Ervenica"
Vinkovci
Surface exploitation of the clay deposit „Garajevac Istok"
Garajevac
Surface mining of brick raw materials „Stražilovo"
Sremski Karlovci
Rapailo clay pit
Sarajevo
NEXE Group's exploitation fields

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

The exploitation of mineral raw materials is an integral part of the NEXE Group's business model and has a significant impact on the quality of the final product.

Impacts

At its production locations, NEXE Group indirectly affects biodiversity through the emission of greenhouse gases, emissions of pollutants into the air and water, and increased noise levels. These impacts are described in the chapters "Climate change", "Pollution" and "Our contribution to the local community".

In this chapter, the emphasis will be on the impacts that arise in the process of exploitation of raw materials in exploitation fields.

Land conversion – the exploitation of mineral resources carried out by members of NEXE Group requires the removal of vegetation cover, a change in the configuration of the terrain, changing the landscape and disturbing the quality of the soil. NEXE Group undertakes all legally prescribed environmental protection measures at its locations and implements an environmental monitoring program. After the end of exploitation, NEXE Group will carry out site rehabilitation and land recultivation with indigenous plants with the aim of returning the site to its original state. **No significant negative impacts of land conversion on biodiversity were found in the Environmental Impact Studies, which were prepared for the purpose of assessing the impact of the interventions in question on the environment, and in the supervision of environmental protection inspections**.

Impact on habitats – The activities carried out on the mentioned exploitation fields cause a temporary migration of animal species whose habitat is in the affected area for the duration of the exploitation, and after the end of exploitation and land reclamation, the return of these species to these areas can be expected. In addition, noise and vibrations associated with production locations and exploitation activities can have a harmful impact on the animal world, disrupting the natural patterns of behavior and communication of animals, which can lead to stress that affects the decline in the number of individuals and even to the displacement of species from their habitats. NEXE Group exploits raw materials in accordance with the legally prescribed conditions and applies prescribed environmental protection measures. After the end of the exploitation, measures of recultivation and restoration of the habitat to its original state will be carried out.

Conversion of terrestrial to aquatic habitat – during the exploitation of construction sand and gravel in the exploitation fields of Mladje and Prosenica, the conversion of terrestrial habitat to aquatic occurs, and it is precisely the loss of terrestrial habitat, due to the expansion of the lake surface, that represents the greatest change in the environment when it comes to bioecological features on the surfaces that were affected by mining operations.

Climate change – the activities of exploitation of raw materials and production of building materials result in greenhouse gas emissions that contribute to climate change. Climate change is considered one of the drivers of biodiversity loss. How NEXE Group manages the impacts on the climate is described in the chapter "NEXE Group and climate change".

Pollution – in exploitation and production activities of NEXE Group, polluting substances are released into the air, which as a result, among other things, have the formation of acid rain, which negatively affects biodiversity. How NEXE Group manages this impacts is described in the chapter "Emissions to air and water".

Soil erosion – One of the potential negative impacts of the exploitation of mineral raw materials is soil erosion. Soil erosion can occur due to damage to the integrity of the soil during exploitation, and in order to prevent a negative impact on local communities, prescribed environmental protection measures are applied at the locations.

RISKS AND OPPORTUNITIES

Tightening legal and other regulations that regulate the area of operation of exploitation fields would lead to increased operating costs for NEXE Group due to:

- increased reporting obligations on biodiversity and ecosystems
- the need to conduct more analyses, monitoring and reporting
- strict environmental protection measures during exploitation and
- more demanding and expensive measures to carry out remediation after exploitation.

Expansion of protected areas and prohibition of exploitation – the consequences of climate change could further threaten biodiversity and ecosystems, which could tighten the criteria for approving new exploitation fields or completely banning activities in certain territories, especially since the EU Biodiversity Protection Strategy proposes expanding the area under protection.

More efficient use of resources – NEXE Group has been working intensively for some time on the development of new products that require fewer natural resources, in which substitute raw materials are used in certain proportions instead of primary mineral raw materials. By reducing the share of primary mineral raw materials used in the production of NEXE Group, the intensity of exploitation in the existing fields will be reduced, which will extend the working life of the existing exploitation fields and postpone the need for new exploitation fields.

The risk of losing the concession – the business model of NEXE Group depends on the availability of natural raw materials that are exploited in its own exploitation fields. The loss of the exploitation concession at a certain location resulted in increased costs associated with the supply of raw materials from a third party and costs due to the opening of a new exploitation field.

LOCATIONS ACCORDING TO ESTABLISHED IMPACTS ON BIODIVERSITY

	Location	Type of activity affecting biodiversity	EF area (in ha)	Determined impacts and dependencies	Ecological condition of the area	Area sensitive to biodiversity
AD Polet	Surface mine of clay raw materials „Stražilovo“	Clay exploitation	23 ha	Changing landscape, noise, degradation of agricultural soil	NA	NO
	Production buildings Sremski Karlovci	Production process	–	Noise, wastewater and gas emissions from production processes	NA	NO
Dilj d.o.o.	Production plant „Slavonka”	Production process	–	Noise, wastewater and gas emissions from production processes	NA	NO
	EF „Ervenica”	Clay exploitation	43,44 ha	Changing landscape and degradation of agricultural soil	NA	NO
	Plant Slavonija IGM d.o.o.	Production process	–	Noise, wastewater and gas emissions from production processes	NA	NO
	EF „Kukljaš” and „Kukljaš-I”	Clay exploitation	33,45 ha	Changing landscape and degradation of agricultural soil	NA	NO
IGMA d.o.o.	EF „Mladje-keter”	Exploitation of construction sand and gravel	78,71 ha	Noise, changing landscape and terrestrial habitat to aquatic, removal of wetland habitats occurred due to previous exploitation, pollution with heavy metals	NA	YES
	Exploitation field „Jagnježđe 2”	Exploitation of construction sand and gravel	87,48 ha	Noise, changing landscape and terrestrial habitat to aquatic, pollution with heavy metals	NA	YES
	Exploitation field „Prosenica I”	Exploitation of construction sand and gravel	49,62 ha	Noise, changing landscape and terrestrial habitat to aquatic, pollution with heavy metals	NA	YES

	Location	Type of activity affecting biodiversity	EF area (in ha)	Determined impacts and dependencies	Ecological condition of the area	Area sensitive to biodiversity
NEXE d.d.	Cement factory NEXE d.d., Našice	Production process	–	Noise, wastewater and gas emissions from production processes	Good	NO
	Exploitation field „Bukova glava-Vranović"	Exploitation of mineral raw materials for cement production	249,69 ha	Changing landscape, dust, degradation of forest soil	NA	NO
AD Polet IGK	Clay pit „Garajevac istok"	Clay exploitation	40,5 ha	Changing landscape and degradation of agricultural soil	NA	NO
	Plant Polet Keramika (shut down)	Production process	–	Dust, noise, wastewater and gas emissions from production processes	NA	NO
	Production plant AD Polet IGK	Production process	–	Noise, wastewater and gas emissions from production processes	NA	NO
Brick factory d.o.o. Sarajevo	Brick factory d.o.o. Sarajevo	Production process	–	Noise, wastewater and gas emissions from production processes	Good	NO
	Surface „Rapailo"	Clay exploitation	4 ha	Noise, changing landscape and soil degradation	Good	NO

AREAS SENSITIVE TO BIODIVERSITY AND IMPACT ON PROTECTED SPECIES

The locations of the exploitation fields Mladje-keter, Jagnježđe 2 and Prosenica I are considered areas sensitive to the preservation of biodiversity because they are located within the protected area of the Mura-Drava Regional Park and are integrated into the ecological network NATURA 2000. Natura 2000 are special areas of the ecological network of the European Union whose goal is to identify and protect habitats and populations of endangered and sensitive species in order to preserve biodiversity.

In the Mura regional park, where EF Mladje-keter, Jagnježđe 2 and Prosenica I are located, economic activities are permitted that do not endanger its essential features and role. According to the Environmental Impact Studies, which were prepared for all three mentioned EFs, exploitation activities are allowed because it is a small area covered by the intervention in relation to the total area of the park and work technology that does not pollute the environment. According to the Environmental Impact Studies, no significant impact on the state of natural habitats is expected. Likewise, for the Mladje-Keter field, in accordance with the Decree on Environmental Impact Assessment (Official Gazette, No. 3/17, 61/14), the assessment procedure on the need for an Environmental impact assessment (EIA) was carried out for the modification of the planned intervention, as well as the Environmental Protection Study.

Based on the procedures for assessing the environmental impact of the interventions in question, which are prescribed by the Decree on Environmental Impact Assessment (Official Gazette, No. 3/17, 61/14), the Ministry of Environmental Protection issued decisions establishing the need to implement biodiversity protection measures only at the locations of the Mladje-Keter and Prosenica I exploitation fields. Biodiversity protection measures are prescribed for exploitation in accordance with the Nature Protection Act (Official Gazette, No. 80/13, 15/18, 14/19, 127/19, 155/ 23).

On locations of exploitation fields of NEXE Group, habitats of endangered species have not been determined. However, protected species have been observed in some locations, especially in locations located near or within ecological network belts.

STRATEGY AND TRANSITION PLAN OF BIODIVERSITY

The Biodiversity Transition Plan was not adopted at the NEXE Group level. The business model of NEXE Group depends on mineral raw materials, and there are currently no plans to stop the exploitation of raw materials. It takes place in accordance with applicable legislation, which prevents significant adverse impacts on biodiversity. After the end of exploitation, land reclamation measures are carried out with the aim of bringing it as close as possible to its original state.

In addition to land conversion and landscape change, NEXE Group affects biodiversity through emissions of greenhouse gases and emissions of other pollutants into the environment. In order to reduce the impact on this driver of biodiversity loss, a climate transition plan was developed for NEXE d.d., which is described in the chapter "NEXE Group and climate change".

NEXE Group strives to integrate the protection and restoration of biodiversity in the development, management and rehabilitation of fields of exploitation. The biodiversity approach follows the mitigation hierarchy, emphasizing the avoidance, reduction and mitigation of impacts on biodiversity. This is ensured for operations (exploitation of mineral raw materials) for which Annex I of the Regulation on Environmental Impact Assessment (Official Gazette, No. 3/17, 61/14) prescribes the obligation to carry out the procedure for assessing the impact of the operation on the environment through the preparation of an Environmental Impact Study by carrying out an environmental impact assessment of procedure, by applying environmental protection measures and environmental monitoring programs prescribed by the Decision on the implementation of environmental impact assessment procedures, and by applying measures to manage, mitigate and reduce the impacts. It is also being done in accordance with the Study on Reserves and the Main and Supplementary Mining Project.

POLICY

With Quality Policy at the Group level and Energy, Environmental Protection and Health and Safety Policy at the level of NEXE d.d., NEXE Group undertook to operate according to the principles of socially responsible business and sustainable development, responsibly managing natural resources and preventing pollution of all environmental components. With these policies, NEXE Group has undertaken to permanently align its operations with the applicable legal regulations and to implement obligations undertaken with regard to environmental protection.

For its exploitation activities, NEXE Group carries out environmental impact assessments and coordinates its operations at these locations with the prescribed environmental protection measures during the exploitation phase, including preparation, the exploitation process itself, and remediation procedures after the end of exploitation.

The policies have been published on the official website and have been adopted by the Board.

MEASURES TO PROTECT BIODIVERSITY

To avoid significant negative impacts on biodiversity and reduce the impacts associated with exploitation activities, NEXE Group implements environmental protection measures and an environmental monitoring program for its exploitation fields. These measures and the program were adopted by the competent authority through decisions on the environmental impact assessment procedure, which established that the interventions in question are acceptable for the environment with the application of prescribed environmental protection measures and environmental monitoring programs. In its activities, NEXE Group implements these additional environmental protection measures prescribed by law. After the end of exploitation, the fields will be rehabilitated and recultivated with the aim of returning them to their original state.

ENVIRONMENTAL IMPACT ASSESSMENT (EIA), ASSESSMENT OF THE NEED FOR ENVIRONMENTAL IMPACT ASSESSMENT (EIA) AND ENVIRONMENTAL IMPACT STUDIES (EIA)

NEXE Group, in accordance with the legal requirements, where necessary, through authorized individuals carried out an Environmental Impact Study (EIS), carried out the process of assessing the impact of the intervention on the environment and assessment procedure on the need for an environmental impact assessment (EIA) and prepared an environmental protection study (EPS). In the preparation of the aforementioned documents, reviews of environmental parameters were carried out in the field, including insight into the distribution and diversity of flora and fauna, where various plant and animal species were documented. Special emphasis is placed on identifying endangered species with the aim of ensuring their protection and preservation. The study and preparation provide a comprehensive analysis of the impact of planned activities on the environment and represent the basis for determining potential risks for business and making informed decisions on environmental preservation.

ENVIRONMENTAL PROTECTION MEASURES ON EXPLOITATION FIELDS

Protection against noise – Care is taken that the sound power of working machines and plants remains within the limits defined in the studies. Regular controls and maintenance of machines and plants actively prevent an increase in noise emissions, thus ensuring compliance with prescribed environmental protection standards.

Responsible handling of waste – All types of waste generated during exploitation are disposed of in marked containers prepared for that purpose, placed around the exploitation field, and handed over to an authorized waste collector.

Protection against dustiness – In order to reduce dust and preserve the environment during dry periods, roadways and handling areas are sprinkled with water as needed. When transporting powdery raw materials, the cargo space is covered with a tarpaulin, or the raw material is pre-moistened with water to prevent the spread of dust during transport.

Prevention of air and water pollution – In order to prevent the emission of pollutants into the air, mining machines and equipment are regularly maintained and have the necessary technological devices in accordance with the standards. Fuel and lubricants are poured into mining machines on a covered, impermeable surface.

Soil protection – Humus and tailings generated during discovery are deposited within the exploitation field so that they can be used in the rehabilitation and recultivation phase. On the marginal parts of the pits from the edge of the slope, by planting plant varieties, a zone under the meadow, trees and bushes is provided as a transition zone with the aim of reducing the erosion of the surrounding soil.

Biodiversity protection – To reduce the negative impact on animal species, vegetation is removed outside the reproductive cycle of animals in the area, and water surfaces suitable for the development and settlement of wetland flora and fauna are formed in certain locations. If it is prescribed, invasive species are regularly removed at the location of the EF.

PROTECTION OF TERNS ON LAKE ŠODERICA

On the exploitation field Mladje-Keter managed by IGMA d.o.o. on a small island in Lake Šoderica, there is a protected bird species – the red-billed tern. IGMA d.o.o., a member of NEXE Group from Koprivnica, has been cooperating with the Institute of Ornithology for a number of years in the project "Land or Sea: Ecological and Genetic Aspects of Red-billed Tern Habitat Selection", which included in the research a colony of red-billed terns on a small island located within the exploitation field Mladje-Keter. In the spring of 2022, IGMA d.o.o. had the opportunity to join the volunteers of the non-profit organization WWF Adria (WWF – World Wide Fund for Nature) who organized the island cleaning action on Lake Šoderica. Red-billed terns have been nesting on that island since 2018, but the island is slowly overgrown, primarily with acacia, and they need an open area with gravel or possibly low grass.

If the island becomes overgrown with acacia bushes, they will no longer be able to nest there. Diligent volunteers removed the vegetation and prepared the island for the arrival of terns. A shelter was built on the island, and the terns were marked with GPS devices and their movement paths were monitored.

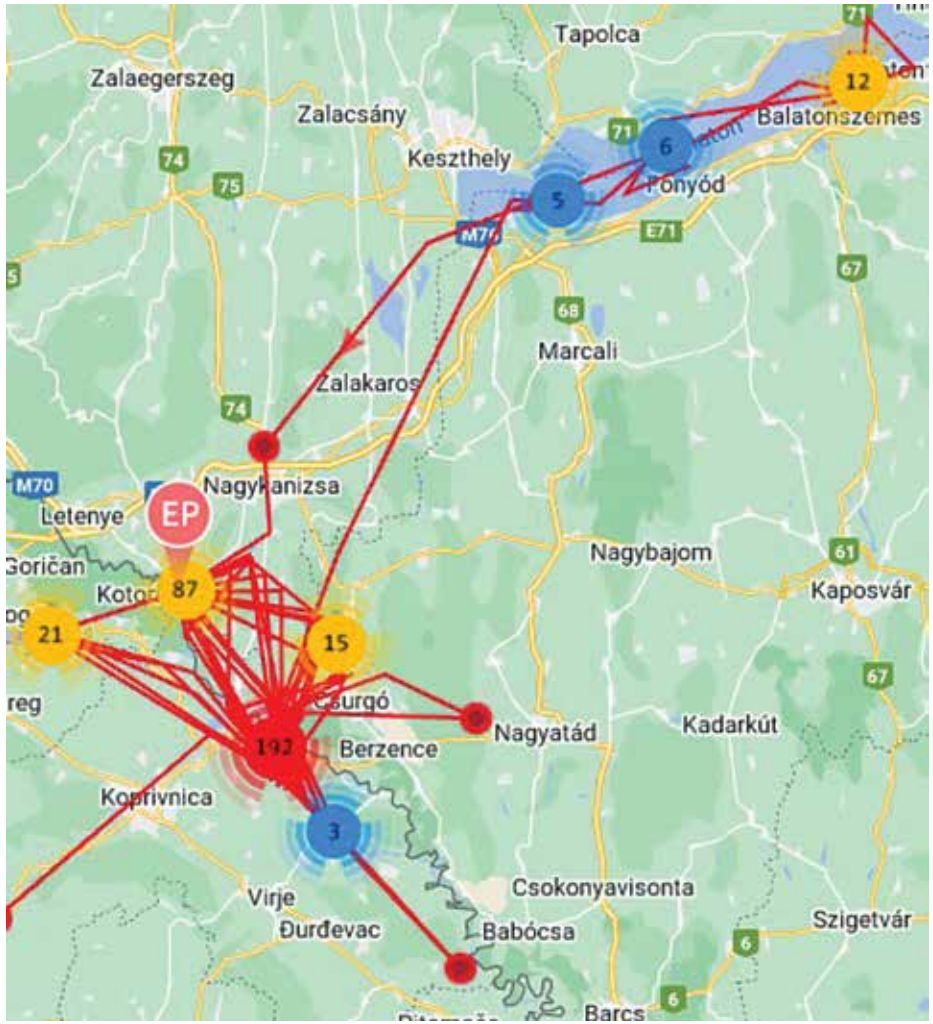
Terns first try to nest on the banks of the Drava river, and as that nesting regularly fails, they have a replacement deposit in June on Šoderica (and since last year also on the Gyekenyes colony in Hungary). In 2020, 50-70 pairs nested on the island, in 2021 there were 66 pairs. In 2022, they did not nest on Šoderica, and in 2023 there were at least 35 pairs, but the nesting failed (probably due to bird flu).

Also, Šoderica is the only place in Croatia where the nesting of common gulls has been recorded.

Author: Branka Španiček

Author: Jelena Kralj

MONTHLY MOVEMENTS OF INDIVIDUAL TERNS



Map source: prof. dr. sc. Jelena Kralj
Institute for Ornithology in Zagreb
The Croatian Academy of Sciences and Arts

REHABILITATION AND RECULTIVATION OF LAND AFTER EXPLOITATION

Recultivation programs are focused on the restoration of degraded areas with the aim of returning to the most natural state possible and restoring damaged ecosystems. This process includes a number of activities such as replanting native plant species, shaping the terrain to restore natural topography, and establishing sustainable water systems. In addition to contributing to the restoration of biodiversity, recultivation also contributes to soil preservation and erosion prevention. With careful planning and implementation of recultivation programs, it is possible to achieve the sustainability of the exploitation of natural resources and the preservation of the environment.

RECULTIVATION

Recultivation can be carried out in three phases:

Technical – bringing materials and humus, creating slopes and leveling the terrain according to the rehabilitation plan.

Agrotechnical – introduction of phosphate and mineral fertilizers to prepare the soil for the cultivation of agricultural crops.

Biological phase – after covering the surface with humus, according to the biological recultivation plan, autochthonous species are planted that will prevent soil erosion, ensure soil stability and provide a habitat for animals.

Technical recultivation is carried out only on EFs Garajevac Istok and Stražilovo. In the reporting period, 7 ha were under recultivation.

In most cases, the deposited soil is preserved so that it can be used in recultivation after the works are completed. Over time, the soil loses its properties and when it is returned, it is no longer suitable for agriculture.

INDICATORS AND GOALS

LAND USE

In 2023, the total land used by NEXE Group came to 661,6 ha. The area covered by built-up buildings and areas covered with asphalt, concrete and similar materials cover a total area of 73,5 ha.

	Total land use (ha)		Total covered area (ha)		Total area focused on nature on location (ha)		Total area focused on nature outside location (ha)	
	2022	2023	2022	2023	2022	2023	2022	2023
AD Polet, Sremski Karlovci	23	23	2	2	0	0	0	0
Dilj d.o.o.	113,6	113,6	36,69	36,69	0	0	0	0
IGMA d.o.o.	218,8	218,8	2,99	2,99	0	0	0	0
NEXE d.d.	249,7	249,7	18,82	18,82	0	0	0	0
Polet, Novi Bečej	40,5	40,5	5	5	0	0	0	0
Tvornica opeke d.o.o. Sarajevo	16	16	8	8	0	0	0	0

LOCATIONS WITHIN OR NEARBY PROTECTED AREAS

The following table shows the number, name and size of sites located within or near protected areas. At all locations, environmental impact studies and environmental impact assessments were carried out by competent authorities, prescribed measures were implemented, and there were no incidents of environmental pollution. Valid permits confirm that there is no significant negative impact on biodiversity at these locations.

	Protected area	No of locations	Name of locations	Location surface
Near protected areas	National park Fruška Gora and Special reserve Koviljsko – petrovaradinski rit	2	Surface pit of clay raw materials Stražilovo Production plant AD Polet	12 ha
Within protected area	Regional park Mura-Drava (Natura 2000)	2	EF Mladje-keter EF Prosenica I EF Jagnježđe 2	215,81 ha

CONVERSION OF LAND COVER IN THE REPORTING PERIOD

In the exploitation fields of mineral raw materials, as the exploitation process progresses, it is inevitable to remove the cover on new parts of the field, during which the land cover is temporarily repurposed. EF Bukova glava-Vranović is, for example, forest land, during the exploitation of which it is necessary to demolish parts of the forest. During the exploitation of gravel and construction sand in the exploitation fields of IGMA d.o.o., EF Mladje-keter, EF Jagnježđe 2 and EF Prosenica I, the terrestrial habitat is transformed into an aquatic one, while in other locations it is predominantly agricultural land and meadows. The removal of the cover is postponed as long as possible; once exploitation ends in certain parts of the field, and provided that technological and safety conditions are met, the exploitation field is rehabilitated to allow the area to be recultivated and returned to nature.

The table shows the areas of land conversion by location for 2022 and 2023.

Activity	Member company	Area (ha)	
		2022	2023
Conversion of land cover	NEXE d.d.	0	0
	AD Polet	3,5	3,5
	Dilj d.o.o.	0	0
	IGMA d.o.o.	0	0
	Polet, Novi Bečej	0	0
	Tvornica opeke d.o.o. Sarajevo	0	0

2.6.

CIRCULAR ECONOMY

In a linear economy, large amounts of waste are created that end up being incinerated or dumped in landfills, thereby wasting non-renewable materials and potential energy. NEXE Group recognizes its responsibility and actively works to find a solution to the problem of linearity. With innovative product design and energy and material recovery of waste, NEXE Group can significantly contribute to the transition to a circular economy. Thus, NEXE Group contributes to a more sustainable future and reduction of the amount of waste faced by communities.


A

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

Generation of waste as a result of operations – NEXE Group's activities result in the generation of its own waste as a result of activities, that is, as a result of the technological process of production and maintenance, as well as waste generated in the offices of individual members and other activities for which the Group's members are registered. In NEXE Group, the main categories of waste that arise as a result of production and maintenance activities are: waste steel and iron, paper, plastic, electronic waste, waste tires, waste oil, packaging contaminated with dangerous substances, and bulky waste. Types and amounts of generated waste vary on an annual basis, and significant changes in amounts are the result of maintenance. NEXE Group takes a responsible approach to waste management, which includes temporary storage, sorting, waste recovery and handing over the generated waste to authorized companies.

Recovery of waste as substitute fuels and raw materials – In member company NEXE d.d. alternative fuels and raw materials are used in the production of cement. The aforementioned results in savings of basic fossil fuels and raw materials for the production of clinker. Due to energy and material recovery, the consumption of natural resources is reduced, and the environment is freed from waste, which contributes to the global reduction of CO_2.

Use of natural resources in production – for production of cement, concrete, ceramic, roof tiles, and brick NEXE Group uses gravel, clay, and water.

Slow acceptance of green products in the market – Companies in the construction materials industry strive to reduce their negative impact on the environment, especially in terms of greenhouse gas emissions. However, consumers have not yet developed a high awareness nor are they under EU regulatory pressure to reduce their carbon footprint, which is why a high demand for such alternatives has not yet developed.

Competitiveness of green products on markets outside the EU – Increasingly strict regulations of the European Union encourage companies to reduce the negative impact of their products on the environment. This usually means higher costs in the short and medium term, which is reflected in the competitiveness of these products on markets that are not under such regulatory pressures.

Ecological building standards – Ecological certificates and standards can encourage the development of low-carbon products. Standards such as LEED (Leadership in Energy and Environmental Design) or BREEAM (Building Research Establishment Environmental Assessment Method) help create a market for low-carbon products. The development of new low-carbon products that meet the needs of clients will strengthen NEXE Group's position on the market

POLICY

NEXE Group continuously strives to use the advantages of material and energy recovery of waste. The approach to waste management is determined by the NEXE Group's policies: the Quality Policy at the NEXE Group level and the Energy, Environmental Protection and Health and Safety Policy at the NEXE d.d. level. NEXE Group focuses on the reduction, reuse and recycling of waste materials in order to reduce environmental impact and increase resource efficiency. As part of the building materials industry, all NEXE Group members adhere to strict environmental regulations and guidelines regarding waste management. This includes proper handling, storage, handover to authorized persons for collection, and recovery/disposal of waste. The goals of the policy are to rationally consume non-renewable resources and constantly monitor, prevent, and reduce the amount of waste. The production sectors and persons responsible for the environmental protection process in member companies are responsible for the implementation of the policy, and the Board is responsible for achieving the goals.

ENERGY AND MATERIAL RECOVERY

The European Union Action Plan for the Circular Economy promotes better waste management practices according to the waste management actions hierarchy by encouraging the reuse of waste or by-products of an industrial process in the creation of new products.

By developing awareness of environmental protection and opportunities to reduce operating costs related to energy and emissions, NEXE Group recognized the importance of substituting natural materials and fossil fuels with waste (substitute fuels) and provided the necessary infrastructure and obtained the necessary permits for waste management in order to be able to reduce the amount of waste which ends up at the landfill and to energetically and materially recover the waste.

REUSE OF WASTE MATERIALS

The mineral raw materials required for the production of clinker can be replaced by raw materials that are by-products or waste from other production processes, and that, due to their chemical composition, can be incorporated into clinker. Substitute raw materials used in production are: steel slag, pyrite slag, waste sand, various ashes, and dust. The material recovery of substitute raw materials increases the efficiency of the entire production process, improves the chemical composition of clinker, reduces the consumption of energy sources and reduces the emission of greenhouse gas CO_2. This practice reduces the need to use natural raw materials and provides a sustainable solution for waste management. In 2023, 81 843 tons of waste were materially recovered.

CONVERTING WASTE INTO ENERGY

Fossil fuels have traditionally been the main source of energy in the building materials industry. Given that the burning of fossil fuels significantly contributes to climate change, which has become a global challenge, the cement industry had to find a way to reduce the share of fossil fuels in production. Alternative fuels appeared as a solution, i.e. the burning of waste materials such as waste dry sludge, waste oil, waste liquid alternative fuels, and fuel from waste for the purpose of obtaining energy. Energy recovery of waste (recovery process R1) is performed by co-incineration in a rotary kiln in the clinker production process. It should be pointed out that even the ash produced by burning of fossil fuels and waste is incorporated into the semi-product clinker.

Waste that is currently used as fuel for energy recovery, including hazardous waste, is temporarily stored in a closed space so that it does not endanger the environment and human health, and is labeled in accordance with the regulations of the Republic of Croatia and the EU. In 2023, the following substitute fuels were used: fuel from waste, waste dry sludge, waste oils I. and II. categories and sustainable biomass. The substitution rate of alternative fuels in the reporting period was 51 %, which is higher than in 2022, when the substitution rate was 42 %. The goal of NEXE Group is to increase the rate of energy substitution to 90 % by 2030. To achieve this ambitious goal, investments are being made to increase the amount of waste that can be recovered. New operations are planned at facilities for the preparation, storage and dosing of alternative fuels. Planned investments are aimed at increasing the substitution of fossil fuels and thus reducing operating costs and avoiding the dependence of business results on volatile movements of fossil fuel prices on the market.

PLANNED MEASURES TO IMPROVE ENERGY RECOVERY AT NEXE d.d.

Measure	Implementation Period	Investment	Expected reduction of CO_2e emissions*
Construction of facilities for receiving, storing, transporting and dosing processed non-hazardous waste – dried sludge	Planned beginning: 2024 Planned ending: 2025	2 811 000,00 €	Up to 10 659 t/year
Construction of a new plant for the reception of liquid fuels and dosing to the main burner of the rotary kiln	Planned beginning: 2024 Planned ending: 2025	2 742 000,00 €	–
Construction of a new plant for chlorine reduction in the production process and transport and dosing to cement mills	Planned beginning: 2024 Planned ending: 2026	9 740 000,00 €	–
Construction of a new plant for the preparation and processing of RDF-materials, storage space and transport and dosing to the heat exchanger	Planned beginning: 2024 Planned ending: 2027	19 000 000,00 €	Up to 47 805 t/year

* The highest possible design values are listed.

In 2023, a total of 140 052 t of waste was recovered, of which 41,56 % was energy recovery, and 58,44 % was material recovery.

Fuel from waste (RDF/SRF), waste oil of I and II categories, waste sludge and hazardous waste are energetically recovered in accordance with the Waste Management Permit, while waste sand, construction waste, ash and slag are materially recovered.

Recovered amounts of waste are continuously growing, and in 2023 a growth of 19,59 % was recorded compared to the previous period.

	2021		2022		2023	
	t	%	t	%	t	%
Energy recovery	54 345	50,48	56 554	48,29	58 209	41,56
Material recovery	53 321	49,52	60 554	51,71	81 843	58,44
Total	107 666	100	117 108	100	140 052	100

COOPERATION WITH THE LOCAL COMMUNITY

In 2023, member company of NEXE Group EKONEX d.o.o. owned waste management permits based on which it takes over certain types of waste from local companies. The focus of the work is the collection of waste oils and resulting contaminated packaging from local mechanic workshops. The benefits of such cooperation are solving the problem of environmental pollution and reducing the use of fossil fuels in the production process.

Why is the recovery of waste in the cement industry better for the environment than landfilling or ordinary burning in waste incinerators?

Using waste as fuel instead of its landfilling reduces greenhouse gas emissions. Namely, the disposal of 1 ton of waste at landfills releases 0,27 t of CO_2, and from 1 ton of waste around 400 kg of fuel can be produced. Consequently, the production of fuel from waste reduces the amount of disposed waste, and thereby also achieves a global reduction in CO_2 emissions.

In contrast to burning in incinerators, energy recovery of waste in the production of cement clinker leaves no residues in the form of ash or slag because all the combustion products are incorporated into the final product – clinker.

How to ensure that energy recovery is safe for the people and the environment?

Waste recovery in cement production is carried out depending on physical-chemical waste properties, possibilities of waste manipulation, influence on process and product quality, impact on environment and health and safety of employees. The operator of clinker production process is obliged to monitor all parameters of the production process and keep the process within previously set values of key process or emission parameters. In the event of a temperature disturbance or an excess of emissions into the air at the outlet of the rotary kiln, or any disturbance that may lead to environmental pollution, the operator acts by stopping waste dosing and reducing the production capacity.

MANAGING OWN WASTE

Main categories of waste generated in NEXE Group as a consequence of activities are (production, maintenance etc.): waste steel and iron, paper, plastic, electronic waste, waste tyres, waste lubricants and wax, packaging polluted by hazardous matters, and bulky waste.

In NEXE Group the following waste categories and EWC codes are generated:

Hazardous waste:

Waste classification		EWC codes
1.	printing toner	08 03 17*
2.	wastes from gas cleaning	10 01 18*
3.	spent waxes and fats	12 01 12*
4.	oil wastes and wastes of liquid fuels	13 01 10*, 13 02 05*, 13 02 08*, 13 04 01*, 13 05 08*, 13 07 01*, 13 07 03
5.	waste packaging, absorbents, wiping cloths and filter materials	15 01 10*, 15 02 02*
6.	batteries, electronic equipment and wastes not otherwise specified	16 01 07*, 16 02 13*, 16 06 01*, 16 07 09*
7.	construction waste	17 06 03*, 17 06 05*
8.	municipal waste	20 01 21*, 20 01 23*, 20 01 33*, 20 01 35*

Non-hazardous waste:

Waste classification		EWC codes
1.	printing toner	08 03 18
2.	thermal process waste	10 01 02, 10 12 99
3.	ferrous metal filings and turnings	12 01 01
4.	waste packaging, absorbents, wiping cloths and filter materials	15 01 01, 15 01 02, 15 01 03, 15 02 03
5.	end-of-life tyres and refractory waste	16 01 03, 16 11 06
6.	construction waste	17 02 03, 17 04 01, 17 04 02, 17 04 05, 17 04 07, 17 04 11, 17 06 04, 17 09 04
7.	plastic and rubber	19 12 04
8.	municipal waste	20 01 01, 20 01 02, 20 01 11, 20 01 36, 20 01 39, 20 03 07

In NEXE Group's plants measures are carried out that enable separation of various types of waste at the very source. That enables better management and appropriate waste handling. Such separate waste is easy to sort and collect in the following phases.

A system of separate collection and temporary on-site storage of the following types of waste has been established at all locations: municipal waste, paper and plastic in the form of green islands. Waste that cannot be recycled internally or needs to be disposed of in another way is handed over for disposal, recovery or final processing to authorized collectors, recovery operators and waste disposers, while respecting the order of priority of waste management. In NEXE d.d. in 2023, a total of 5897,53 t of waste was submitted for recovery. In 2023, a total of 9,66 % of the waste generated in the production of cement was recovered in the organization, given that NEXE d.d. has valid permits for waste management. The total amount of generated waste in NEXE Group is significantly higher in 2023 compared to the amount of produced waste specified in the Sustainability Report for 2022, due to the inclusion of data on the produced mixed municipal waste (EWC 20 03 01) and the inclusion of waste concrete which was generated at the locations of the NEXE d.d. concrete plant in 2023.

Quantities of hazardous and non-hazardous waste of NEXE Group

Category	2021		2022		2023	
	t	%	t	%	t	%
Total quantity of generated waste	1209,88	100	768,4	100	6719,77	100
Non-hazardous waste	1131,90	94,37	721,51	93,97	6594,72	98,14
Hazardous waste	67,57	5,58	46,32	6,03	125,05	1,86
Total quantity of radioactive waste	0	0	0	0	0	0

Method of waste disposal

Category	2021		2022		2023	
	t	%	t	%	t	%
Recovery	1204,13	99,52	721,45	94,01	5897,53	87,77
Disposal	5,79	0,48	45,94	5,99	822,14	12,23

Non-hazardous waste makes up 98,14 % of the total waste generated in NEXE Group, of which 86,34 % is recovered within the organization or handed over to an authorized intermediary for recovery.

METHODOLOGY FOR DATA COLLECTION AND CALCULATION

Data on the types and amounts of waste generated and the manner of waste management were collected for member companies of NEXE Group from the territory of Croatia based on data from the Record Book on the generation and flow of waste from the e-ONTO online application, while the subject data on waste management in member companies of NEXE Group from the territory of Serbia and Bosnia and Herzegovina were collected from the records on waste flows and waste management that these members are obliged to keep in accordance with the legal regulations governing waste management. Data related to waste management is entered post-haste after each change in state and for each type of waste separately. The data is continuously collected and monitored by responsible persons in NEXE Group members, and the calculations for the purposes of this report were prepared by the working group for reporting on sustainability.

Since the producers of mixed municipal waste with the EWC 20 03 01 are not required to keep registers on the generation and flow of waste for the mentioned waste, its estimate was based on the volume of the container and the number of removals of such waste. 300 kg/1m^3 was used as the conversion coefficient for EWC 20 03 01.

Quantities of recovered and disposed hazardous and non-hazardous waste of NEXE Group

Category	2023	
	(t)	(%)
Total amount of generated waste	6719,77	100,00
Non-hazardous waste	6594,73	98,14
Recovery (R)	5801,94	86,34
Disposal (D1)	792,79	11,80
Hazardous waste	125,04	1,86
Recovery (R)	78,62	1,17
Disposal (D1)	46,42	0,69

PRODUCTS WITH REDUCED CARBON FOOTPRINT

The development of low-carbon products, according to the principles of the circular economy, plays a key role in the EU's green transition. Namely, low-carbon products have a smaller carbon footprint during their life cycle compared to conventional products, which contributes to the goal of mitigating climate change. The production of low-carbon products requires changes in every phase of production:

- a greater proportion of recycled material is incorporated into low-carbon products
- natural resources are replaced by waste materials
- fossil fuels are replaced by energy from renewable or alternative sources.

CEMENT

Low-carbon cement is a type of cement that has a reduced carbon footprint compared to conventional cement. The production of conventional cement generates significant greenhouse gas emissions, primarily carbon dioxide (CO_2), which makes it a significant source of air emissions in the construction industry. A large proportion of CO_2 emissions are released during the chemical calcination reaction in the production process of clinker, the main component of cement.

Low-carbon cement was developed with the aim of reducing CO_2 emissions throughout the product's lifetime. This is primarily achieved by reducing the proportion of clinker and replacing fossil fuels. The production of clinker requires high temperature and energy, which results in significant CO_2 emissions. Low-carbon cement reduces the proportion of clinker in the mixture by using substitute materials, and fossil fuels are replaced by substitute fuels. This reduces CO_2 emissions associated with cement production.

In 2023, the share of clinker in a ton of cement is 73,21 %, which is less compared to the previous reporting period when the share of clinker in a ton of cement was 76,8 %. The goal is to reduce the share of clinker in a ton of cement to 60 % by 2030.

Products with less CO_2e emissions compared to the industry standard

NEXE Group has been working for many years on the development of products that have lower CO_2 emissions compared to the industry standard. In the reporting period, NEXE Group produced 67,08 % of cement, which has more than 25 % less emissions compared to the industry standard (0,822 t CO_2/t cement).

Products with more than 25 % less emissions compared to industry standard

- CEM II/B-M (P-S) 32,5R
- CEM II/B-M (V-S) 42,5N
- CEM II/B-S 42,5R
- CEM III/B 32,5N SR-LH
- MASONRY CEMENT MC 5

Production of products with reduced clinker content	2022	2023
Share of products with reduced emissions in total shipped cement	24,74 %	67,08 %
Share of products with reduced emissions in total Group's revenue	24,57 %	66,33 %

GREEN PRODUCTS

Green products in the 2023 sustainability report are defined as products that meet the criteria of the EU Taxonomy for the activity of cement production in terms of contribution to the goal of mitigating climate change (below 0,469 t CO_2e per ton of cement produced). The definition differs from the definition used in the report for 2022, when green products are defined as products that have more than 25 % less emissions compared to the industry standard of 0,822 t CO_2/t cement.

Green products

- CEM III/B 32,5N SR-LH
- MASONRY CEMENT MC 5

Production of green products	2022	2023
Share of green products in total shipped cement	2,71 %	3,37 %
Share of green products in total income of NEXE d.d.	2,74 %	3,52 %

In 2023, green cement accounted for 3,37 % of the total cement produced, and in the revenues of NEXE d.d. it was represented by 3,52 %.


TREND
nexe

CEMENT GRAND E+

Following the global development trends of the cement industry, as well as the European guidelines related to decarbonization, experts from the technology and quality sector of NEXE Group developed low-carbon cement GRAND e+ using the optimal ratio of the mixture of additives to obtain properties that fully meet the requirements of modern construction.

COMPOSITION:

- at least 65 % of Portland cement clinker
- up to 35 % of mixed additive, a combination of silicon fly ash (V) and blast furnace slag (S)
- binding regulator (natural gypsum).

A smaller proportion of clinker in cement is the key to reducing CO_2 emissions given the energy intensity of its production. Ash from coal-fired power plants and slag from blast furnaces are used to replace clinker.

Ensuring prerequisites for the production of a new brand of cement

In order to ensure the prerequisites for the production of the new brand of cement CEM II/B-M(V-S) 42.5N (GRAND e+) with a reduced share of clinker, which replaced the existing brand CEM II/A-M(S-V) 42.5N, a total of EUR 502 227,61 was invested in new equipment and reconstruction of the existing one. The project was completed in April 2024, and the expected (maximum projected value) emission reduction is 19 958 t CO_2e/year.

CONCRETE

Concrete is a material that has several properties that make it suitable for a circular economy.

1. **Endurance and durability**: Concrete is an extremely durable material with a long service life. Quality concrete can last for decades without losing its basic properties.

2. **Recycling and use of recycled aggregates**: Concrete can be recycled and used as an aggregate in a new concrete mix. The process of concrete recycling involves the crushing of waste concrete and the use of crushed concrete as a substitute for natural aggregates. This reduces the need to extract new raw materials and reduces waste that ends up in landfills.

3. **Use of by-products**: In concrete mixtures, waste materials from other industries can be used as a substitute for parts of traditional concrete mixtures.

4. **Innovative formulas for longer life**: The development and mixing of admixtures can improve the properties of concrete and enable greater efficiency in the use of resources. The application of such technologies can reduce the amount of cement required, improve wear resistance and extend the life of concrete structures.

In order to reduce the impact on the environment, NEXE Group uses green cement in cement production, that is, cement that has a reduced carbon footprint. Green cement was used in the production of concrete at locations in Osijek, Vinkovci, Našice and Požega, and depending on the location and type of concrete, the share of green cement varies from 17,9 % to 18,3 %. In total, 5534,25 t of concrete was produced, which has green cement embedded in it.

GOALS

The goals of NEXE Group in the period up to 2030 are:

1. Work on the development of innovative product design according to circular principles so that NEXE products support the transition to a circular economy.

2. Increase the share of substitute raw materials in products in order to reduce the use of natural raw materials.

3. Increase the share of alternative fuels in production in order to reduce the use of non-renewable fossil fuels.

4. Use more recycled materials (e.g. in the production of concrete).

5. Increase the share of income from low-carbon products.

Social information

In 2023, NEXE Group had 1 692 employees in its member companies in Croatia, Serbia and Bosnia and Herzegovina. The employees of NEXE Group are the foundation of our success and make us one of the leading companies in our sector. That is why it is crucial to provide them with the best working conditions and equal opportunities. As a production company, we attach special importance to protecting the health and safety of our employees.

03

3.1.

RESPONSIBLE HUMAN RESOURCE MANAGEMENT

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

Based on the dialogue with employees and union representatives and through the discussion of the working group for reporting on sustainability, the most significant impact on employees were determined. Some of the negative impact stem from the company's business model (e.g. health and safety risks), while many positive impact stem from the NEXE Group's business strategy, which is based on competent and satisfied employees.

- **Employee health and safety** – Health risks associated with workplace such as noise, airborne dust, working with heavy loads, internal transport hazards and the potential for inhalation of crystalline silica (RCS) are specific to the construction materials manufacturing industry, which, if not controlled, can cause long-term health problems. Safety risks need to be managed to minimize the potential for accidents and injuries in the workplace. Given the nature of the industry, NEXE Group employees may be potentially negatively impacted, but this impact is managed through the implementation and continuous development of workplace health and safety management systems and initiatives to improve employee health. If the organization does not implement a consistent and high-quality health and safety policy at work, it is possible to increase the number of injuries at work and, consequently, loss of working days due to sick leave. Poor management of hazards and risk situations would not only be detrimental to the employees involved, but also to the financial result of NEXE Group, considering that sick pay, lost working days and accident remediation are reflected in increased costs. An increased number of injuries at work could also affect the reputation of NEXE Group as a desirable employer on the labor market. The state of safety and security at work greatly affects the possibility of attracting investments and successfully applying for key business projects.

- **Skills development** – Every employer has the responsibility to invest in the development of their employees and provide them with support in their professional and personal development. With career development programs, internal and external training and opportunities for advancement within the organization, NEXE Group has a positive impact on its employees.

- **Working conditions** – In order to keep its employees and continuously maintain their satisfaction at a high level, NEXE Group consults with the workers' council and participates in negotiations with the unions when shaping the working conditions and strives to meet the expectations of the employees. NEXE Group strives to provide its employees with security, adequate salary and working hours, as well as additional material and non-material benefits in order to achieve a positive impact and satisfaction among all employees. If NEXE Group did not invest in benefits for employees, an organizational culture of equal opportunities and the development of a career management system, there would be a risk of growing employee dissatisfaction, which would result in leaving the organization. High turnover rates would also mean increased costs of attracting and training new employees and reduced productivity in the transition period.

- **Work-life balance** – Considering the manufacturing activity and the strict rules that protect health and safety in the workplace, NEXE Group cannot provide greater flexibility in terms of the workplace or working hours for a large part of the workplaces. NEXE Group provides all employees with family care leave (in the case of childbirth, adoption or care for family members in serious health condition).

- **Collective bargaining and dialogue** – Employees of NEXE Group can negotiate collectively, and the agreed conditions are respected and applied to all employees covered by the collective agreement.

- **Diversity and equal opportunities** – the workforce of NEXE Group is characterized by gender, age, ethnic, cultural and religious diversity, which is highly valued and respected. All employees are sought to be protected from discrimination and harassment in the workplace and provided with equal opportunities.

- **Labor shortage** – Considering the decreasing interest in production occupations and the decrease in the number of inhabitants, NEXE Group can potentially face a labor shortage, which would make it difficult to achieve business results. In a very competitive labor market, where the attractiveness of production activities and professional occupations is decreasing, it is important to proactively cooperate with educational institutions, communicate with young people, provide opportunities in the form of professional practices and internships, as this can significantly increase the number of potential candidates. This will make it easier to attract workers, thereby reducing the risk of labor shortages.

WORKFORCE STRUCTURE

In the reporting period, NEXE Group had a total of 1 692 employees. Given the nature of the industry, it is common that there are more men than women in the workforce. In 2023, in NEXE Group, men made up 83,04 % of the workforce, and women 16,96 %. NEXE Group offers equal employment opportunities to both men and women. However, the fact is that a large part of the jobs is related to physical jobs for which men mainly apply. Such a workforce structure is common for companies in the construction materials industry.

In 2023, a total of 295 employees left NEXE Group, and the total number of employees decreased by 6,26 %. The turnover rate for 2023 is 17 %, which is an increase compared to 2022, when the turnover rate was 12 %. The decrease in the total number of employees and the increase in the percentage of turnover is a consequence of the stoppage of the production of the company POLET-KERAMIKA DOO NOVI BEČEJ.

In 2023, 67,14 % of employees were employed by NEXE Group member companies based in Croatia, 26,83 % of employees were part of member companies in Serbia, while 6,03 % of employees were part of NEXE Group member companies in Bosnia and Herzegovina.

Data on the structure of the workforce were collected during 2023 for each individual member company. The human resource specialist in charge of human resources in each NEXE Group member company determines the number of employees for the previous month at the beginning of the month (on the last day of the month) and the number of employees is worked out according to qualification structure, age and gender structure, type of employment, type of job and country. The number of newly hired employees during the reporting month and the number of employees who left NEXE Group are also recorded, including information on the reason for leaving, type of employment, age and gender structure, and qualifications. The presented data refers to the status as of 31 December, 2022 and 31 December, 2023.

In the reporting period, there were no workers who were employed in companies whose primary activity is defined by NACE code N78 (agency workers) or employees who had signed contracts with member companies of NEXE Group and which do not fall under employment contracts (self-employed workers).

S1-6 workforce structure (by gender)

Number of employees						
Gender	**2021**		**2022**		**2023**	
Male	1447	82,12 %	1477	81,83 %	1405	83,04 %
Female	315	17,88 %	328	18,17 %	287	16,96 %
Other	0	0	0	0	0	0
Total	1762	100 %	1805	100 %	1692	100 %

S1-6 workforce structure (by countries)

Number of employees						
Country	**2021**		**2022**		**2023**	
Croatia	1104	62,65 %	1143	63,32 %	1136	67,14 %
Serbia	556	31,56 %	556	30,80 %	454	26,83 %
Bosnia and Herzegovina	102	5,79 %	106	5,88 %	102	6,03 %
Total	1762	100 %	1805	100 %	1692	100 %

OCCUPATIONAL HEALTH AND SAFETY

The World Health Organization and the International Labor Organization estimate that approximately 2 million workers die each year worldwide due to work-related accidents, with 260 million work-related injuries and a very large number of cases of occupational diseases. The possibility of work-related injuries and the occurrence of occupational diseases represent a potential negative impact on the employees of NEXE Group. Identified health and safety risks for employees arising from the nature of the work carried out by NEXE Group include: working with heavy machinery, high levels of noise, dust, and crystalline silica particles. A safe working environment is a fundamental right of every individual, which NEXE Group seeks to ensure through the development and implementation of strict procedures and practices for workplace health protection.

POLICY

Occupational health and safety at work are a key part of good business management and social responsibility, and education and prevention are a prerequisite for preventing accidents at work and an important link in ensuring a healthy and safe workplace in NEXE Group companies, with a focus on constant improvement of working conditions and preventing injuries at work.

Occupational health and safety management is defined by the Energy, Environmental Protection and Health and Safety Policy for NEXE d.d., and for other members by the Quality Policy. The fundamental determinant of the policy that all managers and employees are guided by is the prevention of injuries and zero tolerance for risky activities that can result in accidents. The policy sets clear expectations for managers and employees to perform their activities in a safe manner and to take care of the health and safety of their colleagues, contractors and other stakeholders. The policies are elaborated through operational documents – Manual for working in a safe manner, Ordinance on occupational safety and Ordinance on fire protection – which contain descriptions of risks, rules and procedures for working in a safe manner.

NEXE Group commits to the following through its Health and Safety and Quality policies:

- Encourage the development of awareness about health and safety at work of its employees and external suppliers of goods and services.
- Regularly assess the state of health and safety at work in the company and, using modern organizational, technical and technological solutions and constant supervision, implement measures with the aim of preventing injuries and illnesses at work and improving the working conditions of its workers and other persons during work and stay under control of member companies of NEXE Group.
- Permanently align your activities with the applicable legislation and other obligations in the field of employee health and safety management.

All employees of NEXE Group are responsible for implementing the policy, while the member of the Board, responsible for human resources, legal affairs, management systems, occupational health and safety, is accountable for achieving the policy objectives.

With the aim of managing risks for health and safety as well as possible, a health and safety management system was developed that covers all employees and contractors at the locations managed by NEXE Group. The management system is aligned with the legal provisions of the countries in which NEXE Group operates, with the requirements of the ISO 45001 standard and good practice in the building materials production industry. The main goal of the implemented system is to achieve a zero rate of injuries at work.

Health and safety at work is managed by the Occupational Safety and Health Department and occupational health and safety specialists from individual companies who propose and implement activities, eliminate potential hazards, conduct education and professional training, raise awareness of working in a safe manner, research and introduce the safest work techniques and continuously monitor the effectiveness of implemented solutions. Monthly joint meetings are held that include all associates and occupational safety experts.

At the annual level, goals are set for reducing work injuries and reducing the number of days lost due to work injuries. The department collects data on accidents, investigates the causes that led to them and monitors the achievement of set goals. The department regularly submits reports to the management on activities, results and plans for improving the management system.

For the policy to be effective, it needs to be communicated to all interested parties. The energy, environmental protection and health and safety policy and the quality policy are available as official documents on the Internet, new employees and contractors who meet NEXE Group for the first time are informed about them. Key decisions on improving work in a safe manner, which are made at the level of the Management Board and the Health and Safety Department, are communicated to all managers, and they pass them on to employees. Safety prevention and protection is a fundamental value that is tried to be transferred to employees, contractors and other stakeholders through communication and activities.

DIALOGUE WITH EMPLOYEES

OCCUPATIONAL SAFETY COMMITTEE'S MEETINGS

At the meetings of the Occupational Health and Safety Committee, which are attended by directors of Group member companies, associates and occupational safety experts, occupational medicine doctors, workers' representatives – commissioners and relevant supervisors and managers, analyses of occupational injuries, deficiencies determined by internal supervision, reports of worker commissioner for occupational safety and examples of injuries at work are discussed. Occupational safety committees are conducted separately in the Group's member companies and take place at least twice a year depending on the decision of the member company's management. The proposals of the Occupational Health and Safety Committee are aimed at preventing injuries, improving working conditions, analyzing the state of health of employees based on reports from occupational medicine doctors, eliminating deficiencies and receiving proposals from participants.

COMMUNICATION WITH THE WORKERS' REPRESENTATIVE FOR OCCUPATIONAL SAFETY

One of the forms of dialogue in NEXE d.d. is communication with the worker's commissioner for occupational safety related to the implementation of rules and measures of health and safety at work. In NEXE d.d. the occupational safety worker commissioner participates in the occupational safety committee meetings where he makes workers' proposals regarding the improvement of working conditions and provides feedback to workers about the activities undertaken. The stated practice is intended to be implemented in other member companies.

MEETINGS AND COLLEGIUM

As one of the most important strategic topics, occupational health and safety is communicated almost daily through meetings and courses at all levels of the organization. The purpose of such meetings is early identification and elimination of risks and continuous improvement of the health and safety system.

PLATFORMS FOR INFORMING EMPLOYEES

Employees are informed about changes in the health and safety management system, initiatives for health promotion, working in a safe manner and other important topics on the noticeboard, by internal e-mail, by exchanging documents through the Hivergen application, at internal meetings and through NEXE news, the official newsletter of NEXE Group and application NEXE4ME.

The employer's direct authorized person is responsible for the operational implementation of communication with employees regarding protection and safety at work.

REPORTING DANGEROUS SITUATIONS AND ACCIDENT INVESTIGATIONS

After an injury at work occurs, i.e. as soon as the injury is reported, the authorized person/manager and the Occupational Health and Safety expert come to the scene and determine the circumstances. If there is a possibility of the event repeating itself or the danger has not passed, all activities in that area are suspended until they are eliminated. During the detailed investigation of the incident, an investigation team is formed, which consists of people familiar with the process and circumstances, the facts are studied, and the circumstances are determined, statements of participants and witnesses are taken, conclusions are drawn, and immediate and other improvement measures are considered. All the results of the investigation and measures are consolidated into a unified document and distributed to relevant persons at the NEXE Group level. To improve monitoring of occupational safety processes, an internal system was established for monitoring and reporting dangerous situations and injuries at work. The internal system was developed in the form of a digital platform through which managers can report all risky situations. All dangerous situations, events and injuries are reported by participants or witnesses directly to a superior or a person in charge of occupational safety in a member company of NEXE Group. The investigation is conducted using a unified online document and instructions for conducting the investigation at the Group level. All reported dangerous situations are investigated, risks are eliminated in the shortest possible time, and the applicant is informed about the implemented measures immediately after the occurrence of the event and during execution within the given deadlines. All cases of workplace injuries are thoroughly investigated to better understand what led to them and to determine the necessary actions to prevent future incidents. Each investigation is approved by the responsible directors and the Head of the Occupational Health and Safety Process at the Group level. The findings of these investigations are communicated to all employees in the form of lessons learned through the NEXE4ME application with the aim of learning and preventing future accidents.

IMPLEMENTATION OF REGULAR INSPECTION SUPERVISIONS

The occupational safety inspection and the fire safety inspection carry out regular inspections. Compliance with legal requirements is checked during supervision. In the reporting period, no non-compliances were identified. In case of non-compliance, corrective actions are initiated.

NEXE d.d., Našice, cement factory

MEASURES AND ACTIVITIES

In the reporting period, professional training in the field of occupational safety was carried out, investments were made in the modernization of the plant with the use of the best safety measures and the safest work techniques were used, all in order to reduce the risks to health and safety at work as successfully as possible.

CONTINUOUS PROFESSIONAL TRAINING OF EMPLOYEES

All employees undergo training upon employment: working in a safe manner, fire protection training and providing first aid. Their knowledge and skills in the field of occupational safety are continuously assessed and improved through professional training. Training in handling machines and devices, power plant management and working with dangerous chemicals is carried out, all with the aim of increasing the safety of workers at workplaces with specific working conditions.

Continuous improvement of the training program aims to ensure that all employees and managers have the appropriate knowledge, skills and experience to perform their work safely. In the reporting period, interactive training workshops were held at the Group level, which included a total of 53 managers and employer's authorized representatives in order to raise the level of knowledge and awareness on key issues in the field of occupational health and safety. More than 12 hours were invested in education in 4 separate sessions. A training workshop was also held for associates and occupational safety experts in the form of a full day participation of all members of the occupational safety department.

MODERNIZATION OF THE PLANT FOR THE PURPOSE OF SECURITY ENHANCEMENT

Modernization of the plant is carried out with the aim of reducing the number of injuries at work. When reconstructing existing or building new facilities, the Group takes care of the inclusion of modern and safe techniques and technologies, following the standards and latest trends available on the market.

MEASUREMENTS AND TESTINGS

In the reporting period, in accordance with the procedure prescribed by the Management System and legal requirements, measurements/tests were organized and carried out:

- work equipment
- tests of cranes and elevators
- installation (panic lighting, electrical installations, static electricity, lightning protection systems, electrical installations made in Ex – safety version, etc.)
- physical harm
- stable systems for fire protection and fire extinguishing
- portable fire extinguishers
- fire dampers, electromagnetic valves for gas
- fire alarm system
- gas installations and
- sources of ionizing and non-ionizing radiation

Immediately after the measurements and tests, improvement actions were initiated with the aim of eliminating non-compliance on the work equipment that did not comply with the legal requirements.

In 2023, with the aim of monitoring the implementation of health and safety rules and measures by occupational safety experts, internal inspections of workplaces and equipment were carried out. Identified deficiencies are exposed at the Occupational Health and Safety Committee or other forms of communication with relevant persons. The leadership of the members makes decisions on how to eliminate identified deficiencies.

In order to implement the policy and achieve the goals, various activities were additionally carried out in the reporting period.

IMPROVING ACCESS TO WORKPLACES

At the Group level, efforts are actively being made to improve access to workplaces and increase safety on staircases and landings, with significant financial resources being allocated. In 2023, activities were carried out in NEXE d.d., Dilj d.o.o., Tvornica opeke Sarajevo and AD POLET IGK NOVI BEČEJ.

5 MINUTES FOR SAFETY

„5 minutes for safety" is a prevention activity and refers to the time that employees set aside before starting work, during which they assess risks, inspect equipment and communicate with each other about safe ways of working. An official letter was sent to the production and maintenance sector, and leaflets with the slogan "5 minutes for safety" were distributed to employees. "5 minutes for safety" as a form of toolbox talk is held in all member companies of the Group, depending on the events about which the employees want to be informed.

TRAINING FOR SAFE WORK

NEXE conducts safe work training in various forms, depending on the member. Training covers the following topics:

- dangers when working at height
- personal protective equipment for work at height
- dust – danger in the working environment
- personal protective equipment for respiratory organs
- dangers of electricity and protective measures when working with electricity.

SIGHT EXAMINATION AND PROTECTIVE PRESCRIPTION GLASSES

As a measure to improve working conditions and increase safety in the cement production plant, in 2022, 102 workers from the Technical Sector and the Production Sector who need to use vision aids underwent eyesight examination, after which they were provided with protective prescription glasses. Protective prescription glasses are made of plastic lenses resistant to breakage and impact to protect the eyes from flying particles. Protective prescription glasses are modern eye protection that combines safety, functionality and quality. Following the example of NEXE d.d., in 2023 in the company Dilj d.o.o. 40 prescription glasses were purchased for the employees.

CAMPAIGNS FOR DEVELOPING AWARENESS OF OCCUPATIONAL HEALTH AND SAFETY

Building a safety culture is a constant and dynamic process that requires the involvement of all levels in the company. Every job must be a safe job. Awareness of risks, safe working methods and the need for health protection are continuously raised through posters and leaflets on safety rules, information on risks, and new work techniques.

CARE FOR EMPLOYEE HEALTH OUTSIDE THE WORKPLACE

2022 saw the beginning of planning of the program of preventive examinations for all workers in the Republic of Croatia. In 2023, a program of preventive medical examinations was successfully implemented for all employees of member companies from the Republic of Croatia. All employees who work at jobs with increased risk undergo additional periodic examinations to determine their health condition and ability to perform their jobs. The aforementioned practice is planned to be established in other member companies as well.

NEXE Group also encourages employees to play sports, eat healthily and take care of mental health by promoting, organizing, donating and sponsoring numerous sports clubs and associations.

GOALS AND INDICATORS

Health and safety at work is a priority in which corporate responsibility is consistently implemented with the final and continuous goal of 0 injuries at work in all member companies of the Group. The goals related to the reduction of injuries at work, deaths related to injuries at work and the reduction of sick days are derived from the management policy, and are defined on an annual basis with regard to last year's results.

100 % of NEXE Group employees are covered by the occupational health and safety management system. In the reporting period, 2,30 % of employees were injured in the workplace. A total of 39 workplace injuries were recorded, resulting in the loss of 1 973 working days due to sick leave. The rate of injuries at work in 2023 is 13,67 (injuries per million working hours). In the reporting period, there were no deaths caused by workplace injuries.

	2021	2022	2023
Employees	1762	1805	1692
Total number of injuries at work	54	42	39
Work injuries rate	–	13,28	13,67
Death cases	0	0	0
Injuries outside workplace (on the way to work)	0	1	6
Injuries of external contractors	0	2	0
Number of work-related illnesses on which records are kept	NA	NA	NA
Days lost due to sick leave	1501	1404	1973

WORKING CONDITIONS

COMMITMENT TO EMPLOYEE WELLBEING

To attract, motivate, and retain employees, NEXE Group strives to provide competitive working conditions that have a positive impact on employee well-being. Employee rights within all members of the Group are not limited solely to legally prescribed minimum conditions but also include additional benefits aimed at fostering a positive work experience.

Commitment to creating competitive working conditions through permanent employment, providing adequate compensation, stable working hours, and insurance in case of unforeseen circumstances is stipulated through the Employment Regulations and the Collective Agreement. The implementation of the human resources management policy, which includes working conditions, is the responsibility of the Human Resources Department, which reports directly to the Board Member responsible for human resources, legal affairs, management systems, and occupational safety.

DIALOGUE WITH EMPLOYEES

NEXE Group encourages open and honest communication at all levels and in all processes. Dialogue between workers and their superiors is something that is carried out daily and continuously, and it is one of the ways in which the employer can get feedback on employee satisfaction.

Employees can express their concerns and needs through the Worker's Council and the Trade Union. Regular quarterly meetings between the employer and employee representatives enable negotiations on working conditions with the aim of achieving the best possible conditions and meeting the employees' expectations.

Communication about working conditions and employee satisfaction is not limited to formal meetings. It takes place every day, within each team, where every employee has the opportunity to express their opinion, and every employee can also contact the Human Resources Department. Also, the annual employee satisfaction survey provides additional insights into employee satisfaction with working conditions, which enables continuous improvement of working standards.

COMPLAINT MECHANISM

In the reporting period, the Human Resources Department did not receive a single complaint related to violations of the provisions of the Employment Agreement, the Work Regulations or the Collective Agreement.

Employees who are not satisfied with the working conditions can contact their supervisor, the occupational safety commissioner or the Human Resources Department. After the inquiry/complaint is received, the case is investigated and individual interviews are conducted with the person who sent the complaint, with the superior person and other persons who were involved, and an attempt is made to reach an optimal solution.

EMPLOYMENT SECURITY

In 2023, 96,57 % of employees had a permanent contract, and 99,17 % of employees were employed on a full-time basis.

Type of work contract (acc to gender)

Type of contract	2021		2022		2023	
Permanent contract	**1551**	**88,02 %**	**1597**	**88,48 %**	**1634**	**96,57 %**
Men	1281		1310		1361	
Women	270		287		273	
Temporary contract	**211**	**11,98 %**	**208**	**11,52 %**	**58**	**3,43 %**
Men	165		163		44	
Women	46		45		14	
Non-guaranteed work hours contracts	**0**	**0**	**0**	**0**	**0**	
Full-time employees	**1757**	**99,72 %**	**1796**	**99,50 %**	**1678**	**99,17 %**
Men	1442		1469		1401	
Women	315		327		277	
Part-time employees	**5**	**0,28 %**	**9**	**0,50 %**	**14**	**0,83 %**
Men	3		8		7	
Women	2		1		7	
Total number of employees	**1762**		**1805**		**1692**	

Type of work contract (acc to countries)

Country		2021		2022		2023	
Croatia	Permanent contract	998	90,40 %	1047	91,60 %	1127	99,21 %
	Temporary contract	106	9,60 %	96	8,40 %	9	0,79 %
	Contract for non-guaranteed work hours	0	0 %	0	0 %	0	0 %
	Full-time contract	1102	99,82 %	1140	99,74 %	1134	99,82 %
	Part-time contract	2	0,18 %	3	0,26 %	2	0,18 %
	Total number of employees	1104		1143		1136	
Serbia	Permanent contract	459	82,55 %	452	81,30 %	416	91,63 %
	Temporary contract	97	17,45 %	104	18,70 %	38	8,37 %
	Contract for non-guaranteed work hours	0	0 %	0	0 %	0	0 %
	Full-time contract	556	100 %	556	100 %	446	98,24 %
	Part-time contract	0	0 %	0	0 %	8	1,76 %
	Total number of employees	556		556		454	

Type of work contract (acc to countries)

Country		2021		2022		2023	
Bosnia and Herzegovina	Permanent contract	94	92,16 %	98	92,45 %	91	89,22 %
	Temporary contract	8	7,84 %	8	7,55 %	11	10,78 %
	Contract for non-guaranteed work hours	0	0 %	0	0 %	0	0 %
	Full-time contract	99	97,06 %	100	94,33 %	98	96,08 %
	Part-time contract	3	2,94 %	6	5,67 %	4	3,92 %
	Total number of employees	102		106		102	

ADEQUATE SALARIES

Human Resources Department continuously monitors the state of the labor market, inflation rates, changes in tax regulations, etc., with the aim of making timely decisions on changes in workers' salaries. Average salaries at the state and sector level are also monitored, and quarterly reports are drawn up on the implementation of the average salary plan in relation to the national average. The salary plan is made in accordance with the guidelines drawn up by the Human Resources Department, based on the employment policy, the Board's guidelines, the salary increase plan due to the impact of inflation, the increase in the cost of living and work results of each employee. In cooperation with employee representatives, the adequacy of income is monitored and proposals are made for salary increases in individual member companies of NEXE Group. All employees of NEXE Group have a contracted basic gross salary that is not less than the prescribed legal minimum salary.

COLLECTIVE BARGAINING

NEXE Group respects the rights of its employees to establish and join trade unions and participate in collective bargaining. In 2023, as well as in 2022, a total of 91 % of employees were covered by collective agreement rights. Other general acts adopted by the company, such as the Work Regulations and other general acts and decisions that regulate the rights and obligations of workers and employers apply to employees who are not covered by collective agreements.

Each production member of NEXE Group has its own trade union commissioner/worker representative who advocates for the improvement of workers' rights in all organizational units. A total of 100 % of employees work in units that have their own worker representative.

SOCIAL PROTECTION

NEXE Group, in its general acts at the level of its members, provided financial assistance (in case of employee sickness or death of an employee – help to family) and assistance in the form of days off for special social needs (death of a family member, marriage, childbirth, relocation, serious illness of a close family member) for all employees in accordance with the conditions prescribed by law.

WORK-LIFE BALANCE

Overtime hours and lack of rest can threaten safety at work and negatively affect the health of employees, which is why we try to avoid long shifts, overtime work and work without weekly rest. Working time models and schedules for a particular company and/or organizational unit are shaped through meetings and workshops with management. In order to better manage working hours, in 2022 NEXE Group started introducing software that enables more efficient recording of working hours, and workshops were held with working time recorders about the rules for keeping records. The implementation has been completed in a large part of the organizational units of NEXE d.d. and the test phase is over. All recorders are trained to work in the software. The results of entering the working time record are in line with the employer's expectations, with constant improvements to the software itself, which proved necessary during the test period. Further implementation in other member companies of NEXE Group is continued.

Flexible working practices are facilitated where appropriate to enable a healthy work-life balance for employees. In this sense, the Decision on equal and unequal duration and schedule of working hours and the corresponding Table with the schedule of equal and unequal hours by organizational units were adopted.

All rights and conditions during the use of maternity, parental and paternity leave are regulated by special legal regulations and are applied as such in all member companies of NEXE Group without exception. All employees had the right to maternity/parental/paternity leave in accordance with the conditions prescribed by law. In 2023, 2,35 % of employees (33 employees) used their right to maternity/parental/paternity leave. Among female employees, 9,41 % (27 female employees) used this right. In 2022, a total of 59 employees used the right to maternity/parental/paternity leave, and in 2023, that number was 60.

Share of employees that used the right to maternity/parental/paternity leave

2021		2022		2023	
M	F	M	F	M	F
0,14 %	6,35 %	1,69 %	10,37 %	2,35 %	9,41 %

The percentage is calculated in relation to the total number of employees of a certain gender.

ADDITIONAL BENEFITS

Work performance in most member companies of NEXE Group is monitored on a monthly basis through a monthly incentive model. The monthly incentive model relates to the specification of jobs and the individual attitude of employees towards the workplace and work colleagues, as well as desirable behaviors. The process of setting annual goals for managerial positions is defined, enabling the monitoring of their work performance, which serves as the basis for realizing their right to an annual bonus. Sale departments in individual companies have their own variable compensation model that depends on the achievement of set sales goals.

Additional benefits provided by NEXE Group to its employees in the reporting period are:

Christmas bonus and holiday cash grant

Payment of jubilee awards for years of continuous service in the company

Easter and Christmas gift in kind

Performance related bonuses as part of company's financial success

Christmas gifts for employees' children

Physical examination for employees

Additional days of annual leave

Transportation fee in the full amount of the monthly ticket

Paid time off for employees' personal obligations

Provided free meals for all employees (either through meal provision or monthly lump-sum payment).

GOALS

The goal of NEXE Group is to continuously improve the working conditions by renovating the production plants and other areas where employees stay and work. The survey of employee satisfaction with working conditions is carried out using an internal questionnaire. In the coming period, the goal of improving satisfaction with working conditions will be defined.

EMPLOYEE DEVELOPMENT

KNOWLEDGE AND SKILLS DEVELOPMENT

NEXE Group is aware that people are the company's greatest value, and that is why it is extremely important to invest in employees, their skills and competencies. It is committed to helping employees achieve success and ensuring they have access to opportunities to achieve their goals. It continuously works to attract, retain and develop top talents in its industry. Professional, experienced and motivated management at all hierarchical levels is one of the prerequisites for realizing the NEXE Group's strategy and business goals.

The Human Resources Department develops individual development plans in cooperation with directly superior managers. All employees have the opportunity for personal and professional development and are encouraged to work on developing skills beyond the requirements of the workplace. The member of the Board responsible for the area of human resources, legal affairs, management system and occupational health and safety is in charge of achieving the set goals.

DIALOGUE WITH EMPLOYEES

The Human Resources Department, specifically the leader of the education and selection process, is responsible for promoting and coordinating the topics of development, education, and advancement. Every manager is responsible for planning career development, education, and training in collaboration with the employee and for maintaining regular communication about it.

The Human Resources Department communicates with division/department/sector representatives regarding employee's career development. Based on this, managers have individual discussions with each employee about their career development. Managers engage in continuous discussions with employees on this topic, formally addressing it once a year during the planning of education for the following year. For key positions and identified talents individual discussions are also conducted by the Human Resources Department.

In 2022, for the first time, focus groups were held where the topic of career development, education and advancement was discussed with employees. Such a format proved to be successful and was repeated in 2023.

The interests of employees are taken into account when creating the Education Plan for the upcoming period. For the offered educational content, employees report directly to the Human Resources Department, and their attendance is coordinated with a superior.

ACTIVITIES

CAREER MANAGEMENT

On the basis of a comprehensive project of assessing the employees' potential in cooperation with an external collaborator, which was carried out in 2022, a talent base was developed and individual development programs were created for them. All other employees received feedback with a recommendation for further development. Education plans are drawn up every year. Managers assess the educational needs of each employee based on their knowledge and skills and the future needs of the workplace and the development of successors in key positions. The planning is thus coordinated with the strategy of NEXE Group.

DEVELOPMENT OF COMPETENCES

In NEXE Group, employees are provided with opportunities to participate in various forms of training, including professional seminars and workshops, specialist meetings and conferences, workshops for developing personal or managerial skills.

NEXE Academy

In 2022, NEXE Academy was established, a structured program aimed at enhancing the existing education system to enable employees to reach their full potential, develop additional job skills, and increase their work efficiency. NEXE Academy comprises four development programs:

NEXE Base – designed for new employees who have not undergone the specified basic training and require additional education on topics such as communication, teamwork, time management, conflict resolution, etc.

NEXE Manager – intended for development of managerial competences of existing managers and development of skills of newly promoted managers.

NEXE Specialist – specialized training for employees in specific processes related to sales, procurement, finance, etc.

NEXE Talent – education aimed at individual development of employees with high development potential.

Specialized workshops were aimed at different groups of employees, adapting to their specific roles and needs within the organization. For those in management positions, the focus was on developing key managerial skills, including communication, situational leadership, organization, leadership, teamwork, collaboration, synergistic diagnosis, and motivation and engagement. Employees who are often involved in leading or participating in projects had the opportunity to expand their skills in project management. Those who regularly took on mentoring roles refreshed and upgraded their mentoring skills. Also, part of the employees participated in training focused on assertiveness, conflict management, stress and energy regulation.

In addition, internal training was conducted that covered topics such as working hours, violation of work obligations, records of working hours and professional selection, all with the aim of improving organizational efficiency and compliance with regulations.

During 2023, the NEXE Academy was a place of professional development for 217 employees of NEXE Group through 20 workshops. A total of 2 107 hours of education were realized, and a total of EUR 47 093 was invested in the project.

Education and training

Employees regularly participate in training from their own business area, which is held in the form of professional seminars and workshops, as well as professional gatherings and conferences.

In 2023, employees from the business area of finance participated in external training related to changes in tax regulations, but also on other topics related to the preparation of financial statements. Additionally, with regard to changes in reporting, employees participated in education regarding sustainable finance and ESG-reporting, and the construction industry on the way to decarbonization and sustainable business as well as corporate sustainability.

Within the area of audit, employees were educated on the topic of internal audit interaction with the audit committee and ESG management, as well as improving the quality of internal audit.

Sales employees participated in external training on the topic of automated business reporting in the Power BI tool.

Employees from the IT sector were educated on topics related to ChatGPT, artificial intelligence and security.

Employees from other business areas participated in training in the field of occupational safety and legal affairs and labor relations. Education was also carried out according to regulations in the field of production, electrical engineering, construction, management of sustainable finances and for the performance of duties as a customs agent.

In 2022 and 2023, participation in national and international conferences and symposia in the fields of information security, environmental protection, waste management, mining, finance, human resource management, marketing and procurement were realized. In addition, NEXE Group also encourages and co-finances foreign language learning and further formal training of employees that is of interest to the organization's operations.

In 2023, a total of EUR 146 543,69 was invested in employee education and training. The success of the implemented activities is monitored based on employee satisfaction surveys with organized in-house training courses, the Annual Evaluation of the Quality and Efficiency of Education and the Final Report on Employee Satisfaction. The Human Resources Department prepares reports on education, which show the implementation in relation to the education plan. After the completion of the training, each employee evaluates its quality, and the evaluation of the effectiveness of the training is given by the supervisor of the participant who attended the training.

GOALS

The key performance indicators (KPI) of the process are defined as the basis for setting goals, thus ensuring that the goals are relevant and aligned with the Group's Policy and strategic and general goals. Annual goals represent target values of KPI processes and sub-processes. KPI's are defined by the description of processes and sub-processes in accordance with the organizational chart. The planning of target values is done on an annual basis. The bearer of the KPI and goals are the owners of the process, that is, the persons responsible for the sub-processes. They are also the goal bearers and are responsible for their realization. The achievement of goals is compared quarterly compared to the plan.

NEXE Group has identified an increase in the share of employees who regularly participate in education and evaluations of skill development which is one of the goals related to creating positive impacts on employees.

INDICATORS

In the reporting period, there were a total of 18 818 hours of education, or 11,12 hours per employee. In the reporting period, there were an average of 6,86 hours of education for women, and 11,99 hours for men. In total, 25 % of employees participated in some form of education, i.e. 29 % of women and 24 % of men. Compared to the previous period (2022), when there were 7 534 hours of education and when 13 % of employees participated in education, a significant increase is recorded.

REGULAR PERFORMANCE REVIEWS

In the reporting period, annual performance evaluations were carried out so that employees received feedback as needed from their superiors. The long-term plan as part of corporate governance is to establish a system for regular monitoring of career development and performance evaluation.

50 %

hours of education compared to previous year

25 %

of employees participate in some form of education

11,12

average number of hours of education per employee

NEXE EMPLOYER PARTNER

In 2023, the Group member company NEXE d.d. was again awarded the certificate Employer Partner. The leading Croatian human resource management group, SELECTIO, is responsible for awarding the certificate. The Employer Partner certificate confirms a commitment to investing in human resource development and success in building long-term partnerships with employees.

AVERAGE NUMBER OF HOURS OF EDUCATION HOURS PER EMPLOYEE (ACC TO CATEGORY AND GENDER)

Country	Number of employees as of 31/12/ 2021	Number of training attendees in 2021	% of training attendees	Number of hours of education in 2021	Hours per employee
Bosnia and Herzegovina	102	12	12	366	3,59
Croatia	1104	91	8	5514	4,99
Serbia	556	13	2	372	0,67
Total	1762	116	7	6252	3,55

Country	Number of employees as of 31/12/ 2022	Number of training attendees in 2022	% of training attendees	Number of hours of education in 2022	Hours per employee
Bosnia and Herzegovina	106	13	12	216	2,04
Croatia	1143	195	17	6988	6,11
Serbia	556	23	4	330	0,59
Total	1805	231	13	7534	4,17

Country	Number of employees as of 31/12/ 2023	Number of training attendees in 2023	% of training attendees	Number of hours of education in 2023	Hours per employee
Bosnia and Herzegovina	102	17	17	333	3,26
Croatia	1136	371	33	18155	15,98
Serbia	454	27	6	330	0,73
Total	1692	415	25	18818	11,12

Employee category	Number of employees as of 31/ 12/ 2021	Number of training attendees in 2021	% of training attendees	Hours of education in 2021	Hours per employee
Administration	220	29	13	1242	5,65
Marketing and sales	123	6	5	348	2,83
Management	99	45	45	1230	12,42
Production and maintenance	1320	36	3	3432	2,60
Total	1762	116	7	6252	3,55

Employee category	Number of employees as of 31/ 12/ 2022	Number of training attendees in 2022	% of training attendees	Hours of education in 2022	Hours per employee
Administration	243	53	22	2670	10,99
Marketing and sales	115	6	5	78	0,68
Management	106	61	58	1198	11,30
Production and maintenance	1341	111	8	3588	2,68
Total	1805	231	13	7534	4,17

Employee category	Number of employees as of 31/ 12/ 2023	Number of training attendees in 2023	% of training attendees	Hours of education in 2023	Hours per employee
Administration	248	84	34	1552	6,26
Marketing and sales	98	19	19	548	5,59
Management	122	78	64	1676	13,74
Production and maintenance	1220	230	19	14970	12,27
Development and investments	4	4	100	72	18
Total	1692	415	25	18818	11,12

Gender	Number of employees as of 31/12/2021	Number of training attendees in 2021	% of training attendees	Number of hours of education in 2021	Hours per employee
Men	1447	88	6	5268	3,64
Women	315	28	9	984	3,12
Total	1762	116	7	6252	3,55

Gender	Number of employees as of 31/12/2022	Number of training attendees in 2022	% of training attendees	Number of hours of education in 2021	Hours per employee
Men	1477	171	12	5326	3,61
Women	328	60	18	2208	6,73
Total	1805	231	13	7534	4,17

Gender	Number of employees as of 31/12/2023	Number of training attendees in 2023	% of training attendees	Number of hours of education in 2021	Hours per employee
Men	1405	333	24	16849	11,99
Women	287	82	29	1969	6,86
Total	1692	415	25	18818	11,12

EDUCATION MONITORING METHODOLOGY

NEXE Group provides two types of educational programs: external education and in-house education (NEXE Academy).

In-house education: The organization of in-house education is carried out by the Human Resources Department through the NEXE Academy. The following information is recorded in detail for each training: first and last name of the participant, company from which the participant comes, date of the training, topic of the training, educational institution conducting the training, cost of the training, duration of the training (day/hour).

External education: For external education, the Hivergen program is used, which enables all NEXE Group employees to submit a Request for attending education. After approval of the request by the superior, the employee can participate in education, seminar, conference or professional meeting. Records for external training include: name and surname of the participant, company from which the participant comes, date of the event, topic of the training, educational institution conducting the training, cost of the training, duration of the training (day/hour).

The number of hours of education per employee is calculated as the total number of hours of education per category (country, category, gender) divided by the total number of employees in the specified category on the last day of the year. The share of employees who attended training was calculated as the total number of training participants per category (country, category, gender) divided by the total number of employees in the specified category on the last day of the year.

All data is documented through the Education Attendance Request to ensure a high level of organization and transparency within NEXE Group's educational processes.

DIVERSITY IN NEXE GROUP

Gender diversity in top management

MNG-2023	M	F	Total	% Women
Board	5	1	6	17
B-1	12	10	22	45
Total	17	11	28	39

MNG-2022	M	F	Total	% Women
Board	5	1	6	17
B-1	16	10	26	38
Total	21	11	32	34

MNG-2021	M	F	Total	% Women
Board	5	1	6	17
B-1	15	12	28	43
Total	20	13	33	39

Age diversity of the workforce

Age structure	2021		2022		2023	
> 30	328	19 %	364	20 %	319	19 %
30 – 50	861	49 %	906	50 %	875	52 %
over 50	573	33 %	535	30 %	498	29 %
Total	1762		1805		1692	

Level B-1 comprises company directors, sector directors and heads of departments at the Group level

Compensation ratio – the ratio of highest compensation and median compensation for all employees in the reporting period

	Group member	2021	2022	2023
Croatia	NEXE d.d.	10,46	7,79	7,64
	EKONEX d.o.o.	2,03	3,15	4,15
	IGMA d.o.o.	4,31	3,79	3,95
	Dilj d.o.o.	7,31	6,08	4,59
	LUKA TRANZIT OSIJEK d.o.o.	4,79	4,49	4,66
	NEXE GRADNJA d.o.o.	4,63	3,70	–
	CE - MA d.o.o.	2,03	1,96	1,79
Serbia	NEXE BETON DOO NOVI SAD	3,38	3,87	3,85
	AD POLET IGK NOVI BEČEJ	6,30	5,97	6,43
	POLET-KERAMIKA DOO NOVI BEČEJ	6,67	6,35	6,99
Bosnia and Herzegovina	NEXE BETON d.o.o. Sarajevo	2,50	2,05	1,97
	Tvornica opeke d.o.o. Sarajevo	2,98	3,64	4,06

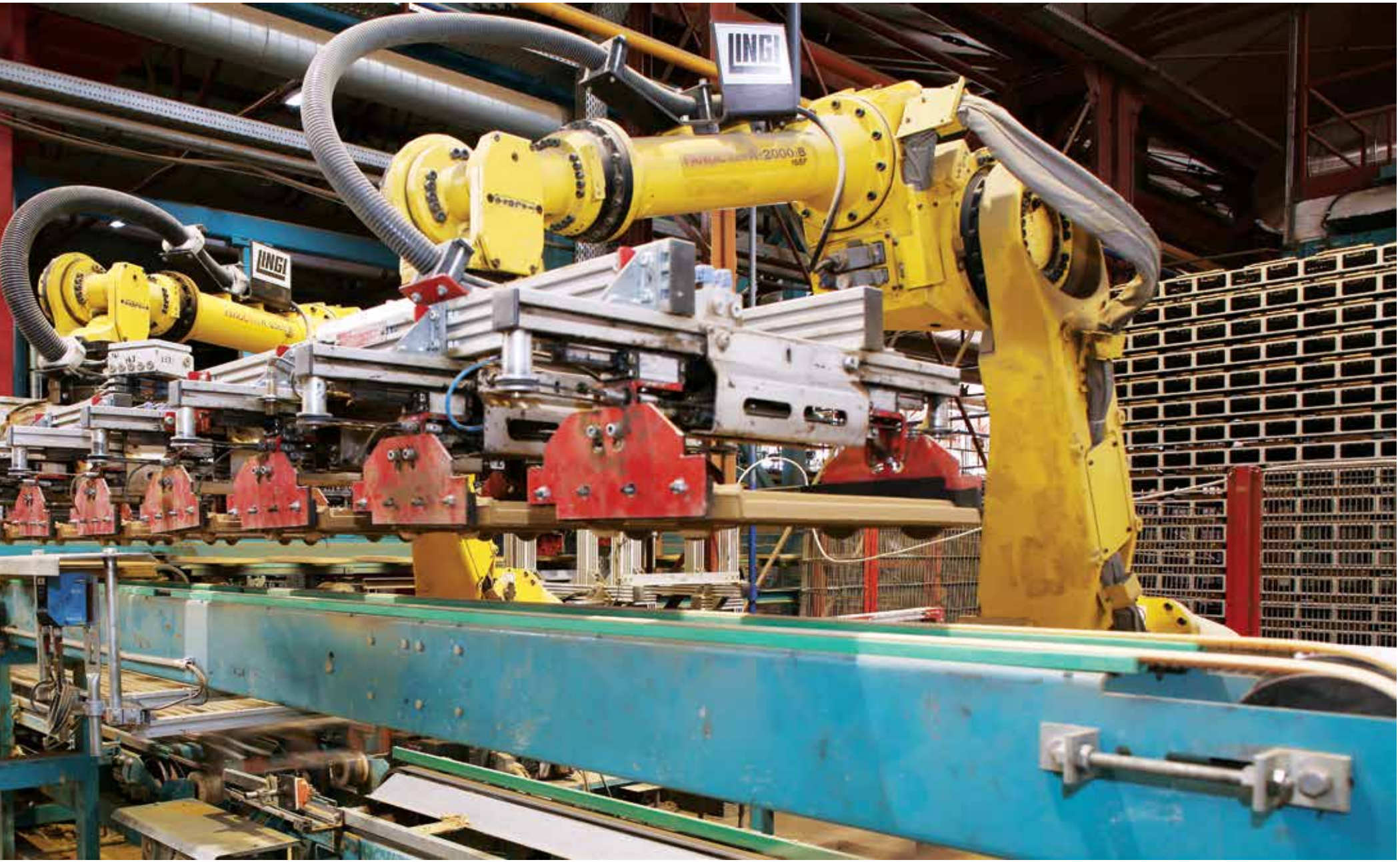
METHODOLOGY FOR CALCULATING THE COMPENSATION RATIO

When calculating the compensation ratio, NEXE Group followed the methodology prescribed by the ESRS standards. The calculation was made based on the compensation data from the HR system. The calculation includes: basic salary and related taxable salary supplements, compensation in cash, compensation in kind, direct compensation. The following formula was used: highest annual total income/average annual income (does not include the highest income).

INCIDENTS, COMPLAINTS AND VIOLATION OF HUMAN RIGHTS

The Code of Ethics of NEXE Group stipulates that selection, career advancement, defining positions and benefits should be based on abilities, experience and compliance with the core values of NEXE Group. Decisions related to the business path and work experience of anyone in NEXE Group must not be related to the following parameters: age, nationality, religious affiliation, gender, marital status, external orientation and other characteristics of an individual that can be the basis for discrimination. The Code of Ethics stipulates that no form of harassment is acceptable in mutual relations between employees, as well as with other stakeholders. It is the joint responsibility of all employees to create an inclusive work environment for all employees and for all stakeholders. During 2023, the ethics committee received one application, after which it carried out the procedure of establishing all the facts based on which it reached its conclusion.

There were no reports, confirmed cases or penalties for human rights violations (e.g. forced or child labor, human trafficking).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3.2.

OUR CONTRIBUTION TO LOCAL COMMUNITY

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

- **Development of the local economy** – In the areas where it operates, NEXE Group strives to employ local residents and provide them with job security and quality working conditions. It works with local educational institutions to provide opportunities for young people. It also supports local entrepreneurs through their inclusion in its value chain. This particularly applies to transport and logistics services. In addition, it indirectly affects the local economy through demand for products and services (e.g. hotel accommodation for partners and suppliers).

- **Donations and sponsorships** – NEXE Group creates a positive impact on the quality of life and development of local communities through donations and sponsorships. NEXE Group invests in sports, education, culture, art and infrastructure and financially supports humanitarian and other projects of local communities. Their support is extremely important for local stakeholders who can more easily implement projects and meet the needs of the community.

- **Local environmental impacts** – The main emissions of pollutants into the air resulting from the activity are suspended particles, nitrogen oxides (NO_X) and sulfur oxides (SO_X) and carbon dioxide (CO_2). Suspended particles can appear due to activities in exploitation fields, during transport or due to open storage of materials. NO_X is caused by the combustion of fuel, and SO_X is caused by the oxidation of sulfur in the raw material and fuel. Other elements are released in very small or negligible amounts. You can read more about the management of this impact in the chapter “Emissions to air and water”.

- **Noise** – Exploitation of raw materials and production of building materials results in noise emissions into the environment. Noise can cause disruptions and disorders in the daily life of the local community and an increased level of stress.

AD POLET IGK NOVI BEČEJ, plant in Novi Bečej

RISKS AND OPPORTUNITIES

- **Loss of support of local community** – If NEXE Group fails to take into account the interests and expectations of the local community, it could result in protests, difficulties in doing business and problems with access to the workforce. This could affect the reputation of NEXE Group members on the market and make it difficult to sell products and services.

- **Cooperation with local educational institutions** – Proactive cooperation with local educational institutions, timely communication with young people, securing opportunities in the form of professional practices and internships can significantly increase the number of potential job candidates. This will make it easier to attract and retain quality workers, and a professional and quality workforce will be reflected in better business results.

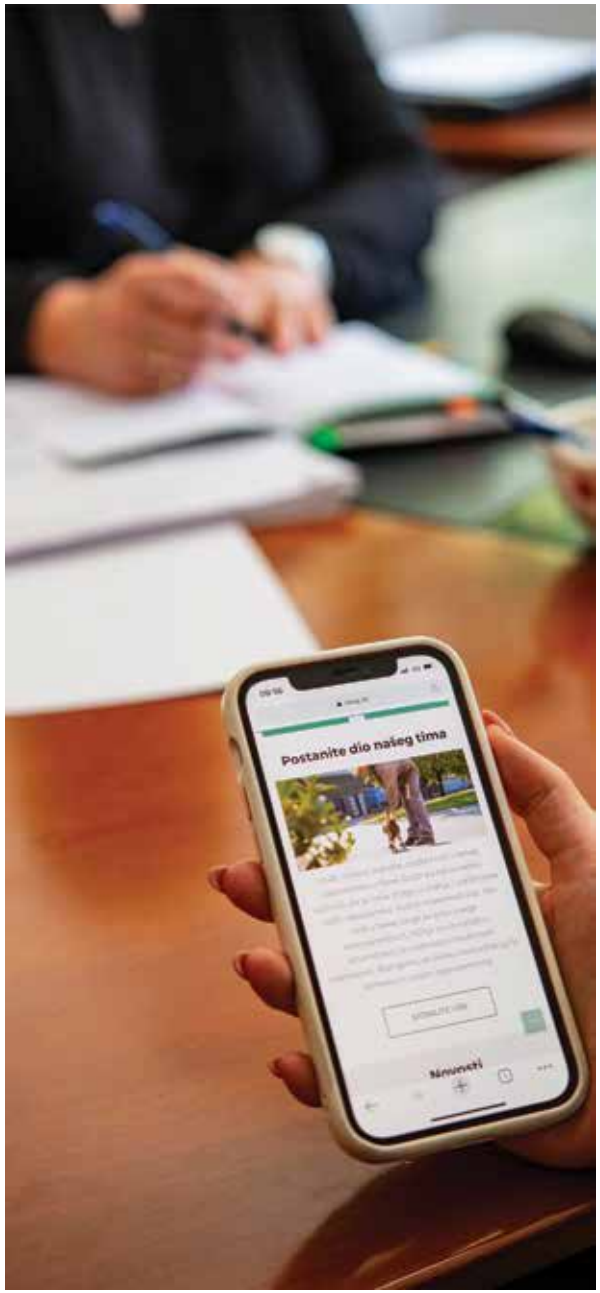
DEVELOPMENT OF EMPLOYABILITY

Plants for the production of construction materials are mostly located outside cities in less developed areas, which is why they can make a significant contribution to the development of the local economy by creating jobs and including small entrepreneurs in the value chain.

NEXE Group strives to give the opportunity to work, first of all, to residents who live near the plant and thus influence economic development.

NEXE Group cooperates with local educational institutions through educational visits, professional practices and career fairs. Thus, NEXE Group has the opportunity to introduce itself to potential employees and at the same time provide them with the opportunity for a successful start to their career development.

In addition to the inclusion of the local population in the workforce, NEXE Group also strives to include small entrepreneurs in the value chain. Their inclusion in the value chain is the responsibility of the procurement sector, which engages small suppliers from local areas, if they meet the conditions of quality, health and safety. It is mainly about logistics and transport services.



DIALOGUE WITH STAKEHOLDERS

Stakeholders are informed about open tenders for employment and business cooperation on the official website of NEXE Group, local media and social networks. All interested stakeholders can always send their requests, cooperation proposals, inquiry through official channels available on the website and by direct contact.

NEXE Group signs partnership agreements with educational institutions that define the way of cooperation. We communicate with the representatives of the institutions as needed and jointly work on designing a program for the integration of young people into the labor market.

COOPERATION WITH EDUCATIONAL INSTITUTIONS AND OPPORTUNITIES FOR YOUTH

Every year, NEXE Group organizes professional internships that enable students to get to know the processes they learn about at the faculties and combine theoretical knowledge with practical application. NEXE Group conducts professional practice in cooperation with the Croatian Association of Employers and every year during the summer months holds several professional practices lasting 2 to 4 weeks for students of the Faculty of Economics, Electrical Engineering, Law and Food Technology and the Department of Mathematics at the J.J. Strossmayer University in Osijek. In 2023, a total of 19 professional internships were completed in the departments of finance, mining, engineering, maintenance, marketing, sales and procurement.

In 2023, collaborations for student internships were renewed with the Faculty of Mining, Geology and Petroleum in Zagreb, the Faculty of Geotechnical Engineering in Varaždin, the Faculty of Electrical Engineering, Computing and Information Technologies (FERIT) at the J. J. Strossmayer University in Osijek and the Baltazar Zaprešić Polytechnic. During the internship, each student has a mentor who familiarizes them with the processes and way of working and prepares them for future business challenges. The implementation of professional internships has proven to be extremely useful for both students and employers, because students develop their skills in this way, and employers have the opportunity to introduce themselves to students and increase the base of potential employees.

PARTICIPATION IN CAREER FAIRS AND OPEN DAYS

In 2023, NEXE Group participated in several events including the Top Job Employment Fair in Novi Sad and the Green Matrix Summit in Osijek, an event dedicated to skills for green and digital transition.

At the Faculty of Economics in Osijek, as part of the "Meet the Employer" project, a lecture entitled "Career Development in NEXE Group" was held.

NEXE Group collaborated also with the Faculty of Electrical Engineering, Computing and Information Technologies (FERIT) at the J. J. Strossmayer University in Osijek, where at this year's Open Day and Career Day (DOVIK) a lecture was held on the topic "Computer systems in the function of sustainable business of NEXE Group" when operations, activities and plans for the future were presented to students in an accessible and interesting way.

At the career fair „Career corso", organized by J. J. Strossmayer University, NEXE Group presented its products, services and employment opportunities and participated in speed dating activities with potential employees.

TABLE: LOCAL EMPLOYMENT AND OPPORTUNITIES FOR YOUTH IN 2023

	Croatia	Bosnia and Herzegovina	Serbia
Share of employees from local community*	97 %	100 %	95 %
Total number of pupils/students at practical training	15	2	2

* The local area refers to the area of a county for Croatia, a municipality/district for Serbia and a canton in Bosnia and Herzegovina.

DONATIONS AND SPONSORSHIPS

As a socially responsible business system, NEXE Group wants to make an additional contribution to the development of the local community, which is visible in donations and sponsorships with the aim of creating a positive impact.

POLICY

With its Quality Policy, NEXE Group has undertaken to operate in accordance with the principles of socially responsible business, which, among other things, include voluntary care for society, that is, the local community where NEXE Group members operate. With donations and sponsorships, NEXE Group strives to increase the quality of life of people in the community, invest in the development of sports and the preservation of cultural heritage, and contribute to environmental protection.

NEXE Group strives to build more inclusive and resilient communities through a joint approach to all NEXE Group member companies that consider the specific needs of each community. The areas NEXE Group focuses on are aligned with the mission of creating shared value and building a better future. This voluntary commitment to society contributes to the achievement of long-term socio-economic added value for local communities. NEXE Group thus wants to contribute additionally to the achievement of the UN's global Sustainable Development Goals.

The budget for the realization of donations is defined by the Annual Plan of Donations and Sponsorships, when preparing the economic plans of the members. A separate amount is planned for donations in goods (primarily building materials from NEXE Group range), and separately for donations in money. When making proposals for donation plans, the members are guided by the realization of the previous year's budget, as well as the expectations of the local community (e.g. announcing projects of educational institutions, sports clubs, cultural events and the like).

DIALOGUE WITH STAKEHOLDERS

Stakeholders can continuously send requests for a donation or an inquiry for sponsorship cooperation through official channels. Over the month, the Head Office collects applications for donations and sponsorships for all members of the Group and, based on the Plan of Donations and Sponsorships and the proposal of the directors of the Group member companies, prepares an overview of applications for donations and sponsorships, which are considered once a month at the Board meeting. The Board makes a decision on the approval of donations and sponsorships in accordance with the vision, mission and Quality Policy of NEXE Group. The Head Office coordinates the implementation of the Board's decisions on approved donations and sponsorships, providing feedback to Group members, communicating the decision to the recipient and other operational activities for possible agreements regarding implementation. Through the inquiries and applications received, NEXE Group monitors the needs of the local community, which enables better budget planning and activities in this segment. NEXE Group communicates all relevant information through announcements, posts on social networks, announcements on NEXE websites through NEXE news, which, in addition to employees, is available to the local community and the general public.

In 2023, significant sponsorship and donor cooperation was achieved with numerous sports clubs in local communities where NEXE Group member companies operate.

NEXE GROUP IN SPORTS

HANDBALL CLUB NEXE

Cooperation with the Handball Club NEXE from Našice continued in 2023. It is of exceptional value that for several years the donation of NEXE d.d. enables the work of the handball academy and positive action through the involvement of young people and children in sports.

EQUESTRIAN CLUB NEXE

In 2023, NEXE d.d. continued its cooperation with the NEXE Equestrian Club, encouraging the development of equestrian sports in the Republic of Croatia.

FOOTBALL CLUBS IN NAŠICE

In 2023, for the second year in a row, NEXE d.d. through the Invitation of the Football Center of Našice, awarded donations in money, material for the renovation of the infrastructure of football clubs or sports equipment through the Invitation of the Football Center of Našice. An important criterion for awarding these donations is the number of teams of younger ages, which in this way also encourages work in sports with young people.

OTHER SPORTS CLUBS

Cooperation with NEXE Team Recreational Running Association, Našice Cycling Club, Đurđenovac Bowling Club, Orahovica Handball Club, Našice Women's Volleyball Club, Orahovica Women's Handball Club, Osijek Handball Club, Osijek Water Polo Club, Našice Tennis Club and other clubs.

SPORT IN VINKOVCI

For several years in Vinkovci, Dilj d.o.o. has supported the work of the Dilj Football Club, and donations have also supported other sports clubs in that part of the Republic of Croatia, such as the Vinkovačke Rode Ju Jitsu Club, the Bjelin Spačva Handball Club, the Vinkovci Women's Volleyball Club, the Ivankovo Women's Handball Club, the Vinkovci Women's Volleyball Club and the Volleyball Club Zrinski Nuštar. The work of the Max Ivankovo Karate Club and the Mladost Osijek Judo Club and the Vinkovci Judo Club were also supported.

SPORT IN KOPRIVNICA

For several years, IGMA d.o.o. has been active in supporting football clubs in the Koprivnica region – Football Club Podravec Torčec, Football Club Tomislav Drnje, Football Club Lipa Hlebine, Football Club Osvit Đelekovac, Football Club Graničar Legrad IGMA d.o.o.

SPORT IN BOSNIA AND HERZEGOVINA

In Bosnia and Herzegovina, a member company of NEXE Group, Tvornica opeke d.o.o. Sarajevo already traditionally supports the Association of Handball School "Sedmerac" Sarajevo in the organization of the Sarajevo Handball Winter CUP for young handball players aged 14 to 16 and clubs from Bosnia and Herzegovina, the Republic of Croatia and the Republic of Serbia. The cooperation continued in 2023 as well.

SPORT IN SERBIA

In the Republic of Serbia, a member company of NEXE Group AD POLET IGK continued its successful cooperation by supporting the work of the handball club Jedinstvo from Novi Bečej and the handball club Kanjiža. In 2023, cooperation was also achieved with the Stražilovo Football Club from Sremski Karlovci and the Jedinstvo Martial Arts Club from Novi Bečej.

SUPPORT TO STUDENTS AND EDUCATIONAL INSTITUTIONS

Successful cooperation was achieved with the Isidor Kršnjavi High School from Našice by covering part of the costs of the realization of three Erasmus mobility projects.

In 2023, NEXE d.d. cooperated for the first time with the Agency for Vocational and Adult Education and supported the organization of the state competition for vocational school students from the Republic of Croatia – "Worldskills" with a donation.

Part of the costs of going to the STEM games were co-financed for the students of the Faculty of Electrical Engineering, Computing and Information Technologies from Osijek and for the Student Department of the Croatian Geological Society for organizing the "Student Days of Geology" gathering.

Funds were donated to the Faculty of Civil Engineering and Architecture in Osijek to help them go to the Summer School of Architecture in Sinj. With the Student Association of the Faculty of Civil Engineering in Osijek, sponsorship cooperation was achieved within the ISUCCES International Conference for undergraduate and graduate students of civil engineering, geodesy and architecture from Slovenia, North Macedonia, Bosnia and Herzegovina, Serbia, Montenegro and the Republic of Croatia. For the first time a sponsorship co-operation was realized with the Faculty of Electrical Engineering, Computer Science and Information Technology from Osijek in the DOVIK@FERIT project.

Aid to educational institutions continued with the aim of improving working conditions – the procurement of equipment for the organization of the regional music department of the Vladimir Nazor Primary School in Feričanci, the procurement of an interactive screen for the Vukojevci Regional School – the Dora Pejačević Primary School in Našice, and the donation of ceramic tiles for the decoration of the central building „Leptirić" at preschool institution "Pava Sudarski" from Novi Bečej.

CO-OPERATION WITH ECO-SCHOOL

For years, NEXE d.d. has been following and supporting the Dora Pejačević Elementary School from Našice in the implementation of the international Eco-School program. Since 2008, Dora Pejačević Elementary School in Našice has been arranging the school environment through the "Garden of Biodiversity" project. The school garden consists of a lawn, a park area and a "hedge" of 150 ornamental shrub seedlings. The garden is managed by the student cooperative "Mladost", guided by the principles of sustainable development, respecting ecological standards through the systematic implementation of the international Eco-School project. The school regularly collects old paper and invests the funds in new seedlings and renovation of the school garden.

Since the garden is planned as a place for extracurricular teaching and as an original reality for teaching nature and biology, a pavilion was also built in the garden, i.e. an open-air classroom for which the school did not have financial resources, so the construction was supported by a donation of materials in 2023 by NEXE d.d. Along with the construction of a wooden pavilion, an outdoor classroom, an access path leading to the pavilion was also built.

New plants in the garden are planted in groups according to climate zones, forming the so-called "bioclimatic oases". Students in the garden follow the cycles in nature, perform meteorological measurements and monitor the adaptation of plants from different climate zones to the climatic conditions of our climate. The school garden is home to numerous animal species that help maintain the ecological balance. Insect hotels and birdhouses made by students have been placed in the garden.

OTHER PROJECTS IN THE LOCAL COMMUNITY

There are a number of other projects supported by member companies of NEXE Group in the locations where they operate, such as the traditional cultural event 'Vinkovačke jeseni', 'Grožđenbal' in Sremski Karlovci and 'Velikogospojinski dani' in Novi Bečej.

NEXE Group member companies, in accordance with their capabilities, have been involved in a number of humanitarian activities with the aim of helping the residents of the local communities where they operate. Thus, in 2023, NEXE Group's focus on improving people's lives at all locations of its operations was confirmed.

GOALS AND INDICATORS

NEXE Group strives to continuously increase investments in the local community and to provide support to stakeholders in the implementation of important projects for the development of sports, the protection of the environment and cultural heritage, and the education of young people. On an annual level, the Plan of Donations and Sponsorships envisages support for the projects of local communities. The plan is created based on the achievements of previous years and the cooperation with the local community so far, and the implementation is monitored throughout the year.

TABLE: DONATIONS AND SPONSORSHIPS

	2022	2023
Donations	EUR 1,67 million	EUR 1,83* million
Sponsorships	0,96 EUR million	1,14 EUR million

* The amount of donations of EUR 1,83 million also includes tax-deductible donations; without tax-deductible donations, the amount of donations for 2023 comes to EUR 1,79 million

ENVIRONMENTAL IMPACT MANAGEMENT IN THE LOCAL COMMUNITY

POLICY

The construction material industry, by its very nature, has negative impacts on the environment due to the intensive exploitation of raw materials and the emission of pollutants into the environment. NEXE Group operates in all local communities in accordance with the applicable environmental protection laws and permits and acts prescribed by the environmental protection legislation and granted by the competent authorities and strives to contribute to the positive impact on the environment through voluntary activities.

At cement and concrete production locations in the Republic of Croatia, an environmental management system according to ISO 14001:2015 and the related Energy, Environmental Protection and Health and Safety Policy have been established. In other member states, the Quality Policy is valid. With the aforementioned policies, NEXE Group undertakes to be a responsible and acceptable neighbor to the local community and to be open in communication with interested parties regarding its environmental impact and energy indicators.

Monitoring and management of environmental impacts is handled by the Department for Management Systems in NEXE d.d., and other member companies have responsible persons for the area of environmental protection. The member of the Board responsible for the area of human resources, legal affairs, management systems and occupational health and safety is responsible for compliance with legal regulations and reduction of harmful impacts on the environment.

In its operations, NEXE Group strives to reduce the negative impacts on the environment and the local community. Limit values of emissions into air, water and soil are prescribed by legal regulations and implementing regulations in the field of environmental protection and water protection, as well as by permits issued in accordance with the aforementioned regulations (environmental permit, water law permit). NEXE Group invests in the modernization of facilities and carries out voluntary activities to further reduce the impact on the environment, and regularly, as prescribed by law, conducts measurements of pollutant emissions into the environment through authorized legal entities and laboratories, thereby monitoring the compliance of operations with the prescribed limit values of pollutant emissions into the environment. The goal of such policy is to reduce the harmful impacts of business as much as possible and prevent a potentially negative impact on the quality of life of local communities.

DIALOGUE WITH STAKEHOLDERS

Interested stakeholders can find information about the management method on NEXE Group's corporate website and on the website of the Ministry of Economy and Sustainable Development, where annual reports on air quality monitored by the Zoljan Monitoring Station (NEXE d.d. air quality monitoring network) are available. Any concerned resident of the settlement near the plant can always contact the Group's representatives through the official channels available on the website, and every inquiry is considered and answered as soon as possible.

NEXE Group member companies regularly prepare all reports prescribed by law (in the field of environmental and water protection) on environmental impacts and submit them to the competent authorities within the prescribed deadlines, including data in the Environmental Pollution Register (ROO), Annual report on continuous and periodic measurement of air emissions, Reports on collection and recovery of waste, Report on quantities of by-products and persons who took them in the reporting period, prescribed monthly, quarterly and annual reports to the Fund for Environmental Protection and Energy Efficiency on collected and recovered waste and packaging and prescribed products placed on the market of the Republic of Croatia, Report on imported types and amounts of waste, Reports on discharges into water and others. In the case of emergency situations and incidents, the stakeholders are informed in accordance with the legal regulations and are treated according to the official document Operational Plan of Civil Protection.

REMEDYING ENVIRONMENTAL IMPACTS AND PROCESSES FOR EXPRESSING CONCERNS

All interested parties can contact NEXE Group with all inquiries related to suspected environmental pollution via the official e-mail address available on the official website, by official letter and by visiting the location in person. In addition to direct communication with representatives of NEXE Group, stakeholders can submit their concerns regarding environmental protection indirectly, through competent bodies (State Inspectorate or Center 112), which respond to complaints received. Depending on the channel through which the inquiry, complaint or request for information was received, a response is also delivered to the interested party. The persons responsible for information consider inquiries related to environmental pollution and deliver the requested information on the justification of the complaint and the established factual situation upon application to the interested party (complainant). A record of received complaints is kept.

In the case of complaints, an investigation is carried out and, if the complaint received is justified, corrective actions are initiated to reduce environmental pollution and the negative impact on the local community.

Out of the total number of complaints, 15,2 % were received through direct channels of communication with the local community, and 84,8 % through competent authorities.

TABLE: TOTAL NUMBER OF RECEIVED AND JUSTIFIED COMPLAINTS IN NEXE GROUP PER COMPLAINTS OF INTERESTED PARTIES

	2022	2023
Received complaints by interested parties	7	33
Justified complaints	2	4
Settled complaints (correction of non-compliance)	2	4

Since NEXE d.d. and Dilj d.o.o. are liable to obtain an environmental permit, coordinated inspection supervisions are carried out in the aforementioned facilities in accordance with the Plan of coordinated inspections, which is published at the beginning of the year on the official website of the State Inspectorate, and which also contains a list of all competent inspections that will carry out the coordinated inspection in question.

The coordinator of coordinated inspections of several competent inspections is the environmental protection inspector. In addition to coordinated supervision, regular inspections are carried out, which also include inspections in thematic areas of legislation, and extraordinary (unannounced) inspections are carried out based on received complaints from the local community.

Out of a total of 10 inspections in 2023, 20 % of them were the result of complaints from the local community, while 80 % were regular inspections.

TABLE: TOTAL NUMBER OF ENVIRONMENTAL PROTECTION INSPECTION SUPERVISIONS CARRIED OUT AND THE NUMBER OF IDENTIFIED NON-COMPLIANCES

	2022	2023
Inspection supervisions by environment protection inspection	5	10
Identified non-compliances with legal requirements in the area of environmental protection	2	5
Resolved identified non-compliances	2	5

In 2023, non-compliances were recorded in NEXE d.d., EKONEX d.o.o. and Tvornica opeke d.o.o. Sarajevo companies. Activities for compliance with legal requirements have been initiated for the listed non-compliances. After the elimination of the deficiencies, it was established that the measures taken by the inspection were carried out within the prescribed period, that the procedure was established in accordance with the legal regulations, and that there is no reason for the inspection to continue the procedure.

There were no reports of human rights violations in the local community during the reporting period.

ACTIVITIES

AIR QUALITY MONITORING

NEXE d.d., as a member company of NEXE Group, which due to the nature of production processes has the most significant potential impact on air quality at the Zoljan location, has an independent station as part of the local Air Quality Monitoring Network NEXE d.d. managed by the responsible trading company EKONERG – Institute for Energy and Environmental Protection. The aim of the measurement at the measuring station in question in Zoljan is to monitor air pollution caused by the operation of the NEXE d.d. cement plant. At the Zoljan station in Našice, located 2 km away from NEXE d.d. plant and between the factory and the town of Našice, the level of nitrogen dioxide (NO_2), sulfur dioxide (SO_2) and suspended particles (PM_{10}) is monitored. According to the measurement results, and in accordance with the regulations, air quality from 2004 to 2023 was the first category in relation to NO_2, SO_2 and floating particles (PM_{10}).

The air quality of a certain area is determined by pollution levels. Considering the prescribed limit values, target values and target values for ground ozone, two categories of air quality are determined:

- air quality category I, where the air is clean or slightly polluted – limit values, target values and target values for ground ozone have not been exceeded.

- air quality category II, where the air is polluted – limit values, target values or target values for ground ozone are exceeded.

The primary factor that determines the air quality of an area is the emission of pollutants into the air. Sources of air pollutant emissions can be natural (e.g. dust, pollen, volcanic eruptions, erosion) and anthropogenic (e.g. industrial processes, the burning of fossil fuels, agriculture, waste treatment).

Air pollutant emissions and air quality are directly related. As a result of high pollutant emissions, air quality decreases. If these emissions are continuous and high enough, they can reduce air quality and threaten human health, vegetation and the ecosystem. The spread of pollutants in the air depends on weather conditions, air pressure, and the direction and strength of the wind (wind rose).

The measurement of the level of SO_2, NO_2 and suspended particles (PM_{10}) at the Zoljan station is carried out continuously, and the current level of air pollution in the area of the City of Našice can be monitored by all interested parties at the following link: https://iszz.azo.hr/iskzl/

The report on trends in air quality during the year is prepared by the independent Institute for Energy and Environmental Protection – EKONERG, and it is publicly available on the website of the Ministry of Economy and Sustainable Development. The report for 2023 is available at the following link: https://iszz.azo.hr/iskzl/datoteka?id=157526

MONITORING THE IMPACT OF NOISE ON LOCAL COMMUNITIES

NEXE Group's activities may affect the increased noise level in local communities. In order to manage this impact, member companies of NEXE Group carry out noise measurements in accordance with the legal requirements and when obtaining permits for the realization of investments, after reconstruction of the facility or changes in technical capacities that change the conditions of noise emission into the environment. In some locations, regular measurements are carried out in accordance with legal regulations.

TABLE: LIST OF LOCATIONS WHERE REGULAR NOISE MEASUREMENTS ARE CARRIED OUT

Location	Measurement frequency	Last measurement	Results
Exploitation field Mladje-keter (Botovo)	Annual	2023	Within prescribed limits
Exploitation field Prosenica (Gabajeva Greda)	Annual	2023	Within prescribed limits
NEXE BETON DOO NOVI SAD	Once in three years	2022	Within prescribed limits
AD Polet IGK Location Novi Bečej	Once in three years	2022	Within prescribed limits
AD Polet IGK Location Sremski Karlovci	Once in three years	2023	Within prescribed limits
Tvornica opeke d.o.o. Sarajevo, Sarajevo	Annual	2023	Within prescribed limits
Exploitation field Glinište, Sarajevo	Annual	2023	Within prescribed limits

INSTALLATION OF DEVICES FOR NOISE REMEDIATION IN SREMSKI KARLOVCI

In 2023, one complaint was recorded from the local population about noise near the factory in Sremski Karlovci. The complaint of a citizen who lives in the immediate vicinity of the factory area was considered, and the implementation of noise remediation measures was started. Noise reduction devices were installed to reduce the sound level. After the implementation of the measure was completed, the noise level was measured, which established compliance with the legally prescribed limit values. After the noise remediation, there were no complaints from citizens living in the immediate vicinity of the factory.

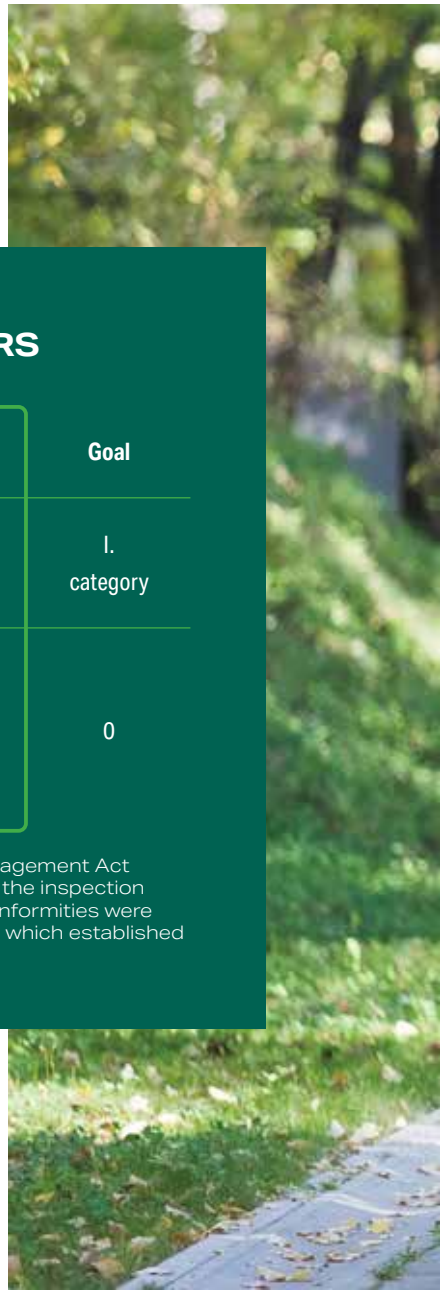
INSTALLATION OF NOISE BARRIERS AND THERMAL/ACOUSTIC INSULATION OF THE WORKING MACHINE IN SISAK CONCRETE PLANT

In the process of obtaining a use permit in 2022, a noise measurement was carried out, which resulted in the creation of a Noise Protection Study. In order to reduce residual noise levels, in 2023, acoustic panels (noise barriers) were installed, and the working machine (loader) was thermally/acoustically insulated. Repeated measurements by an authorized person showed that noise levels in the environment do not exceed the prescribed values.

GOALS AND INDICATORS

Indicator	2022	2023	Goal
Air quality in the Našice area	I. category	I. category	I. category
Number of actions contrary to legal regulations in the field of environmental protection	0	0*	0

*In 2023, a fine was paid for the violation of the Waste Management Act regarding the handling of waste, which was determined by the inspection in 2021 at the Stražilovo location. In the meantime, non-conformities were removed and in 2023, a control inspection was carried out, which established the action in accordance with the issued decision.

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Corporate governance

04

IMPACTS, RISKS AND OPPORTUNITIES

- **Long-term relations with suppliers** – NEXE Group, as a large and robust business system, seeks to nurture long-term relationships with suppliers in its operations to ensure stability. This can have a significant positive impact on small suppliers.

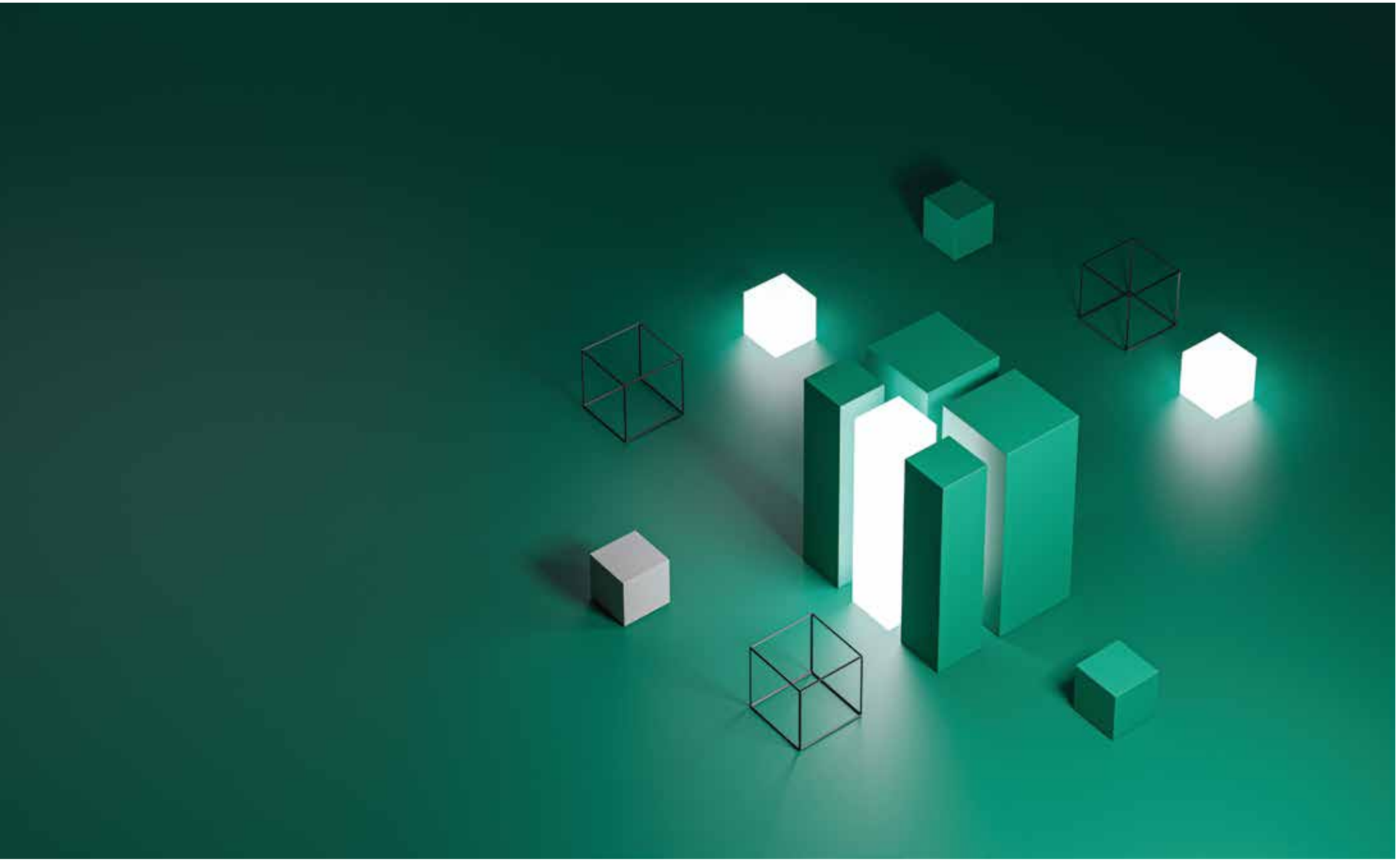
- **Business liquidity** – NEXE Group's member companies strive to adhere to contract provisions and settle their obligations to suppliers on time.

- **Business ethics** – NEXE Group's corporate culture is based on social responsibility and business ethics, guiding all decisions, activities, and stakeholder relations.

- **Corruption** – To avoid the risk of corruption, which can result in legal proceedings and a tarnished reputation, NEXE Group's operations are based on a zero-tolerance policy against actions contrary to the law and ethical code.

- **Business transparency** – Transparency about corporate governance and ESG (Environmental, Social, and Governance) business impacts can lead to increased stakeholder trust and better investors.

- **Lobbying** – Responsible engagement in discussions related to material issues for NEXE Group can positively impact its operations. Lobbying allows the company to express its views, interests and needs directly or through relevant economic associations to legislative bodies. Through reasoned advocacy, the company can attempt to influence the shaping of policies that facilitate the business environment.



CORPORATE CULTURE AND BUSINESS CONDUCT

Ethics and responsibility should be the cornerstones of operations in a dynamic and challenging environment that requires frequent adaptations. Compliance with the law, conducting business in accordance with the highest industry standards, and social responsibility are part of the corporate culture of NEXE Group. Member companies of NEXE Group are focused on integrity and fairness in all their activities and stakeholder relationships, with strong support from the Board and the Supervisory Board.

The vision of NEXE Group is to be a leading manufacturer of construction materials recognized for socially responsible business practices and sustainable creation of new value for its customers, owners, employees, and the community. Companies NEXE d.d. and Dilj d.o.o. are signatories to the Code of Business Ethics of the Croatian Chamber of Commerce. The signatory of the Code accepts the obligation to act in accordance with the principles of responsibility, truthfulness, efficiency, transparency, quality, acting in good faith and respecting good business practices towards business partners, business and social environment and own employees.

In 2022, NEXE d.d. adopted the Code of Ethics, which applies to all member companies of NEXE Group. The code of ethics presents framework guidelines on behaviors that are or are not acceptable. NEXE d.d. appointed an Ethics Committee to which internal and external stakeholders can submit reports of violations of the code through official communication channels and seek advice in order to clarify any ambiguities. The ethics committee has a mandate of 3 years. In case of any ethical doubts, as well as regarding the interpretation of the Code of Ethics, NEXE Group employees can contact their direct or indirect superiors, representatives of support departments (Human Resources Department, Legal Department) or members of the Ethics Committee.

Corporate culture is based on two-way communication, a sense of belonging and togetherness, promotion of independence and responsibility, safety and trust and satisfaction of all stakeholders. NEXE Group wants to act in accordance with the law, industry standards, ethical principles and stakeholders' expectations, which is why it opposes business operations that would result in violations of the law, human rights or adopted principles. Managers continuously promote these values in their daily communication and work with employees, and they are supported in this by the Management Board and the Supervisory Board.

Starting from the fact that employees as key stakeholders represent the key to sustainable success, NEXE Group assumes the responsibility of creating and developing a working environment that will be pleasant and stimulating. He wants to build a working environment in which the mental and physical health of workers and their safety at work will be respected. The working environment should be a place of professional development that recognizes personal talent, work and results, where diversity is accepted, and privacy and the personal needs of all employees are respected.

Employees are encouraged to work together proactively, sincerely and with mutual respect. Managers at all levels play a key role in creating such an atmosphere, and they must personally demonstrate leadership, willingness to cooperate, transparency and honesty, creating a positive working atmosphere, be available for their employees and promote the stated fundamental values by example.

BUSINESS CONDUCT AND REPORTING IRREGULARITIES

The Code of Ethics brings together all issues of business conduct and ethical standards of NEXE Group in one place. The purpose of the Code is to determine the standards of business behavior of employees, but also of all other stakeholders in business. The Code covers the issues of combatting bribery and corruption, preventing conflicts of interest, complying with antitrust laws and dealing with suppliers. In addition, the Code regulates relations with stakeholders and environmental protection. The code serves as a practical guide for ethical behavior in the workplace, in business relationships and in communities in accordance with the company's values and the vision of sustainable business development. The code helps employees identify possible risky activities, avoid unethical actions and identify situations in which they should seek advice from their superiors or ethics commissioner.

The adoption of the Internal Reporting Procedure Regulation and the appointing a confidential person regulated the procedure for internal reporting of irregularities, the procedure for appointing a confidential person in charge of the procedure related to the reporting of irregularities and his deputy, the protection of whistleblowers and the storage of received data on reported irregularities.

The Rulebook contains instructions for reporting irregularities, describes the investigation process of receiving complaints and explains how people who report irregularities or incidents are protected. Each report must be reviewed quickly and independently within the prescribed time limits and, in the case of determination of illegal behavior, apply a certain disciplinary measure, depending on the severity of the violation. Every employee of any NEXE Group member company is guaranteed the anonymous submission of a report on observed irregularities, unethical or illegal behavior by a confidential person who acts independently of administrative, management and supervisory functions. All received applications are reviewed, investigated and evaluated, and the outcome is reported to the Board and the Supervisory Board.

In accordance with the legal requirements, NEXE Group has prescribed the procedure and measures to protect the dignity of workers from harassment by internal acts, and a person was appointed who is authorized to receive and resolve complaints related to the protection of the dignity of workers. All information determined in the procedure for protecting the dignity of workers is confidential.

The responsibility for the actions of employees in accordance with legal restrictions, standards and values lies with managers and, ultimately, with each individual employee. All employees are informed about the aforementioned mechanisms and the Code of Ethics through internal communication channels. In the reporting period, NEXE Group did not conduct educational activities on the code of ethics, anti-corruption policy, mechanism for detecting and reporting irregularities, and protection mechanisms for whistleblowers.

ANTITRUST REGULATION

NEXE Group strives to operate in accordance with the principles of fair trade and market competition. It is committed to independent business that fully complies with the Law on the Protection of Market Competition (applicable in every single country in which the company operates). NEXE Group acts with caution in locations where they have a dominant market position in order not to jeopardize the freedom of market competition and to avoid illegal agreements with competitors that would distort market competition. NEXE Group will not in any way comment on current or future prices, costs, margins, sales strategies, discounts and other specific elements of the sales approach, as well as the treatment of individual customers or markets. In case of any doubt in the specific procedure, it is necessary to contact the Legal Department. In the reporting period, one fine was paid for violation of the Law on Protection of Competition. To ensure continuity of compliance with positive regulations related to the protection of market competition, in the reporting period NEXE Group held training in the field of market competition protection for all employees in sales.

ANTI-CORRUPTION

Corruption is a significant obstacle to sustainable development, economic growth and free competition. NEXE Group has zero tolerance for any form of corruption and bribery. This attitude of the Board and the Supervisory Board is communicated internally with all employees and is part of the corporate culture. The anti-corruption policy is part of the Code of Ethics that applies to all NEXE Group employees, all transactions and relations with stakeholders.

It is considered illegal to promise or give anything of value (money, gift, service, etc.) to any government official in exchange for any illegal favor, advantage or influence on a future decision by an employee of NEXE Group, directly or through an intermediary.

To ensure transparent sustainability reporting regarding the prevention, detection and resolution of complaints about actions contrary to NEXE Group's policies, the company has an internally established clear procedure. Reported cases of corruption are dealt with by the Ethics Committee, which is separate from the management chain, i.e. it is organizationally independent. In the case of reporting irregularities, they immediately report to the Board and the Supervisory Board.

In the reporting period, there were no confirmed cases and no lawsuits and/or fines were filed against any member company of NEXE Group for violating the Law on Suppression of Corruption and Bribery. We will try to maintain such results in the coming period. In the reporting period, there was no training on the application of the anti-corruption policy.

SUPPLIER RELATIONS

Fairness is a fundamental determinant in NEXE Group's relations with suppliers. NEXE Group strives to always treat its suppliers with respect and appreciation, providing the same opportunity to all suppliers to offer their products, services and business solutions and to have a real possibility of being selected as the best bidder in the bidding process. When requesting offers, equal conditions are always defined for all suppliers, and received offers are evaluated according to the same, pre-determined criteria related to technical features, delivery dates and price. The procurement process should always be confidential and consistent. Supplier selection criteria include competitive price and payment terms, product quality, experience, quality of service/delivery, and application of sustainable business practices. Selection criteria and contractual relationships are transparently and clearly communicated to all suppliers. The main goal in relations with suppliers is timely and high-quality delivery of goods and services under the most favorable commercial conditions.

As a significant driver of economic development in the local areas where it operates, NEXE Group strives to include local suppliers in the supply chain for the supply of goods and services, with a special emphasis on the supply of logistics services. The provision of opportunities for local carriers to perform concrete delivery services is particularly noteworthy. Relations with local suppliers are developed exclusively with the prerequisite of their quality, ability and compliance with the core values of NEXE Group. NEXE Group conducts evaluations of suppliers during or after cooperation with regard to their impact on the environment, energy consumption, health and safety at work.

In order to improve relations with suppliers, procurement employees were provided with training in negotiation and communication skills, and in order to improve efficiency and transparency in the procurement process, software was implemented for electronic records and approval of procurement items (inquiries, offers, analysis of offers, contracts with suppliers).

In challenging times of large price fluctuations and resource shortages, risk management in supply chains is extremely important. In order to increase the resilience of the supply chain and reduce the impact of disruptions on business, NEXE Group invests resources in monitoring and analyzing the riskiest markets. Activities include monitoring the market movements of energy prices on the stock exchanges, choosing the right time to buy energy and concluding multi-year contracts with known purchasing conditions.

In 2023, a risk assessment was made for strategic purchasing groups of products and services and their impact on the production and business process of Group members. Risk management measures and activities have been established to prevent a potentially negative impact on business continuity.

Commercial conditions are negotiated with suppliers and are defined by contract. Vendor payment practices are shown in the following table.

In the reporting period, NEXE Group's standard payment terms were 30 days. The difference in the share of payment that is outside the standard conditions refers to the payment of obligations contracted with longer payment terms compared to the standard (30 days). In the reporting period, there were no court proceedings for late payments.

Payment practices	2021	2022	2023
The average time the undertaking takes to pay an invoice from the date when the contractual or statutory term of payment starts to be calculated, in number of days	44	43	44
The undertaking's standard payment terms in number of days	30	30	30
The percentage of its payments aligned with these standard terms	61 %	61 %	61 %
The number of legal proceedings (currently outstanding) for late payments during reporting period	0	0	0

Methodology

When preparing the report for 2023 a new methodology for calculating the aforementioned indicators was applied, and the indicators for previous years were updated accordingly.

POLITICAL INFLUENCE AND LOBBYING

Responsible advocacy of corporate interests is a key principle that guides every interaction of NEXE Group with political decision makers, either directly or indirectly through industry associations, related to all aspects of business and sustainability issues. Involvement in discussions on important topics such as climate change, health and safety at work is driven by good intentions and social responsibility, and is based on employee expertise.

The Code of Ethics does not prohibit participation in political activities, but it is also not acceptable to conduct them on the business premises of NEXE Group using company resources even during working hours. Personal political activities, including verbal and written statements for the public, must not be associated with NEXE Group or its member companies.

NEXE d.d. is a member of CROATIA CEMENT g.i.u., Association of Croatian Cement Factories. CROATIA CEMENT g.i.u. is an economic interest association that represents and promotes the common goals of the cement industry in Croatia. The association was founded in 1953 and has been operating under the name CROATIA CEMENT g.i.u. since 1996. The key task of the Association is cooperation with institutions in the Republic of Croatia.

CROATIA CEMENT g.i.u. stands for::

- sustainability of cement production
- business while reducing the impact on the environment in production and all other segments and improving health and safety at work
- promotion of concrete and other products, i.e. solutions based on cement
- informing the public about the positive impact of the cement industry on the national economy.

Through participation in working groups of CROATIA CEMENT, NEXE d.d. actively participates in the process of adoption and harmonization of regulatory documents (laws, regulations, norms, etc.) related to the cement industry.

CROATIA CEMENT g.i.u. is an associate member of the supreme organization of the cement industry in Europe, Cembureau, which cooperates with the legislative bodies at the European level in the development of a plan for the transition of the cement industry to low-carbon operations. NEXE d.d. supports initiatives related to mitigating climate change and sustainable construction, as shown by its own projects presented in the chapters “Climate Change“ and “Circular Economy“.

NEXE d.d. is a member of professional and economic associations, where it contributes to the work of climate, environmental protection and waste management groups with its experience and knowledge, and through which it can proactively participate in the shaping of legal regulations.

MEMBERSHIPS

- Croatian Chamber of Economy (HGK)
- Croatian Employers' Association (HUP)
- American Chamber of Commerce in Croatia
- Croatian Business Council for Sustainable Development (HRPSOR)
- International Institute for Climate Action
- Croatian Association for Air Protection
- Croatian Association for Healthy Workplace
- Red Cross Našice
- Firefighting Community Našice
- The Croatian Competition Law and Policy Association (HDPPTN)

In the reporting period, there were no members of administrative, management and supervisory bodies who held a comparable position in public administration (including legislative bodies) in the two years preceding the appointment.

There were no financial or non-monetary political contributions in the reporting period.

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	DR S3-3 – Procedures to remediate negative impacts and channels for affected communities to raise concerns	210
	DR S3-4 – Taking measures for significant impacts on affected communities, approaches to managing significant risks and realizing significant opportunities associated with affected communities, and the effectiveness of these measures	201 – 202, 205 – 207, 212 – 214
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ESRS 2 GOV-1 Board's gender diversity point 21 sub-point (d)	Indicator no. 13 from Table 1 from Annex I		Delegated Regulation of the Commission (EU) 2020/1816, Annex II		14
ESRS 2 GOV-1 Percentage of Board members who are independent, point 21, sub-point (e)			Delegated Regulation (EU) 2020/1816, Annex II		14
ESRS 2 GOV-4 Due diligence statement, point 30	Indicator no. 10 from Table 3 from Annex I				31
ESRS 2 SBM-1 Involvement in activities related to fossil fuels and energy, point 40, sub -point (d) i	Indicator no. 4 from Table 1 from Annex I.	Regulation (EU) no. 575/2013, Article 449.a Implementing Regulation of the Commission (EU) 2022/2453, table 1: Qualitative information about environmental risk and table 2: Qualitative information about social risk	Delegated Regulation (EU) 2020/1816, Annex II		NEXE Group does not participate in above activities
ESRS 2 SBM-1 Involvement in activities related to chemicals production, point 40, sub-point (d) ii.	Indicator no. 9 from Table 2 from Annex I		Delegated Regulation (EU) 2020/1816, Annex II		
ESRS 2 SBM-1 Involvement in activities related to controversial weapons, point 40, sub-point (d) iii.	Indicator no. 14 from Table 1 from Annex I.		Delegated Regulation (EU) 2020/1818, Delegated Regulation (EU) 2020/1816, Article 12 paragraph 1, Annex II		
ESRS 2 SBM-1 Involvement in activities related to tobacco cultivation and production, point 40, sub-point (d) iv.			Delegated Regulation (EU) 2020/1818, Delegated Regulation (EU) 2020/1816, Article 12, paragraph 1, Annex II		
ESRS E1-1 Transition plan to achieve climate neutrality by 2050, point 14				Regulation (EU) 2021/1119, Article 2 paragraph 1	88
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks Point 6 (g), sub-point (g)		Article 449.a Regulation (EU) no. 575/2013; Implementing Regulation of Commission (EU) 2022/2453, Template 1. Banking book – Transitional risk of climate change: Credit quality of exposure by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12 paragraph 1 points (d) to (g) and Article 12 paragraph 2.		/

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ESRS E1-5 Energy consumption and combination of energy sources, point 37	Indicator no. 5 from Table 1 from Annex I				103
ESRS E1-5 Energy intensity related to activities in high climate impact sectors points 40 to 43	Indicator no. 6 from Table 1 from Annex I				105
ESRS E1-6 Gross GHG emissions from scopes 1,2 and 3 and total GHG emissions, point 44	Indicator no. 1 and 2 from Table 1 from Annex I	Article 449.a Regulation (EU) no. 575/2013; Implementing Regulation of Commission (EU) 2022/2453, Template 1.: Banking book – Climate change transition risk : Credit quality of exposure by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5 paragraph 1. Article 6 and 8, paragraph 1		107
ESRS E1-6 Intensity of gross GHG emissions, points 53 to 55	Indicator no. 3 from Table 1 from Annex I	Regulation (EU) no. 575/2013, Article 449.a Implementing Regulation of Commission (EU) 2022/2453, Template 3.: Banking book – Climate change transition risk: Compliance indicators	Delegated regulation (EU) 2020/1818, Article 8 paragraph 1		109
ESRS E1-7 Elimination of GHG emissions and carbon credits, point 56				Regulation (EU) 2021/1119, Article 2 paragraph 1	NA
ESRS E1-9 Exposure of reference portfolio to physical risks related to climate changes, point 66			Delegated Regulation (EU) 2020/1818, Delegated Regulation (EU) 2020/1816, Annex II		NA

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ESRS E1-9 Breakdown of monetary amounts according to acute and chronic physical risk, point 66, subpoint (a) ESRS E1-9 Location of significant asset exposed to significant physical risk, point 66 subpoint (c)		Regulation (EU) no. 575/2013, Article 449.a Implementing Regulation of the Commission (EU) 2022/2453, points 46 and 47 Template 5: Banking book – Physical risk of climate change: Exposures subject to physical risk			NA
ESRS E1-9 Breakdown of the book value of the company's real estate according to energy efficiency classes, point 67, subpoint (c).		Regulation (EU) no. 575/2013, Article 449.a implementing Regulation of the Commission (EU) 2022/2453, point 34, Template 2: Banking book – Transition risk of climate change: Credits with real estate as collateral – Energy efficiency of collateral			NA
ESRS E1-9 Degree of exposure of the portfolio to opportunities related to climate change, point 69			Delegated Regulation (EU) 2020/1818, Annex II		NA
ESRS E2-4 Quantity of each pollutant mentioned in Annex II of Regulation about E-PRTR (European Pollutant Release and Transfer Register) emitted to air, water and soil, point 28.	Annex I Indicator no. 8 Table 1 from Annex I Indicator no. 2 Table 2, Annex I Indicator no. 1 Table 2 from Annex I Indicator no. 3 Table 2				124 – 125
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ESRS E3-1 Special policy, point 13	Indicator no. 8 from Table 2 from Annex I				NM
ESRS E3-1 Sustainable oceans and seas, point 14	Indicator no. 12 from Table 2 from Annex I				NM
ESRS E3-4 Total quantity of recycled and reused water, point 28 sub-point (c)	Indicator no. 6.2. from Table 2 from Annex I				129
ESRS E3-4 Total water consumption per m^3 per net income from own operations, point 29	Indicator no. 6.1. from Table 2 from Annex, I				129
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ESRS 2- IRO 1 – E4, point 16, sub-point (b)	Indicator no. 10 from Table 2 from Annex I				135 – 137

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ESRS E4-2 Sustainable practices or policies for oceans/seas, point 24, sub-point (c)	Indicator no. 12 from Table 2 from Annex I				NM
ESRS E4-2 Policies to address the problem of deforestation, point 24, sub-point (d)	Indicator no. 15 from Table 2 from Annex I				NM
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ESRS E5-5 Hazardous and radioactive waste, point 39	Indicator no. 9 from Table 1 Annex I				153
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ESRS S1-1 Procedures and measures to prevent human trafficking, point 22	Indicator no. 11 from Table 3 from Annex I				NM
ESRS S1-1 Policy to prevent work accidents or management system, point 23	Indicator no. 1 from Table 3 from Annex I				170 – 171
ESRS S1-3 Complaint handling mechanism, point 32, sub-point (c)	Indicator no. 5 from Table 3 from Annex I				174, 190, 221
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ESRS S1-17 Discrimination cases, point 103, sub-point (a)	Indicator no. 7 from Table 3 from Annex I				201
ESRS S1-17 Non-compliance with the UN's guiding principles on business and human rights and OECD guidelines, point 104, sub-point (a)	Indicator no. 10 from Table 1 and Indicator no. 14 from Table 3 from Annex I		Delegated Regulation (EU) 2020/1816, Delegated Regulation EU) 2020/1818, Annex II Article 12, paragraph 1		201
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ESRS S2-1 Human rights policy commitments, point 17	Indicator no. 9 from Table 3 and Indicator no. 11 from Table 1 from Annex I				NM
ESRS S2-1 Policies that refer to workers in value chain, point 18	Indicators no. 11 and 4 from Table 3 from Annex I				NM
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ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain point 36	Indicator no. 14 from Table from Annex I				NM
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Disclosure requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	European Climate Law reference	Page
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NM = Not material

NA = Not available

ABOUT THE SUSTAINABILITY REPORT

NEXE Group's Sustainability Report was prepared for the reporting period from 1 January, 2023 to 31 December, 2023 on a consolidated basis and includes information about NEXE Group's companies: NEXE d.d., IGMA d.o.o., EKONEX d.o.o., LUKA TRANZIT OSIJEK d.o.o., NEXE GRADNJA d.o.o. Našice (merged with NEXE d.d. company on 29/ 9/ 2023), Dilj d.o.o., NEXE INVEST d.o.o., CE - MA d.o.o., Tvornica opeke d.o.o. Sarajevo, NEXE d.o.o. Sarajevo, NEXE BETON d.o.o. Sarajevo, N-INVEST d.o.o. Sarajevo, AD POLET IGK NOVI BEČEJ, NEXE BETON DOO NOVI SAD and POLET-KERAMIKA DOO NOVI BEČEJ, unless otherwise indicated in the text.

Sustainability Report was prepared following the European Sustainability Reporting Standards (ESRS) to ensure that NEXE Group is adequately prepared for the upcoming obligation of sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD). Efforts will be made in the subsequent reporting periods to achieve full compliance.

The sustainability information was collected by NEXE Group's sustainability reporting working group, which included representatives from organizational units responsible for managing material impacts, risks, and opportunities.

The report was prepared in PDF and printed form and is available on the corporate website.

NEXE Group invites stakeholders to read the report and submit their comments, suggestions, and questions to the e-mail: nexe@nexe.hr

IMPRESSUM

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