



Investor Day 2023

# ESG 2023 - Basic indicators and Future directions of development



# Sustainable development of NIS

- ❖ **Sustainable development** is development that meets the needs of the present time, without compromising the ability of future generations to meet their own needs.<sup>1</sup> In this area, NIS is guided by the global goals of UN<sup>2</sup>, and recognizes the contribution to the achievement of 12 out of 17 goals.
- ❖ The concept of sustainable development has also been implemented in the Vision and all business processes of NIS<sup>3</sup>, and it represents a strategic commitment and a fundamental practice that is constantly being perfected.
- ❖ In 2010, the reporting process was established through the Sustainable Development Report of NIS, in accordance with the most widespread **methodology** in this area – GRI.<sup>4</sup> So far, 13 consecutive Sustainable Development Reports verified by an independent auditor have been published, **thus transparently** reporting on key projects, achievements, and indicators in the field of sustainable development.
- ❖ The published Sustainable Development Report of NIS for 2022 has been fully harmonized with **GRI Standard 11** (sectoral GRI standard for the oil and gas industry), which entered into force on 1 January 2023.



<sup>1</sup> Most often, the definition of the concept of Sustainable Development given by the World Commission on Environment and Development at the UN (the so-called Brundtland Commission).

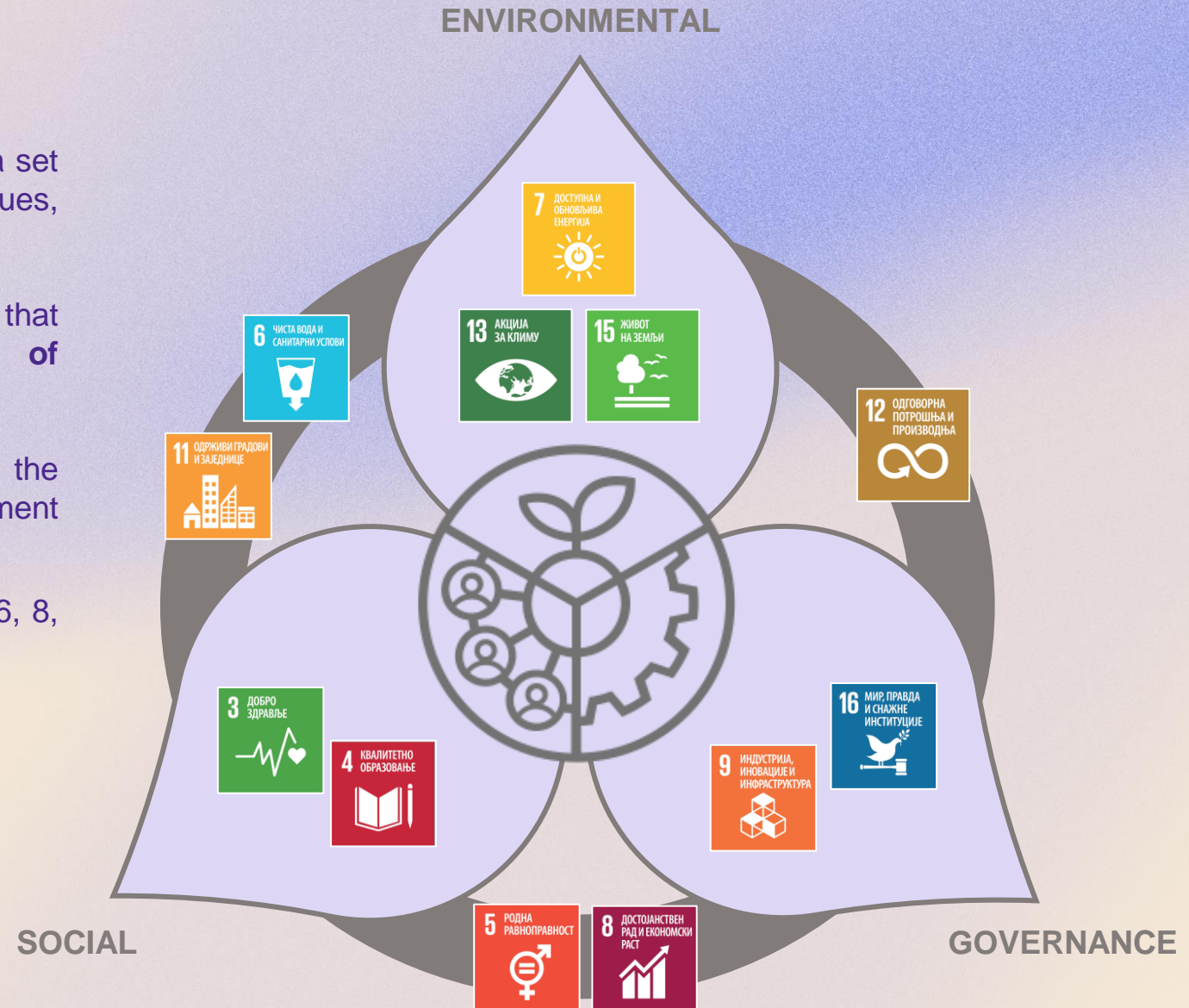
<sup>2</sup> Global goals were adopted by the UN in 2015 as a universal call for action by all member states to eradicate poverty, protect the planet, and ensure peace and prosperity for all people – by 2030 at the latest.

<sup>3</sup> Company vision: NIS will be a recognized leader of the Balkan region in its sector, following the dynamics of sustainable development and efficiency increasing, expressing a high level of social and environmental responsibility, as well as modern standards of customer service.

<sup>4</sup> GRI (Global Reporting Initiative) – an international non-profit organization, established in 1997 with the aim of achieving the highest quality in corporate reporting on sustainable development. GRI provides the most widespread global reporting standards on sustainable development

# ESG of NIS

- ❖ **ESG (Environmental, Social, Governance)** – represents a set of criteria and factors in the field of environment, social issues, and corporate governance.
- ❖ The **ESG** can be seen as a **comprehensive framework** that combines the most important issues in the process of **implementing sustainable development of NIS**.
- ❖ The slide highlights a **cross-functional overview** of the contribution of NIS to the UN Global Sustainable Development Goals, for each of the aspects within the ESG concept.
- ❖ The UN Sustainable Development Goals under number 5, 6, 8, 11, and 12 contribute within **several ESG aspects**.





# Sustainable development and ESG NIS 2022

Реализација кључних пројеката		
Project	Contribution to the UN Sustainable Development Goals and ESG aspects	Benefits for sustainable development
Reconstruction of FCC plant and construction of a new ETBE plant in Pančevo Oil Refinery	<div>   </div> <div>Environment</div>	<p>The most important project of the third phase of the Refinery modernization. The expected value of the investment is more than EUR 150 million, while the commissioning is expected in 2027.</p> <p>The project will also have a major impact on the improvement of environmental protection by <b>reducing the emissions of solid particles</b>.</p>
CCPP Pančevo	<div>    </div> <div>Environment</div>	<p>Combined gas-steam plant, commissioned, with an electric power of up to <b>200 MW</b>, which operates on <b>natural gas – the environmentally cleanest fossil fuel (1,400 GWh – planned annual electricity production)</b>.</p> <p>The value of the project is about EUR 192 million.</p>
Plandište Wind Farm	<div>   </div> <div>Environment</div>	<p>The project involves the construction of a wind farm with a capacity of <b>102 MW</b>, with the aim of <b>producing electricity from renewable energy sources</b>.</p>
Solar panels <sup>5</sup>	<div>    </div> <div>Environment Social issues</div>	<p>Pilot project for the installation of solar panels on PS.</p> <p>During 2022, solar panels were installed at <b>8 PSs</b>, with a total production of <b>341,000 kWh</b>, which will reduce <b>CO<sub>2</sub> emissions by 375 tonnes per year</b>. Total investments of about EUR 200,000.</p>
Digital transformation	<div>   </div> <div>Environment Corporate Governance</div>	<p>Introduction of digital solutions and technologies that contribute to <b>business efficiency</b> and continuous work on improving the competencies and focus on the <b>safety of employees</b>.</p>

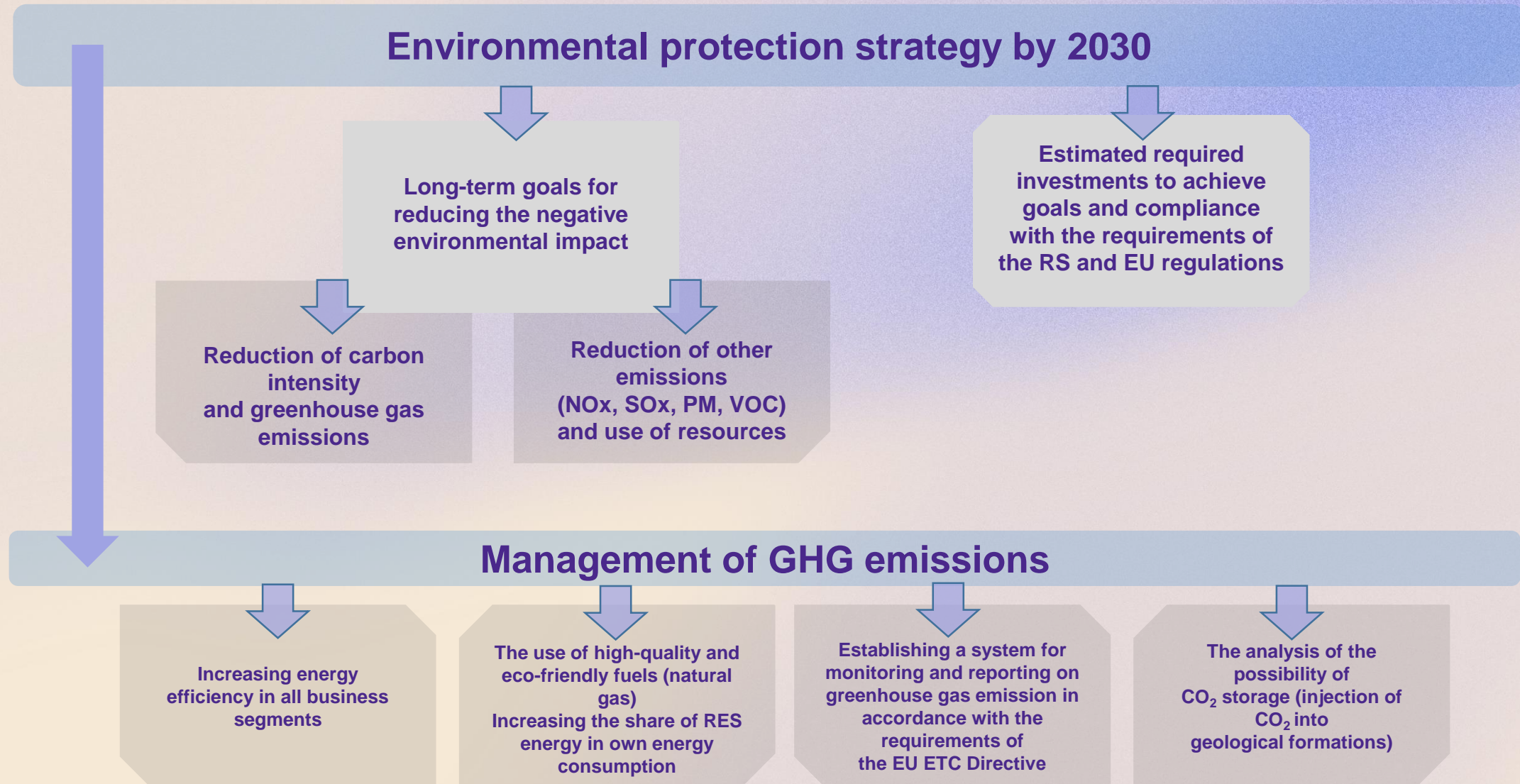
<sup>5</sup> During 2023, so far, solar panels have been installed at another 7 PSs (a total of 1,175 panels have been installed at 15 PSs, which reduce CO<sub>2</sub> emissions by 600 tonnes per year).

# Environmental

Environmental Aspect



# Environmental protection



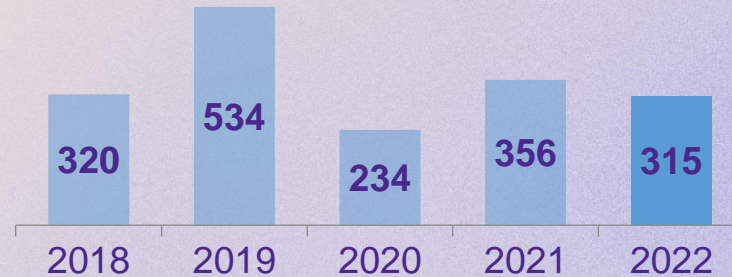


# Environmental protection

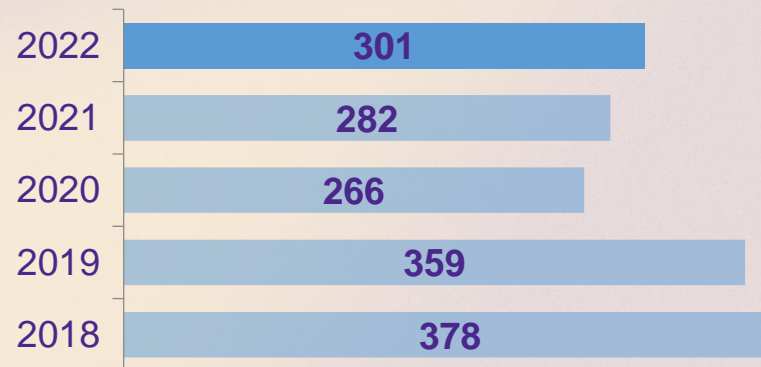
**RSD 352 million** was invested in the implementation of environmental projects during **9M of 2023**.



Investments in environmental projects, mln. RSD



Fees for the protection and improvement of environment, mln. RSD



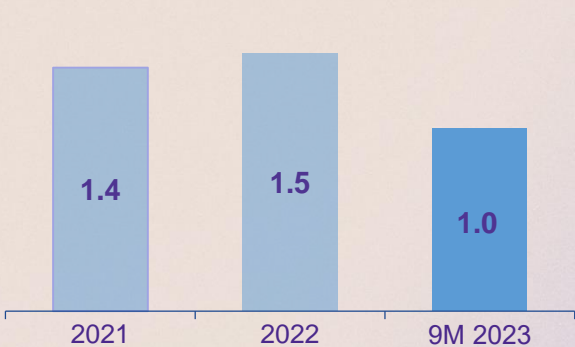
## Priority courses of action by the end of 2023:

- Further reduction of pollutant emissions into the air.
- Meeting the requirements of Serbian legislation and EU best practice.
- Climate change, green agenda, projects in the field of production from RES and energy efficiency.
- Conducting internal energy audits in NIS + HIPP and FSK.
- In 2023, a total of 17 solar power plants at PS will be commissioned, with a total power of 580 kW.

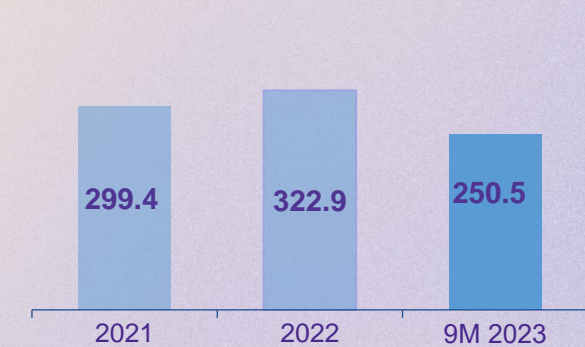


# Environmental protection

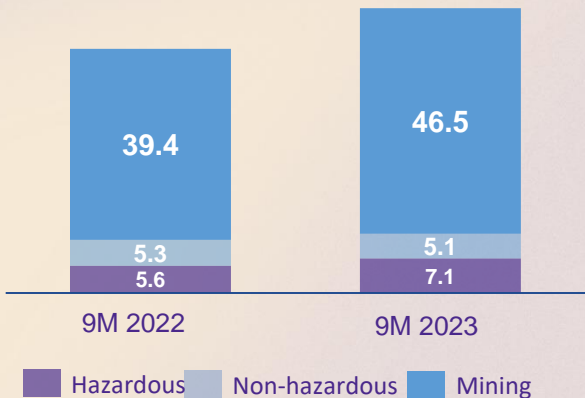
Direct CO<sub>2</sub> emissions (range 1), in millions of tonnes



Indirect CO<sub>2</sub> emissions (range 2), in thousands of tonnes

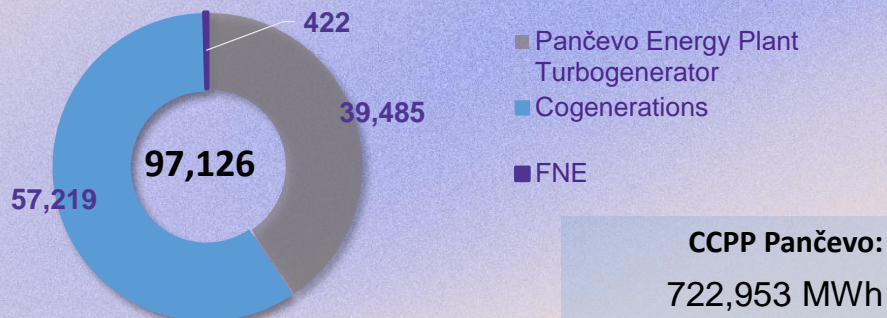


Amounts of disposed waste, in thousand tonnes



## Results of indicators in the field of Energy for 9M of 2023:

Electricity production, in MWh:



- Consumption of purchased electricity: 285,381 MWh
- Natural gas consumption: 93,764,626 m<sup>3</sup>
- Share of non-commercial fuels<sup>6</sup> in total fuel consumption: 63.8%

## Fulfillment of the Energy Improvement Program 9M of 2023:

- Electrical energy: 4,051 MWh
- Thermal energy: 141,366 GJ
- Fuels: 2,271 toe
- Total: 5,996 toe

### Solar power plants at 15 PSs:

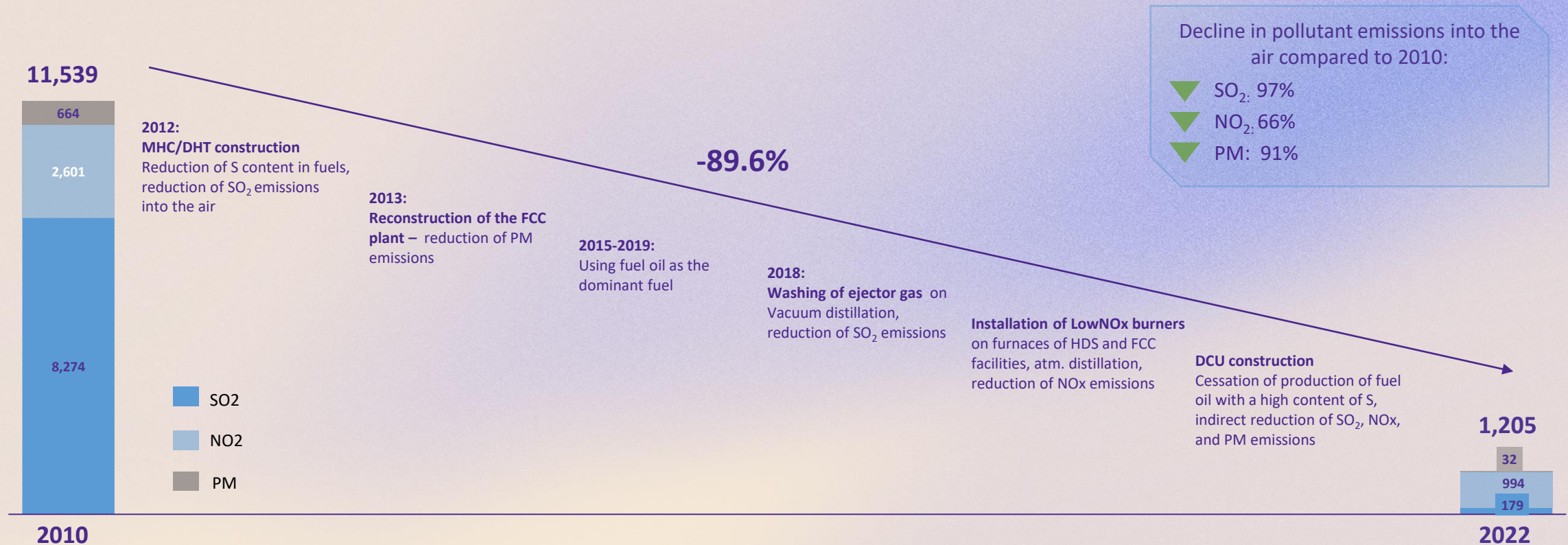
- Installed power: 538 kW
- Generated electricity: 421.8 MWh

## Efficiency





## 2010-2022: Quantities of emitted pollutants (SO<sub>2</sub>, NO<sub>x</sub> and PM), in tonnes



- **Emissions of the NIS j.s.c. plants in accordance with legal norms.**
- **Legal obligation:** monitoring/measurement of emissions of pollutants (sulphur oxides – SO<sub>2</sub>, nitrogen oxides – NO<sub>2</sub>, particulate matter – PM).
- **Constant reduction of emissions into the air** as a result of the implementation of environmental projects and the change of the predominant gas fuel.
- **New environmental projects and technical and technological measures to reduce emissions are being implemented.**



# Social

Aspect of Social Issues



# Investing in employees

## Employees' Professional Development in 2022



**Workplace  
injuries  
With fatal  
outcome**



**0**



**Tier events<sup>7</sup>**



## In the first 9 months of 2023:

**2,606** trainings implemented ▲ **+34%**

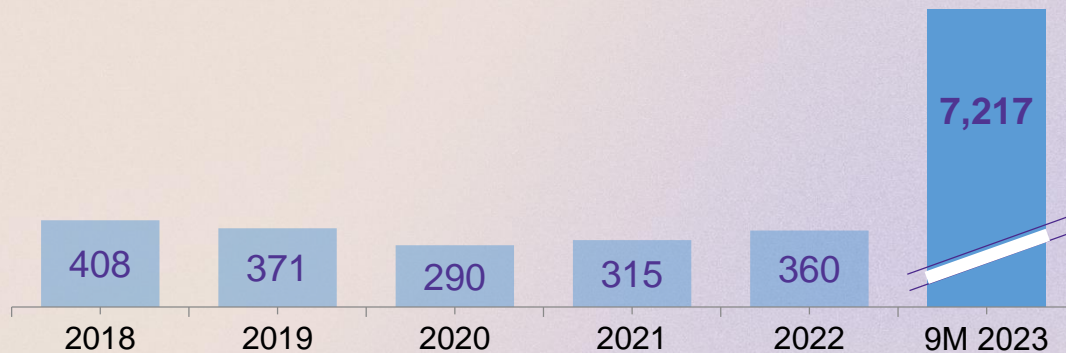
**145.8 million RSD** invested in training and development of employees ▲ **+60%**

Tier events and injuries at work with a fatal outcome: **0**



# We support local community development

## Investments in the community<sup>8</sup>, mln. RSD



**RSD 217.4** million is the company's investment in all areas of support, and the amount of **RSD 7 billion** is a donation from the company to support the projects of the Government of the Republic of Serbia in the field of education, social and health care, after the company's excellent business results in 2022.

## Volunteering

### 2022:

11 volunteer actions implemented (679 volunteer hours donated).

### 9M 2023:

6 volunteer actions implemented (804 volunteer hours donated)





# Governance

Corporate Governance Aspect



# 2023: Corporate governance

## Board of Directors

In 2022, the **Diversity Policy** was adopted

The **remuneration policy** for the members of the BoD and the BoD Committees is fully in accordance with the new requirements of the Law on Companies

The Assembly annually considers the **Report on the Suitability of the Composition** of the BoD and the number of members in accordance with the needs of NIS

BoD Committees meet all legal requirements regarding their composition.  
The Board annually **analyses its own work and the work of the committees.**

**1 member**

Executive director - Chief Executive Officer

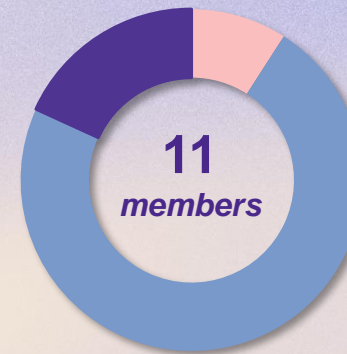
**10 members**

Of which

**2 members**

Non-executive directors

Independent directors



**Audit Committee**

**Remuneration Committee**

**Appointments Committee**

All three committees have 3 members, with one of the members being an independent director.

## Transparent and mandatory reporting

In September 2023, the modernization and redesign of the NIS website intended for investors and shareholders was carried out.

NIS retained the position of one of the leading companies on the Belgrade Stock Exchange when it comes to transparency of operations.



# 2023: Corporate governance

## Rights of shareholders

The long-term dividend policy stipulates that a minimum of **15% of net profit** is to be paid to shareholders in dividends.

Dividend – In August 2023, a dividend was paid for about 2.05 million shareholders in the amount of **RSD 23.3 billion**, i.e. RSD 143.29 per share (gross), which is a **yield of 21.2%** compared to the price of the share as at 31 December 2022.

The paid dividend represents **25%** of the net profit in 2022.

At the beginning of 2023, and by applying the new Law on the Capital Market, **the system of managing the List of Persons** with access to insider information was harmonized and special attention was paid to **additional acquainting of the management and employees** with the obligations regarding insider information.

## Insider Information

## Corporate control of subsidiaries

**HIP-Petrohemija** – During 2023, the priority was the corporate control of the new subsidiary HIP-Petrohemija and the establishment of the foundation of a **quality corporate governance system**, primarily through work on new basic acts of the company.



# Future directions of development in the field of ESG

## E

- Further reduction of specific emissions of NOx, SOx, PM to the level in EU refineries.
- Compliance with the requirements of regulations (VOC) – reconstruction of the warehouse.
- Reduction of carbon intensity compared to 2018.
- Establishment of a system for monitoring, reporting, and verifying GHG emissions.
- Reduction of fresh water use in processes.
- Removal of historical groundwater/soil pollution at the sites.
- Increase in % of packaging waste recycling.
- Development of internal resources for oil waste management.
- Implementation of the Energy Efficiency Improvement Program.
- Exploration of the possibilities of geothermal energy development and CCUS projects, realization of the hydrogen pilot project, and exploration of possibilities for mass use.
- Implementation of projects in the field of production from RES.
- Development of a network of EV charging stations.

## G

- Further analysis and comparison of NIS corporate governance system with leading European companies in this field in order to apply best practice.
- Implementation of digitization projects in order to improve the work of the Board of Directors.
- Improving transparency and communication with investors and shareholders

## S

- Creating and practical application of the best and modern HR solutions.
- Increasing the level of employee commitment.
- Taking the place of the most desirable employer in Serbia and the region.
- Supporting the priorities and implementation of the goals of the UN Sustainable Development Agenda.
- Continuation of continuous implementation of projects that improve key areas for the development of society and the community as a whole in a measurable and visible way in the long term.
- Continuous improvement of the reporting process in the field of sustainable development and ESG.

Investor Day 2023

**THANK YOU  
FOR THE  
ATTENTION!**