ElixirGroup

Elixir Group

Green Bond Framework

Novi Sad, 06 January 2025

Green Bond Framework Content

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01

Introduction

Elixir Group Business System

Elixir Group ("Elixir") is a leader in the Southeast European chemical industry, specializing in the production of mineral fertilizers and phosphoric acid.

Notably, it is one of only six producers of phosphoric acid in Europe.

Founded in 1990 as a family business operating in the agricultural sector, Elixir has grown over more than 30 years of dedicated work into a business system that now employs 2,000 people across four locations in the Republic of Serbia. These locations are primarily situated within two chemical industry complexes in the cities of Prahovo and Šabac, which serve as the centers of Elixir Group's production activities.

Elixir Group focuses on the production of phosphoric acid, aluminum trifluoride, and phosphate-based complex mineral fertilizers (NPK), achieving an annual production and sales volume of 1 million tons. Notably, it does not produce ammonia-based products (e.g., ammonium nitrate, urea, etc.).

02

Integrating sustainability into business and strategic pathway

Sustainability integration

As the global population continues to rise, meeting the increasing demand for food has become a critical challenge.

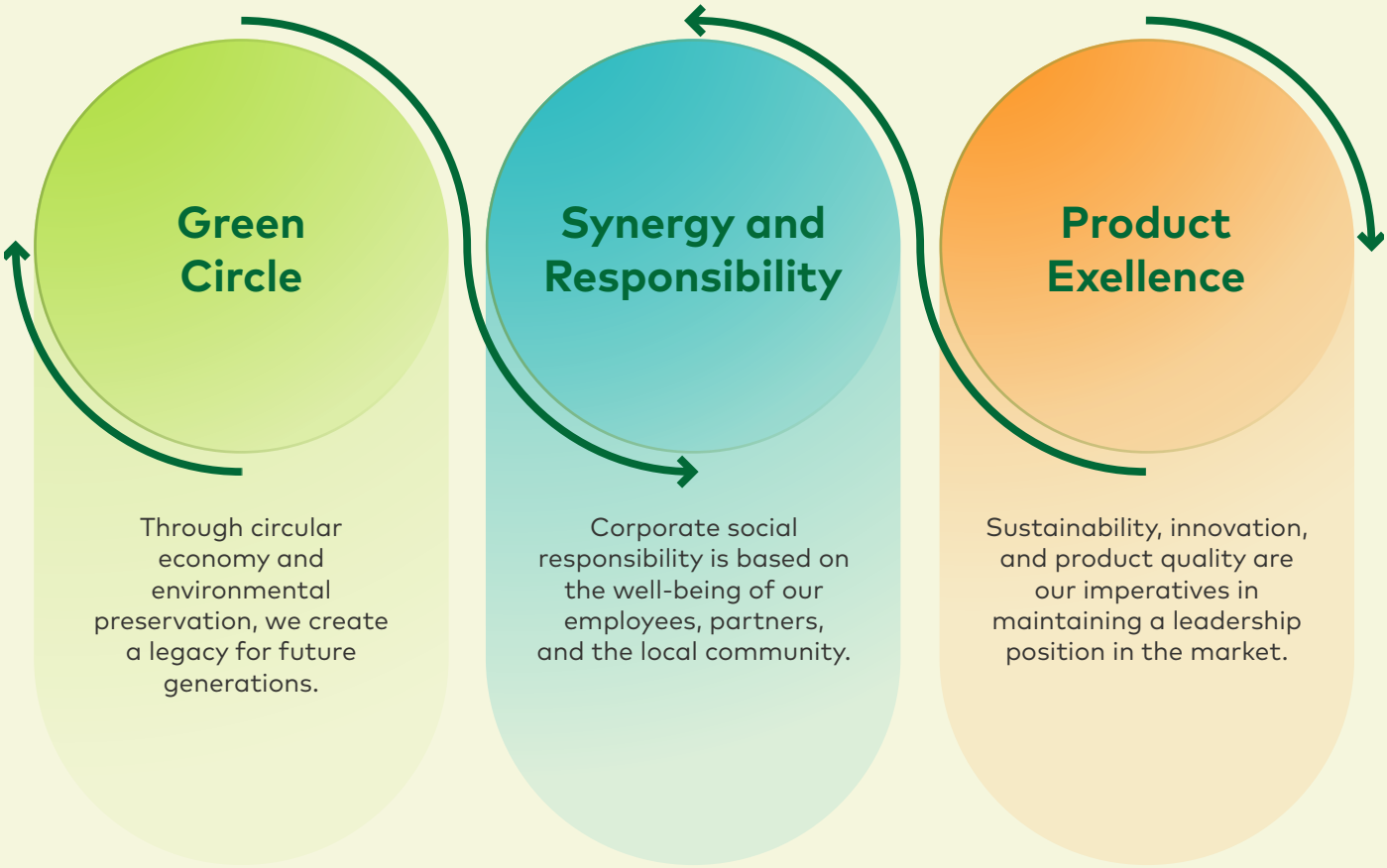
Without the use of fertilizers, crop yields and agricultural productivity would decrease significantly, necessitating the conversion of additional land to meet the food demands of the growing population.

Implementing sustainable agricultural practices is essential to ensuring food security while preserving the environment. Key components of this effort include the decarbonization of production processes and improving fertilizer efficiency. By reducing the carbon footprint of fertilizers, Elixir can significantly lower greenhouse gas (GHG) emissions associated with agriculture. This not only helps combat climate change but also fosters healthier ecosystems and more resilient food systems. Embracing sustainable practices and innovative technologies in agriculture will be pivotal in feeding the growing population responsibly and sustainably.

This is why Elixir has placed innovation and sustainability at the core of its corporate strategy, driving continuous improvements in production, organizational efficiency, and competitive advantage. Our business operations are firmly rooted in ESG principles, supporting the circular economy, decarbonization, energy efficiency, and social and environmental responsibility. Elixir is committed to advancing sustainability alongside financial performance, striving to deliver community-wide benefits through this synergy.

To ensure effective management of all ESG impacts, risks, and opportunities, the Strategy and Sustainable Development Committee of Elixir Group oversees corporate projects, sustainable development initiatives, EHS (Environment, Health, and Safety) processes, CSR (Corporate Sociaal Responsibility) activities, and the digitalization of business processes, while also defining corporate communication strategies.

Elixir Group's sustainability framework is built upon three pillars:



In its sustainability strategy, Elixir is guided by the following targets across three of its key pillars:



Reaching net zero (for scopes 1 and 2) by 2040 and becoming full net zero by 2050 (scopes 1, 2 and 3)



30% of total donations to sustainable projects improving local quality of life



35% share of premium products in total revenue by 2035

Contributions to the reduction of carbon emissions in agriculture

Elixir's ESG commitments align with the United Nations Sustainable Development Goals and the Paris Agreement. Additionally, Elixir adheres to the directives of the EU Green Deal, particularly the **"Fit for 55"** package and the **CBAM** regulation, with which it is already compliant in its reporting. This alignment reflects the company's dedication as an exporter to the EU, its primary export market.

In 2024, Elixir's emissions for **Scopes 1 and 2** are projected to reach **190 Kt** of CO2 equivalent.

As part of its comprehensive ESG strategy, particularly its decarbonization strategy, Elixir is focused on achieving climate neutrality for Scopes 1 and 2 well before 2050. To ensure sustainable production growth and the development of new products, Elixir has defined two primary pathways for its decarbonization strategy:

- **Resource Efficiency:** Implementing technological advancements to reduce resource consumption per unit of product
- **Energy Mix Transformation:** Transitioning to alternative energy sources for heat generation and renewable energy sources for electricity production

Specifically, this is planned to be achieved through the following concrete projects which will lead to full decarbonization (Scopes 1 and 2) by 2040:

Elixir Prahovo Plant:

Improved Efficiency through HDH Technology – Starting in 2026, the plant will operate with 25% lower electricity consumption per unit of product and a 50% reduction in heat energy consumption per unit of product

- Waste-to-Energy Plant – By 2027, emissions will be reduced by 35% compared to the baseline, and steam production will rely entirely on alternative energy sources by 2040
-
- Solar and Wind Power Plants – Renewable electricity production will enable additional 25% reduction in emissions by 2031 compared to the baseline, achieving complete climate neutrality by 2040

Elixir Zorka Plant and Non-Production Group Members:

- Electricity Neutralization: At Elixir Zorka, the largest share of the carbon footprint (64%) originates from electricity use, which will be offset through solar energy by 2040
- **Transition from Natural Gas and Diesel** – Natural gas is responsible for 32% of GHG emissions and diesel fuel, contributing 4% of GHG emissions, will be replaced by renewable energy sources by 2040
- **Fleet Electrification** – By 2035, 35% of the diesel fleet (vehicles and industrial machinery) will be replaced with electric vehicles (EVs) with a full transition to EVs by 2040

When it comes to Scope 3 emissions, many of the so-called hard-to-abate sectors (e.g., steel, aluminum, etc.) have developed net-zero transition pathways, which is not the case with the chemical industry, including fertilizer production.

However, Elixir is aware that the draft of the Science Based Target Initiative's ("SBTi") Chemical sector target-setting criteria has been published and a final version of these criteria is expected in 2025. Therefore, our commitment to decarbonization of all direct and indirect emissions in the future will be based on scientifically grounded decarbonization pathways set by the **SBTi.**

Some of the measures Elixir will undertake to contribute to the decarbonization of its indirect (Scope 3) emissions include long-term commitment to customers in the EU via off-take agreements in place who will replace the purchase of premium fertilizers from Asia (primarily China), which will impact the reduction of indirect emissions from downstream transport.

Lastly, given the TMAP factory's ability to use green and blue ammonia, depending on market conditions, Elixir will consider leveraging the opportunity to procure such raw material inputs for this specific purpose.

Planned contributions to putting Farm to Fork strategy into action

Elixir integrates innovation with economic sustainability, focusing on developing processes and products that are both innovative and environmentally friendly. This pillar emphasizes the importance of sustainable growth that preserves the environment for current and future generations. Our products are built on the principles of innovation, sustainability, and high quality, forming the core of our business approach and reputation.

Through product excellence, Elixir Group is committed to contributing to the aspirational **Farm to Fork** ("F2F") strategy set by the European Union, to which Elixir Group tends to become a primary exporter of products, to make the food systems fair, healthy, and environmentally friendly through:

- reduction of nutrient losses by at least **50% by 2030** resulting in
- reduction of fertilizer usage by at least **20% by 2030**

Elixir Group plans to make contributions to these goals through expanding its product portfolio with premium products that enhance sustainable agriculture such as **Crystal fertilizer Mono-ammonium phosphate of technical quality (TMAP),** which is the eligible green project covered by this Framework as presented in the section **4.1. Use of Proceeds.**

TMAP plant under construction, which is planned to be operational in 2026, is specifically intended for addressing sustainable agriculture goals. The complete water solubility of TMAP, combined with precise application through fertigation systems, enables quicker and easier absorption of nutrients by plant roots, providing more efficient way of nutrient uptake resulting in increased yields and improved quality of agricultural products while minimizing nutrient losses and negative environmental impacts.

This method ensures that nutrients are delivered directly to the root zone, lowering the risk of excess nutrients being lost to the environment.

As a result, the application of TMAP on field would result in approximately 90% reduction in nutrient losses for nitrogen component and 31% reduction in nutrient losses for phosphorus component, respectively.

To put things into perspective, the recommended Nitrogen Use Efficiency (NUE), which is a key indicator for tracking fertilizer efficiency (nitrogen based in particular), is between 50% and 90%.

Furthermore, better nutrient uptake of TMAP would result lesser quantities of fertilizer needed per hectare compared to the conventional NPK fertilizers resulting in reduction of fertilizer usage of at least 20% thus, directly addressing actions envisioned by the F2F strategy.

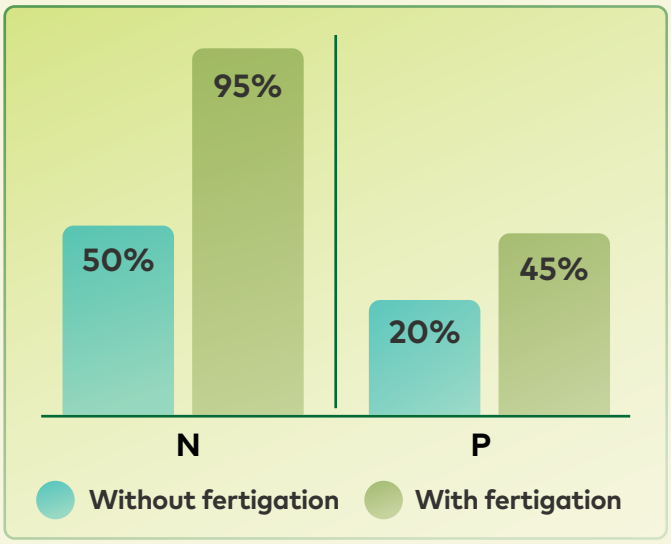


Exhibit 1: *Comparison in maximum nutrient utilization of premium water-soluble fertilizers through fertigation vs. conventional NPKs*

03

Rationale for the Framework

Rationale for the Framework

The subject of this Green Bond Framework (i.e. an eligible green project) would be capital expenditures for the premium fertilizer production plant, which would satisfy all of the following defined criteria in-line with Elixir Group's strategic aspirations:

1. plant will produce products capable of contributing to the F2F strategy of the EU in terms of nutrient loss and reduced application of fertilizers;
2. plant's products will be able to contribute to the decarbonization outside of the chemical or fertilizer industry with focus on agricultural and food production value chains as well as e-mobility;
3. plant will be capable of using blue or green ammonia as input for production;
4. plant would not produce fossil-based ammonia;
5. plant will be capable of being powered via alternative/green energy sources as set out in Elixir Group's decarbonization strategy;
6. plant will have embedded elements of circular economy. More specifically, all insoluble residues could be used as inputs for other existing plants within the Elixir Group's production system. For avoidance of any doubt, other plants would not be considered for financing through this Framework;
7. off-take agreements, which Elixir Group has in place with its EU customers for TMAP products, will be able to generate CO2 savings in transportation;

TMAP's sustainability features

Application of TMAP with 12% N (nitrogen) and 61% P (phosphorus) through fertigation systems, for which it is primarily designed, enables maximized nutrients absorption directly by plant roots, therefore increasing the efficiency in plant uptake of nutrients and avoiding leakage into ground water and volatilization to air compared to other applications and/or nitrogen (N) forms in fertilizers used for plant nutrition contributing directly to the Farm to Fork strategy as explained in the section **2.2. Planned contribution to putting Farm to Fork strategy into action.**

The way TAMP is delivered, not only enhances nutrient efficiency but also conserves time and resources in farming operations and thus, it contributes to sustainable agriculture by achieving higher yields with the application of the same or smaller amount of fertilizer, on the same or smaller arable area.

The crude phosphoric acid produced by Elixir, which will serve as the main raw material for TMAP production, requires significantly lower energy consumption (specifically in terms of heat and electricity) compared to other TMAP production technologies. Additionally, it avoids technological processes that would generate waste, offering important environmental benefits over other TMAP production methods.

The insoluble residues of the TMAP production process, rich in phosphorus (P) and nitrogen (N) nutrients, will be fully reused in the production process of the neighboring "over-the-fence" NPK fertilizer plant. This approach enables Elixir Group to enhance circularity and prevent waste generation, reinforcing its commitment to the circular economy by minimizing both waste generation and new resource consumption.

The production of crystalline TMAP in Serbia is intended to meet the needs of European customers with whom Elixir has off-take agreements. Europe is a net importer of TMAP and is currently predominantly supplied from Asia (global production of approximately 1.5 million tons, primarily in China). Nearshoring production for the European market will enable savings in transportation costs, thereby reducing associated GHG emissions.

Last but not least, in the urgent push towards vehicle electrification and the transition to a green future, TMAP is expected to play a significant role as one of the most important raw materials in the supply chain for LFP battery production. As the main source of the phosphorus (P) component in LFP cathode production, TMAP demonstrates its multidimensional contribution to a sustainable future for the planet.

04

Green Bond Framework

Green Bond Framework

Through this **Green Financing Framework ("Framework")**, Elixir Group seeks to reinforce its commitment to sustainability and engage stakeholders.

This Framework is developed as a comprehensive platform under which Elixir plans to issue Green **Financing Instruments** (specifically a bond). The proceeds from these instruments will be exclusively used to finance or refinance **Eligible Green Projects,** as outlined in this Framework.

The Green Financing Framework adheres to the best practices outlined by the International Capital **Market Association ("ICMA") in the 2021 Green Bond Principles** and is structured around the following four components:

1. **Use of Proceeds**
2. **Process for Project Evaluation and Selection**
3. **Management of Proceeds**
4. **Reporting**

Use of Proceeds

An amount equivalent to the net proceeds of the Green Financing Instrument(s) will be used to finance, or refinance in whole or in part, eligible green project category as defined in the table below:

Eligible green project(s)	Eligibility criteria	SDG alignment
Premium fertilizer production plant (TMAP)	Capital expenditures for the construction of plant which will produce water-soluble crystalline TMAP NP 12:61 fertilizers with targeted application via fertigation, including insoluble residues. This category excludes production of conventional non-fertigation fertilizers. TMAP application through fertigation systems enhances nutrient uptake by plant roots, reducing nutrient leakage into groundwater and air, thus promoting sustainable agriculture by increasing efficiency and reducing environmental impact. Insoluble residues of the TMAP production process, rich in phosphorus (P) and nitrogen (N) nutrients, will be fully reused in the production process of the neighboring "over-the-fence" NPK fertilizer plant, preventing waste generation, and minimizing new resource consumption. Although, the plant will be initially using fossil-based ammonia as one of the production raw materials, it would be, from day one of its operation, be capable of producing fertilizers using blue or green ammonia. This category excludes production or purchase of fossil-based ammonia.	

The financing of such Eligible Green Projects is expected to create environmental benefits which collectively reduce environmental harm, protect ecosystems, and enhance sustainability for future generations.

Qualified expenditures in these categories will cover capital costs, ensuring that long-term assets and necessary resources are adequately funded to meet the project's goals.

Project Evaluation and Selection Process

Elixir has implemented a comprehensive evaluation and selection process within its operations to ensure that all funded projects align with Elixir Group's Risk Management Strategy and comply with the relevant laws of the countries in which they are executed. This process is also applied to projects financed and/or refinanced through the Green Finance Instrument.

Elixir has established a business system with clear lines of communication and decision-making. Committees serve as coordination bodies for defined strategic areas within the business system, ensuring the implementation and achievement of strategic goals through operational plans and budgets.

The process for evaluation and selection is divided into two stages:

1. Project evaluations are conducted through the **Group's Finance and Investment Committee** and the **Strategy and Sustainable Development Committee**

   I) In the first step, proposals for investment projects are assessed and monitored by the **Finance and Investment Committee.** The Finance and Investment Committee is composed of the Vice President for Finance, Vice President for Strategy, Technical Center Director, Director of Elixir Prahovo, Director of Industrial Services Development, Director of Elixir Zorka, and Director of the Eco Energy commercial directorate. The committee conducts a comprehensive evaluation of the **project's technical and technological viability**, as well as its **economic feasibility.**

   II) In the second step, the **ESG and Strategic Planning Team** conducts a detailed assessment in-line with Elixir's ESG and Risk Management Strategy. This assessment examines both the potential environmental and societal risks associated with the project. This includes the compliance with sustainability criteria, including those defined by the ICMA principles.

   ESG and Strategic Planning Team performs the project evaluation process through five predefined steps:

   1. Identification of an investment opportunity
   2. Detailed analysis of risks and opportunities
   3. Valuation of risks and opportunities
   4. Establishment of clear measures for control and risk management
   5. Plan of implementation and feasibility of the project

   This is meant to confirm the economic-technical feasibility of the project (by the Finance and Investment Committee) and compliance with ICMA principles criteria (by the Strategy and Sustainable Development Committee).

2. After the evaluation process, the project proposal is sent for approval to the **Supervisory Board** of the business system, as the highest governance body in Elixir Group, chaired by the President of the Elixir Group Business System. The Supervisory Board, based on information from the Finance and Investment Committee and the Strategy and Sustainable Development Committee, selects and approves projects.

Management of Proceeds

Elixir Group intends to allocate the proceeds from the Green Finance Instruments to an Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above within two years of issuance.

The Board has established an internal tracking system to monitor the allocation of proceeds.

Unallocated proceeds are held as cash or cash equivalents in a separate bank account designated for managing these funds. Elixir Group plans to initially fund the project from its regular business operations account and, on a monthly basis, transfer the corresponding amount from the account designated for green

bond proceeds to reimburse the business operations account with the amount allocated to the project. This monthly transfer is part of the Elixir Group 's formal procedures, ensuring that the green bond proceeds are managed in alignment with its operational framework and tracked accurately through a retrospective process.

Eligible green capital expenditures can be refinanced with a look-back period of up to two years prior to the issuance year of the Green Finance Instrument.

*Elixir Group aims to limit refinancing to a **maximum of 50%** of the total allocated proceeds.*

*Elixir Group estimates the share of **financing at 60%** vs. **re-financing 40%** for the project.*

Reporting

Elixir Group will publish a readily available report until the full allocation of the Green Financing Instrument net proceeds annually and until full allocation. This will form part of Elixir Group's yearly Sustainability Reporting, based on Global Reporting Initiative (GRI), describing all activities that improved aspects of sustainability significant for Elixir Group's business and community development.

This will detail the allocation of the net proceeds of the Green Financing Instruments.

Elixir Group will align, on a best effort basis, the reporting with the portfolio approach described in "Handbook – Harmonized Framework for Impact Reporting (June 2019)", on a project-by-project basis.

The report will contain information on the environmental impact of the Eligible Green Projects.

Allocation Reporting:

- Information about the financed project
- Balance amount of unallocated net proceeds, if any
- Portion of financing and refinancing

Impact Reporting:

- Expected environmental impacts or outcomes resulting from project funded by green bond proceeds. The methodology used to estimate these impacts aligns with the industry's best standards and practices.
- In these reports, Elixir Group will typically disclose the following information:

Reporting metrics	Potential indicator(s)
Production of Crystalline TMAP fertilizer	Volume produced in tons per year
Substitution of virgin materials with N and P residues of TMAP production process	Tons of virgin materials substituted by TMAP production residues per year
Avoided energy consumption by using crude Phosphoric Acid as the main raw material for TMAP production, instead of commonly used concentrated Phosphoric Acid	kWh of thermal and electrical energy consumption avoided by using crude Phosphoric Acid, per year
Avoided GHG emissions due to closer distribution destinations and utilization of blue and/or green ammonia	Tons of avoided GHG emissions in CO_2e per year

The allocation reporting will be verified by an external auditor until full allocation of proceeds and in case of any material changes until the relevant maturity date. The allocation reports verified by these external auditors will be publicly available on Elixir Group's website.

External Review

Elixir Group has engaged Sustainalytics to issue a Second Party Opinion on its Green Financing Framework, assessing its transparency, governance, and alignment with the Green Bond Principles.

This Second Party Opinion will be publicly accessible on Elixir Group's website **(https://www.elixirgroup.rs/en/).**

Glossary

Reporting metrics	Potential indicator(s)
1. Phosphoric Acid	Mineral acid with chemical formula H3PO4, commonly used as a source of Phosphorus (P) element in production of mineral fertilizers and various other sectors, such as animal feed stock, technical application and food and beverages production.
2. AlumoFluor	Aluminium Fluoride, a compound used as a catalyst in production processes of the aluminum industry.
3. NPK fertilizers	Fertilizers containing nitrogen (N), phosphorus (P), and potassium (K), essential nutrients for plant growth.
4. TMAP	Technical grade Monoammonium Phosphate is a highly water-soluble crystalline fertilizer, with 61% of Phosphorus (P) and 12% of Nitrogen (N) active substances content, specifically designed for targeted application via fertigation systems.
5. Ammonium-phosphate process	A chemical process for producing mineral fertilizers by combining ammonia and phosphoric acid to create a nutrient-rich product.
6. Crude phosphoric acid	Unrefined, diluted phosphoric acid obtained from chemical process of mixing sulfuric acid and phosphate rock.
7. Concentrated phosphoric acid	Purified, highly concentrated form of phosphoric acid, obtained from chemical processes of refining and concentration of crude phosphoric acid.
8. Blue ammonia	Ammonia produced from natural gas with carbon capture technology, making it a low-carbon option compared to conventional ammonia.
9. Green ammonia	Ammonia produced using renewable energy sources, such as wind or solar, without releasing carbon emissions.
10. Nitrogen	A chemical element (N), an essential nutrient for plant growth, development and reproduction
11. Phosphorous	A chemical element (P), an essential nutrient, especially noted for its role in capturing and converting the solar energy into growth and reproduction.
12. Fertigation / drip by drip	The process of delivering fertilizers through an irrigation system, allowing nutrients to be absorbed by plants efficiently.
13. Nutrient delivered / Uptake ratio	A measure of how efficiently plants absorb nutrients provided in fertilizers, indicating the effectiveness of nutrient delivery.
14. LFP batteries	Lithium Iron Phosphate batteries, known for stability, long life, and safe energy storage. Commonly used for electrical vehicles.
15. Farm to fork strategy	An EU initiative aimed at creating a fair, healthy, and environmentally friendly food system by addressing the entire food supply chain.
16. Paris Agreement	An international treaty on climate change aiming to limit global warming to well below 2°C, with efforts to reach 1.5°C.
17. SDGs – Sustainable Development Goals	A set of 17 global goals established by the United Nations to address social, economic, and environmental issues by 2030.
18. GHG – Greenhouse Gases	Gases that trap heat in the Earth's atmosphere, contributing to global warming, including CO_2, methane, and nitrous oxide.
19. EU Green Deal	A set of policy initiatives by the European Union aimed at making Europe climate-neutral by 2050, promoting sustainable growth, and addressing environmental challenges.
20. Fit for 55	An EU legislative package aiming to reduce greenhouse gas emissions by at least 55% by 2030 (compared to 1990 levels) as part of the EU Green Deal.
21. NUE - Nitrogen Use Efficiency	A measure of how effectively plants utilize available nitrogen from fertilizers, indicating the efficiency of nitrogen input in relation to crop yield and environmental impact.
22. HDH technology	Hemidihydrate technology for producing phosphoric acid is an resource-efficient system that reduces electricity and heat consumption by optimizing thermal management processes. This technology enables industrial plants to achieve lower energy usage per unit of product, supporting sustainability goals by reducing operational costs and environmental impact.

ElixirGroup

Green Bond Framework

Novi Sad, 06 January 2025