2014
REPORT ON SUSTAINABLE DEVELOPMENT
1 Company profile

1 Mission, Vision, Values ...................................................... 16
2 Corporate Management ..................................................... 18
3 Awards and Recognitions .................................................... 19
4 Membership ....................................................................... 20
5 Dialogue with Stakeholders .............................................. 20

2 Economic Development

1 Dividends .............................................................. 28
2 Exploration and Production .............................................. 29
3 Oil Field Services .......................................................... 29
4 Refining ....................................................................... 30
5 Sales and Distribution ..................................................... 31
6 Energy ......................................................................... 32
7 Corporate Security ........................................................ 33
8 Suppliers ....................................................................... 34
9 Buyers ......................................................................... 35
10 Taxes and Other Public Revenues ................................... 37
11 Investments ................................................................... 37
12 Strategic goals .............................................................. 38

3 Human Resources

1 Equal Opportunities .......................................................... 44
2 Fluctuation in the Number of Employees .......................... 45
3 Basis for Employment Termination .................................. 48
4 Trade Union Cooperation ................................................ 48
5 Candidate Recruitment and Selection .............................. 50
6 Professional development of employees .......................... 51
7 Incentive System .............................................................. 52
8 Occupational Health and Safety ....................................... 54

4 Responsibility Towards the Community

1 Energy of Sport ............................................................ 66
2 Culture Without Limits ..................................................... 67
3 Energy of knowledge ....................................................... 68
4 Humanitarian projects .................................................... 70
5 Together for the Community ............................................. 70

5 Health and Environmental Protection

1 Investments in the Environment ....................................... 76
2 Materials Used .............................................................. 77
3 Energy Consumption ....................................................... 79
4 Water management ........................................................ 82
5 Environmental Accidents ................................................. 85
6 Impact on Biodiversity ..................................................... 87
7 Pollutant Emissions ......................................................... 88
8 Waste management ........................................................ 90
9 Biofuels ....................................................................... 93

6 Appendices

1 GRI Indicators ............................................................... 96
2 Glossary ..................................................................... 104
3 Auditor’s Report ............................................................ 106
4 Contact Information ........................................................ 108
Sustainable development is not only the strategic choice of NIS, but also the fundamental practice which is continuously perfected in order to improve the quality of life in the community we work in, to develop human and maintain natural resources.

This means that we operate in compliance with strict procedures and standards which ensure environmental protection and care of employee health and safety. Also, we constantly expand our relations with partners and the society we work in, and introduce new technologies into our operations in order to become better and more efficient.

Confident of Employee Safety

‘Man is the measure of all things’ – this is a saying originating in ancient times. For us, in NIS, people always come first. Having in mind that HSE is the only business area where success is measured by the lowest, not the highest numbers achieved, we can say that, in the previous period, we have reduced the number of negative parameters. Thus, in the period between 2010 and 2013, the number of traffic accidents was reduced by almost 60%, whereas the number of environmental accidents dropped by 56%. The number of work-related injuries and days lost was reduced by 14%, and the number of fires by 5%.

The increase in employee personal safety was driven by a range of programs and trainings aimed at raising employee awareness of safe work procedures, ensuring that they are observed. In 2014, we adopted the instructions for Developing HSE Competencies. This document defines a range of requirements which must be met by employees so that they can complete their tasks with minimum risk, in compliance with the law and internationally adopted practice. In this way we seek to improve further the safety of all employees.

Responsible Toward Nature

We have proven our responsibility toward nature through numerous environmental projects and significant investments in environmental protection projects. We have streamlined our equipment and reduced pollutant emission, we have invested in modern technologies, educated ourselves to soil rehabilitation and waste treatment. In 2014, we invested a total of RSD 36 million in environmental projects.

NIS’s future operation is motivated by transformation from an oil company into an efficient regional energy holding. In 2014, we completed the construction of four small power plants with five production units for the conversion of gas into heat and electrical energy. During the previous year, we sold the first quantities of electricity produced in these plants, whereby NIS became the only producer in Serbia, apart from electrodevozade Z博ho, offering electrical energy on the free market.

Further improvement of operational efficiency and relying on internal resources in order to overcome the current crisis remain the focus of the Company’s attention.

Business Efficiency – This is Our Focus

Support of the upcoming generations and investment in the education of young and gifted people has remained one of the strategic choices of NIS, despite the crisis we are facing.

In 2014, NIS continued the tradition of employing young people who had just graduated from high school or university and had no work experience whatsoever. As a part of the ‘NIS Chance’ project, 88 young graduates and technicians were hired in 2014, whereas we had hired more than 660 young people through the program in the last three years.

Through the ‘Energy of Knowledge’ programme, whose aim is in investing in education and science in order to support talented high school and university students, we adapted and equipped 40 computer classrooms and 4 laboratories only in the last year. We continued our cooperation with Belgrade and Novi Sad Universities and faculties and schools in Serbia. In 2014, we invest ed a total of RSD 20 million in student scholarship program and RSD 60 million in cooperation with and donations to educational institutions in Serbia.

Continuous Investment in Personnel

As for our HR policies, it has to be said that NIS, regardless of the difficult economic situation and the drop in the crude oil prices, has remained the leader in Serbia and the region in terms of employee benefits and perks offered to its employees. We have signed new collective bargaining agreements and aligned them with the Labor Law, which was amended last year. We cherish our constructive relations with the Trade Unions and keep working on the improvement of social dialogue in the Company.

At the same time, we have continued educating our employees; therefore, in 2014, we provided RSD 165 million for the professional development of our colleagues. In this manner, we develop high-quality staff that can contribute to the development of the Company.

Partnership with the Local Community


The ‘Together for the Community’ programme alone enabled the implementation of seven projects in the areas of sports, culture, education, humanitarian and environmental work in 11 municipalities and cities. Through public competitions, we motivated associations, humanitarians and non-governmental organisations to propose their own projects which might solve certain problems or improve the existing situation in their local communities.

As soon as first information on the floods were published last May, our Company swiftly responded. The Company and the employees – not only NIS, but Gazpromneft, as well – provided donations in fuel, potable water, equipment, food, toiletries and money. Total NIS, flood-related expenses amounted to about RSD 3.5 billion.

Business Efficiency – This is Our Focus

Further improvement of business efficiency and relying on internal resources in order to overcome the current crisis will remain the focus of the Company. Still, we will not give up on our key investments, and in that, we have the support of our both major shareholders - Gazpromneft and the Serbian Government. We will continue investing, primarily in the increase of oil and gas reserves. We are also aware of the start of implementation of the second stage of modernization of our processing capacities. We will remain a reliable supplier of our clients and will not give up on the expansion and modernization of the gas station network in Serbia and the region. Concurrently, we will continue toドレス on new partnership and develop our youngest branch – energy production.

We will not stop investing in socially responsible projects, either, and will continue caring both for our employees and for the local communities in which we operate. In this manner, we prove and show in practice that, even in the time of crisis, sustainable development has remained Company priority.
On The Report and the Reporting Principles

Materiality Matrix
As the largest company in Serbia, NIS tries to follow international trends and improve its operation each year, as well as to prepare high-quality annual Sustainable Development Reports, informing stakeholders of the efforts the Company makes in remaining a reliable partner in all areas of business.

Through adjustments in the Sustainable Development Report, in accordance with the GRI G4 requirements, the Company has developed a materiality matrix, which is intended to be a comparative review of key business issues from the Company aspect, on one hand; and from the stakeholder aspect, on the other hand. The horizontal axis ranks issues by importance from the Company aspect, whereas the vertical axis positions the same issues in order of importance defined by the stakeholders. Through a GRI indicator analysis, indicators and issues have been connected, so the materiality matrix has become the basis of future reports, and will contribute to the improvement of the business process, as well.

The following GRI methodological rules and principles were used as the basis for the preparation of the Report:

Materiality
The report includes issues important for the Company operation which can have fundamental impact on the assessment and decisions of the management and stakeholders. The results of research conducted in the form of an interview with all stakeholders, as well as issues included in Sustainable Development Reports of other international oil and gas companies, and issues relevant for all the stakeholders and recommended by the GRI guidelines were all used as the basis for the preparation of the materiality matrix.

Inclusion
Communication with stakeholders takes place on a daily basis and is described in the “Dialogue with the Stakeholders” chapter.

The Sustainability Report covers topics that can profoundly impact the assessment and decisions made by management bodies and stakeholders.

In the future, just like till now, the Company shall maintain active dialogue with the stakeholders and shall regularly update the materiality matrix. In 2014, the Company prepared the report in compliance with the GRI G4 reporting standard, all in accordance with the general reporting level. The Report before you provides information on additional indicators relevant both for the NIS business operation and the stakeholders, as well, which exceeds the requirements of the general reporting level defined by the GRI G4 standard.

The Sustainability Report includes issues which can have fundamental influence on the assessment and decision-making of the management and stakeholders.
Sustainability

Data and activities described in the Report are provided at the level of the Republic of Serbia. The Report also presents the plans reflecting Company commitment to sustainable development.

Completeness

The Report presents the 2014 data, as well as comparative 2013 data where this is possible. Financial and economic indicators were taken over from the consolidated financial report (source: 2014 Annual Report, NIS).

Balance

The 2014 Report includes information on the results the Company achieved, but also on the difficulties NIS encountered during the year. Balanced and objective presentation of information makes a realistic view of the Company operation possible.

Comparability

The Sustainable Development Report was prepared in accordance with the GRI guideline reporting methodology, which enabled comparison with the 2013 NIS Sustainable Development Report published on 9 July 2014, as well as with the reports of other companies in the country and abroad.

Accuracy

The Company strives to include qualitative and quantitative data with the highest possible degree of accuracy in its reports. The Report lists the sources and methodology used for the collection of data, whereas the financial and economic data can be found in the NIS 2014 Annual Report.

Timeliness

The annual publishing of the Sustainable Development Report provides a possibility to all stakeholders to make timely decisions about the Company and its operation.

Clarity

The clear and comprehensible style used for the preparation of the Sustainable Development Report is adapted to all stakeholders. Achieving complete text clarity is hindered by the specific nature of the business, especially in the part referring to environmental protection. All expressions and abbreviations which might cause any doubts are explained in the Glossary.

Reliability

The assessment of compliance of the Report with the GRI guidelines, as well as the accuracy of the listed information were verified by the independent auditing company “KPMG” Ltd. Belgrade, Serbia.
Company Profile
Company Profile

Responsibility, transparency, innovation – key words of the future at work

With its business steeped in long tradition while resting on the latest standards today, NIS is one of the largest vertically-integrated energy companies in Southeast Europe. Following its mission, vision and value statements, NIS is a dependable and reliable partner strengthening its leadership and extending its influence as a highly socially responsible company through active dialogue with stakeholders.

Effects

Constant monitoring and introduction of European standards in all business segments
Openness to dialogue and strengthening of partnerships

Faster application of new technologies in the energy and oil and gas industries and assuming regional leadership

Business development in 10 countries
NIS is one of the biggest vertically integrated energy systems in South East Europe. It includes administrative headquarters in Novi Sad and Belgrade, and it has production facilities all over Serbia dealing in exploration, production and refining of oil and natural gas, as well as the implementation of projects in the area of energy production. NIS is an international group with a multinational team of experts operating in 10 countries.

In accordance with the strategic aim to reach the regional leader position, NIS undertook its first steps towards business expansion in 2011. The regional expansion takes place in two directions: in the area of exploration and production and through sales increase. Exploratory works in cooperation with partner companies are performed in Bosnia and Herzegovina, Hungary and Romania.

NIS has the largest retail network on the territory of the Republic of Serbia, but it has also expanded it to the territories of the neighbouring countries: Bosnia and Herzegovina, Bulgaria and Romania.
## Mission
Using the natural resources and modern technologies responsibly to provide the people of the Balkan region with energy for moving forward.

## Vision
Vertically integrated energy company NIS JSC Novi Sad will become a recognized industry leader in the Balkan region through its sustainable development dynamics, all the time demonstrating a high level of social and environmental responsibility and observing the modern standards of services provided to its clients.

## Values
<table>
<thead>
<tr>
<th>Professionalism</th>
<th>Initiative and responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquiring modern knowledge with a view to constant improvement of the expertise and ability to apply it in specific work processes.</td>
<td>Finding and suggesting new solutions, both in terms of work tasks and beyond – in areas of interest for the Company.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Positive attitude and cooperation</th>
<th>Joint results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readiness to participate in cross-functional teams and projects, responsiveness to requests for assistance by colleagues from other parts of the Company, readiness to share information, capacity for teamwork.</td>
<td>Joint efforts in order to achieve remarkable and impressive results, always striving for success by helping each other and through employee cooperation.</td>
</tr>
</tbody>
</table>
Corporate Management

Successful operation of the Company and its stable and long-term growth mostly depend on the efficient, responsible and transparent corporate management.

Only such a management approach can create value for NIS shareholders, but also inspire trust both in local and foreign investors, business partners, as well as in the employees and the general public:

NIS strategic corporate goals should ensure:
- protection of shareholders’ rights and professional and responsible management,
- efficient control of financial and business activities of the Company,
- transparent business operations.

NIS has established a one-tier management system, based on which NIS has:
- Shareholders’ General Meeting,
- Board of Directors,
- Chief Executive Officer.

Apart from the above mentioned management bodies, NIS also includes:
- Shareholders’ Meeting Board for monitoring business activities and NIS shareholders’ notification procedure (Shareholders’ Meeting Board),
- NIS CEO Advisory Board.

The Shareholders’ Meeting is the highest management body in NIS. All NIS shareholders make the Shareholders’ Meeting, and its task is to make and approve the most important corporate decisions, control activities, monitor the achievement of results in the previous year and define the organizational structure of other bodies in NIS.

The Statute of NIS clearly defines the duties and competences of the Shareholders’ Meeting, as well as its relationship to other bodies and structural units of NIS. The procedure for convening and conducting meetings and the method of work and decision-making of the Shareholders’ Meeting are defined by the Rules of Procedure of the NIS Shareholders’ Meeting.

The Shareholders’ Meeting decides on all issues within its scope of competence according to the Law and Statute, including such issues as: adoption of NIS Annual Reports, which include its Financial Statements, appointment and dismissal of members of the Board of Directors, profit distribution decisions, decisions on the selection of an external auditor, adoption of Statute amendments, increase or decrease in NIS basic capital, acquisition and disposal of assets of high value, status and legal form changes, remuneration of the members of the Board of Directors, i.e. definition of remuneration rules.

NIS is strongly committed to the observance of the principle of equality and just treatment of all shareholders.

All NIS shareholders make the Shareholders’ Meeting, and its task is to make and approve the most important corporate decisions, control activities, monitor the achievement of results in the previous year and define the organizational structure of other bodies in NIS.
Memberships
NIS is a member of various associations on the territory of Serbia and abroad, as follows:
- The National Petroleum Committee of Serbia, as the national body of the World Petroleum Council (WPC) since 1999
- Foreign Investor Council (FIC) since 2013
- GS1 Serbia (as part of the GS1 Association Brussels, a leading global organization for creating and applying supply chain identification standards and solutions) since 1998
- The Chamber of Commerce of the Republic of Serbia
- Balkan and Black Sea Petroleum Association (BBSPA)
- National Oil Committee of Serbia founded in March 2011 by NIS

The World Petroleum Council is the largest and oldest non-governmental oil and gas organization, whose aim is to improve the sustainable development aspect of the oil and gas business. The national body of the said non-governmental oil and gas organization, whose aim is the largest and oldest Balkan and Black Sea Petroleum Association • The Chamber of Commerce of the Republic of Serbia, • Balkan and Black Sea Petroleum Association (BBSPA), • National Oil Committee of Serbia founded in March 2011 by NIS. Kirill Kravchenko is the vice chairman and a member of the Executive Board of the National Oil Committee of Serbia

Achieving European standards in the energy and oil and gas industries and environmental protection has special importance to NIS.

NIS maintains active communication with investors. This communication takes place in the form of regular quarterly presentations of achieved business results enabling stakeholders to communicate directly with Company management, as well as in the form of meetings with investors and participation at investor conferences. All information intended for the investors is published in a special section of the corporate website for investors and shareholders – https://ir.nis.eu.

In compliance with the business transparency principle and new standards of corporate management in Serbia, NIS continues the policy of the corporate “open door” for representatives of banks, brokerage firms, investment funds, and financial analysts, informing them about all important aspects of its business. After the presentation of financial results and after an open and constructive dialogue between the representatives of NIS and the investor public, participants were informed about the project aiming at the increase of operative efficiency of the Company.

Ethical and transparent operation is Company priority in relations with business partners, as well as its efforts to simplify procedures in order to achieve the highest professional standards. NIS has several websites it uses to inform the public of its business operations.

Corporate website, www.nis.eu, is a source of regular updates on the Company, its operation, products and services. Here, one can find information on job opportunities at NIS, current tenders, as well as current news, expert articles, interviews, photos. The site can be used on all devices, and information is available in three languages – Serbian, English and Russian.
On the consumer website of the NIS Petrol retail network - www.nispetrol.eu – the public can find information on products, services, campaigns and operation of this retail brand.

In 2014, the Company launched a website dedicated solely to its premium filling stations brand - Gazprom - www.gazprom-petrol.rs for the four countries where this brand is present.

On the NISOTEC site: www.nisotec.rs, one can find extensive information on the products from the oil and lubricants and additive liquids product ranges.

NIS is also present on social networks: Facebook, LinkedIn, Twitter, Instagram, YouTube, and Pinterest.

Active communication with consumers has helped the Company identify positive and negative issues encountered by consumers on a daily basis.

Consumers can communicate their needs and objections by phone 08-0000-8888, or send them by e-mail to office@inis.eu, on social networks and the Company website.

NIS Intranet portal is the most important communication channel for employees and has quickly proven itself to be an efficient and preferred way of internal cooperation and communication. Apart from different news on NIS business activities, key issues related to employee rights and obligations, work conditions, as well as other service information, the Intranet portal offers employees a possibility to exchange information and know-how with colleagues and management. This is the largest internal network in the region, with more than 10,000 users in five countries. The Intranet portal presents the organizational parts of the Company and their activities, i.e. 30 portals of NIS organizational parts and more than 150 portals intended for different projects and applications.

Apart from the portal, employees are informed through other electronic media, as well: e-news (weekly review of current information), Inmail, as well as TV news – a review of current information distributed through corporate TV sets available in business centres.

“Proactive customer communication has helped the Company identify the positive and negative sides our customers encounter every day.”

NIS Intranet portal is the largest intranet in the region, with over 10,000 users in five countries.

“My NIS” corporate magazine is yet another internal communication channel. This monthly magazine is distributed in 5,000 copies and covers the latest topics on Company operations through reports, interviews, field reports and stories, and in-depth analyses.

„Energize“ magazine is published quarterly in English and Serbian and deals with both corporate issues and a wide range of energy-related topics; its target audience includes partners, representatives of state authorities, the local and international professional public and media.

Information Cascade Program has been developed with a view to improving work efficiency and the system of providing employees with information within the Company. The program is divided into three sub-programmes:

1. Advisory Board’s extended meeting (ABEM) – a quarterly meeting of the CEO with first- and second-tier managers;
2. Direct dialogue – a meeting between the CEO/first- and second-tier managers and employees, where employees have an opportunity to discuss business and HR issues with the management;
3. Monthly info-package – materials covering current topics on Company operation, current events and news for employees. Every month, managers on all levels receive an info-package by e-mail and are required to inform their subordinates through internal briefings about all current matters and news from the material they received.

Regardless of the schedule of the said meetings with the management, questions to management can be sent to a special e-mail address: pitanja.rukovodstvu@nis.eu, asked by telephone, or posted on the Portal. NIS seeks to improve further this system of direct communication.

A dialogue with trade unions is an inexorable part of NIS business activities, especially in resolving important personnel issues.

Dialogue with media is very important to the Company. NIS organizes press conferences, press tours and interviews, as well as educational seminars in the energy and oil and gas area. The Company is open to all forms of cooperation, which means that journalists have opportunities to make suggestions on the further improvement of mutual relations.
# Economic Development

## Efficiency across the board – a formula for business success

To change for the better, yet to remain recognisable and consistent – this is the basic principle of NIS’ recent history.

NIS distinguished itself as a company that continually strives for progress. Despite unfavourable global trends, in 2014 we increased performance in sales and distribution, upgraded oil and gas refining and production technologies and expanded the network of “NIS Petrol” and “GAZPROM Petrol Stations.”

## Effects

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>RSD 63.4</td>
<td>billion in EBITDA</td>
</tr>
<tr>
<td>Net Profit</td>
<td>RSD 27.8</td>
<td>billion in Net Profit</td>
</tr>
<tr>
<td>CAPEX</td>
<td>RSD 39.4</td>
<td>billion in CAPEX</td>
</tr>
<tr>
<td>Dividend</td>
<td>RSD 13.08</td>
<td>billion for dividend</td>
</tr>
</tbody>
</table>

Across-the-board cost cuts – improving energy efficiency
The previous year will be remembered for the great economic and political changes in the worldwide market, which also affected the NIS business results. Despite the difficult situation, NIS managed to preserve its profitability and proved it was capable of adapting to swift economic changes, of timely setting of priorities for future development and of operating even more efficiently.

A great drop in oil prices, which were nearly halved, as well as in the value of the national currency in comparison to the USD, which dropped by almost a fifth, affected NIS’ operating and financial indicators and was the main reason for the decrease in operating profit, i.e. net profit in 2014 when compared to previous year. The decline in key business indicators was not so prominent due to the consistent implementation of the programme aimed at increasing internal efficiency, whose effects were better than expected.

Despite the negative trends, in 2014, NIS maintained the trend of increasing sales. Further improvements were introduced to the network of more than 400 “NIS Petrol” and “Gazprom” filling stations in Serbia and the region. The efficiency of business processes in the oil and gas refining and production was significantly increased – the production of the best-quality, so-called “white” derivatives – gasoline and diesel fuel saw an additional increase. We started using new raw materials and other types of oil. Also, we reduced administrative costs and increased energy efficiency by producing our own electricity. Apart from that, later in 2014, NIS became the second largest exporter in Serbia.

**Dividends**

In 2014, for the second year in a row, NIS paid out dividends in the amount of 9% of net profit. The disbursed dividends amounted to RSD 13.08 billion. NIS will continue implementing its long-term dividend policy and will use a balanced approach to separating profits into the part intended for the funding of further development and the part intended for dividend disbursement.

**Exploration and Production**

Total production of domestic oil and gas in 2014 amounted to 1,596 thousand conditional tons. Domestic oil production dropped by approx. 4% due to the change in drilling dynamics and reduced investments. Domestic gas production was increased by 1% in comparison with the previous year, and amounted to 558 million cubic meters.

**Oil Field Services**

In 2014, apart from Serbia, the Oil Field Services were also active in Bosnia and Herzegovina and Romania. Due to the use of integrated services (telemetry + engines + chisels), well equipment time was reduced, which enabled additional savings. Also, by moving drilling rigs – the “disassembly + moving + reassembly” cycle was shortened by up to 3 days. Drilling quality was improved by using different types of mud during the drilling process.

**Directly Generated and Distributed Economic Value, in RSD mil.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Directly Generated Value</th>
<th>Distributed Economic Value</th>
<th>Operating Costs</th>
<th>Employee Earnings and Other Remunerations</th>
<th>Interest on Loans and Dividends</th>
<th>Taxes</th>
<th>Investments in the Community</th>
<th>Increase in the Economic Value of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>264,532</td>
<td>207,553</td>
<td>170,229</td>
<td>23,613</td>
<td>3,388</td>
<td>7,851</td>
<td>180</td>
<td>57,277</td>
</tr>
<tr>
<td>2014</td>
<td>262,889</td>
<td>273,171</td>
<td>184,476</td>
<td>22,266</td>
<td>16,370</td>
<td>12,158</td>
<td>186</td>
<td>29,691</td>
</tr>
</tbody>
</table>

* The table does not include dividends disbursed to shareholders in 2013
Refining

In 2014, the total scope of oil refining, as well as of oil and intermediate product processing amounted to 3,104 thousand tons, which was an increase of 1% in comparison with the previous year. September 2014, main refining facilities were overhauled. That shutdown was used to continue the streamlining of facilities which would enable greater production of “white” derivatives: highest-quality gasoline, diesel, and jet fuel in compliance with Euro 5 standard, as well as greater energy efficiency of the NIS refining processes. A diesel deparaffinization project was started. Its implementation would increase the quality of Euro-diesel production, leading to a better fulfillment of consumer requirements.

To benchmark its performance and market position, NIS has opted for independent refinery benchmarking metrics – “Solomon Associates.”

Sales and Distribution

In 2014, the Company recorded a 0.4% increase in sales and distribution in comparison with the previous year, achieving, thus, the total scope of sales and distribution in Serbia and its foreign operations of 3,090 thousand tons:

- Retail – 5% drop in the retail sector
  - The drop in the retail results was primarily caused by reduced sales to the agricultural sector. A part of the diesel fuel intended for the agricultural sector was sold through the wholesale channel,
  - NIS occupies the first place in the country in terms of average daily sales at filling stations, both in the premium (7.1 t/day) and the mass segments (5.2 t/day).
- Wholesale – 3% drop
  - The drop was caused by the 39% reduction in the sale of primary gasoline,
  - Increase in the motor fuel sale of +5%, which includes the 6% increase in the diesel fuel sale,
  - Increase in the jet fuel sale by +60%,
  - Increase in the masute (+1.4%) and bitumen sales (5.3%)
- Export – 2% increase
  - An increase in export in comparison to 2013 was recorded in case of diesel (62%), bitumen (4.9%) and jet fuel (5%). A drop was recorded in case of gasoline (36%) and masute (11%).
- Foreign operations – 86% increase
  - Foreign operations recorded an increase in the sale of motor fuels (87%), i.e. a 67% increase in gasoline sale and 91% increase in diesel sale.

With a view to monitoring business performances and its market position, NIS chose to apply an independent methodology for the monitoring of refining efficiency. With this in mind, it selected the methodology applied by Solomon Associates, as the best-known methodology in the world covering more than 85% of refining capacities in more than 70 countries in the world.

Since 2006, NIS refineries have recorded a positive trend in all key operation parameters. The achievement of the adopted milestones of the Efficiency Increase Programme ensures the maintenance of the positive trend of development of NIS refining operation and its position as a leader in efficient operation on the territory of Central and South Europe.
In 2014, the construction of four microgenerators with the total power of 3,550 kW was completed. With these microgenerators, the total power of the power plants has been increased, which means that NIS now has its own facilities for the production of electricity, which can meet 80% of its own needs.

The Company has prepared projects for the construction of five new microgenerators with the total power of 5,800 kW, whose implementation should start in 2015, which will increase the total power production of the Company to 13,560 kW.

In 2014, NIS sold the first batch of electricity produced in NIS regeneration units. Thereby, NIS became the only producer in Serbia, apart from Elektroprivreda Srbije, selling electricity in the free market.

The first compressed natural gas (CNG) facility in oil and gas fields was commissioned mid 2013 at the Pale metering and dispatch station and it produces about 3,500 kg of compressed gas per day. The construction of the first CNG facility at the filling stations was contracted in October 2014 for the “Novi Sad 10” filling station. The commissioning of that production plant should take place in 2015. The Company identified 18 filling stations allowing the construction of CNG production facilities, and the Company planned to construct such facilities at a filling stations, at the least, in 2015.

**Energy**

**Corporate Security**

The Company believes that socially responsible and ethical behaviour is an important factor in achieving long-term business success. As a renowned business partner and employer, NIS is dedicated to ethical operation, and has adopted its Business Ethics Code compliant with that dedication.

The Business Ethics Code is designed to help employees resolve all potential dilemmas they might encounter in the daily performance of their tasks in terms of potentially corrupt practices, protection of information, privacy, abuse of Company assets, etc. The Company organizes trainings and pays great attention to this issue in order to enable NIS to continue being the best example, proving that ethical operation is a prerequisite, not a choice.

The specifics of operation and a great number of business partners have caused NIS to pay special attention to the activities aimed at the prevention of all forms of illegal or deleterious operation, which has or might have adverse effects on Company operation and its rating on the Serbian market and beyond.

The Company has introduced several standards whose aim, among everything else, is to neutralize the possibility of corrupt practices in or towards the Company and its employees.

Corruption-related risks are continuously analyzed, both on the level of the entire Company and on the level of its business processes. In 2014, the Company analyzed corruption-related risks of all business-process owners at NIS (6 business processes or units), as well as 79.5% of business units. Due to the specifics of operation and a great number of business partners, the highest risk was present in the organizational parts in change of cooperation with business partners (suppliers, buyers, contractors).

Risk assessments showed that the main corruption-related risk comes from the possible official misconduct and other tortious actions, and the following elements were pointed out as risk factors:

- Irresponsible treatment of Company assets, lack of loyalty and connections with criminal structures,
- Insufficient protection of Company assets,
- Incomplete internal control procedures,
- Negligence in the work of responsible parties, failures of protection systems, etc.
- Tortious actions of employees.

In the analysis, the term “corruption” was used as defined in the “National Anti-Corruption Strategy”, which states that corruption is the practice of abuse of authority in the public and private sectors with a view to acquiring personal benefits or enabling third parties to acquire such benefits.

All members of management bodies have been acquainted with the currently applicable anti-corruption rules and procedures in the Company, i.e. the Board of Directors, the Advisory Board and members of the Board of Directors Committees, and have all been given access to the NIS Anti-Corruption and Anti-Fraud Policy. The Company has adopted the model of Annex to the currently applicable contractual documents, the Anti-Corruption Annex and the model of the Agreement on Anti-Corruption Behaviour.

All staff employed in 2014 was acquainted with the rules and procedures of anti-corruption practices in the Company.

In 2014, a certain number of employees attended trainings on corruption and protection of information in the business environment, the said trainings were attended by 45 employees in the Refining and 29 employees in the Exploration and Production. Also, the total number of as middle-tier managers attended such trainings.

In 2014, 246 suggestions on the initiation of disciplinary or penal proceedings were submitted to the competent managers against the employees whose corruption-related actions had caused adverse consequences for the Company. The following actions were pointed out as characteristic examples of corrupt practices: failure to submit and appropriate daily earnings, abuse of Company cards with a view to acquiring financial benefits, unlawful disposal of motor fuel, frauds involving foreign drivers converting currency at Company retail outlets, payouts for the rental of equipment on site which were not actually used, conflict of interests, etc.

The Company terminated the total number of 18 employment agreements.

All business partners having contractual relations with NIS have also signed Anti-Corruption Annexes, and after the CED decision made in September 2014, the Company started concluding Agreements on Anti-Corruption Behaviour. The aim of these documents is to maintain and ensure beneficial business environment through pre-emptive actions in the struggle against corrupt and illegal practices and actions. One of the prerequisites specifies that, if the counterparty refuses to conclude the said Agreement, a NIS’ indicator immediately should inform the competent department about it, and the said department would undertake the required measures.

The process of harmonization of all procurements in the Company requires a complex assessment of all legal entities with which the Company may establish contractual relations (assessment of financial operations, identification of their professional competences and expertise, staff qualification, review of the number of
The Code of Business Ethics and the so-called SOS Line enable employees and other persons hired by and for the Company to report any violation of business ethics.

A non-compliant partner is a partner for whom the Company determines, through analysis, that the establishment of a contractual relation with them might incur business risks to the Company. Reasons for non-compliance include illiquidity of the prospective partner (current or recurring), lack of cost-effective ness (the value of the subject is not in accordance with the market conditions, business with a lower number of companies is supported), unsustainability in business transactions (or potential unsustainability), which can cut mean that the prospective partner lacks the necessary and required references, that it does not have valid certi ficates necessary for the fulfilment of its contractual obligations, that, due to the over-involvement in a large number of operations, at the moment, its business ex pansion is reduced, that it does not have the means necessary for the fulfilment of contractual obligations; lack of expertise (company is not registered for the performance of the subject activity); lack of loyalty (or potential lack of loyalty, e.g. company list of references provides data on the company); non-compliance include illiquidity of the prospective partner (current or recurring), lack of cost-effective ness (the value of the subject is not in accordance with the market conditions, business with a lower number of companies is supported), unsustainability in business transactions (or potential unsustainability), which can cut mean that the prospective partner lacks the necessary and required references, that it does not have valid certi ficates necessary for the fulfilment of its contractual obligations, that, due to the over-involvement in a large number of operations, at the moment, its business ex pansion is reduced, that it does not have the means necessary for the fulfilment of contractual obligations; lack of expertise (company is not registered for the performance of the subject activity); lack of loyalty (or potential lack of loyalty, e.g. company list of references provides data on the company).

The Company keeps a List of Unreliable Business Partners, which includes legal entities that have failed to meet their contractual obligations, so far. Next time, when such business partners submit their propos als for the establishment of business relations, they cannot be accepted based on the lack of economic security.

In 2014, the List of Unreliable Business Partners included a total of 254 partners whose business coopera tion agreements were terminated or not renewed. Reasons for the above said included:

• Defaulting on the agreed deadlines, poor quality of provided services and non-observance of the mandatory HSE terms and conditions (the total of 45 cases);

• Initiating legal proceedings against a business partner due to its defaulting on contractual obligations (the total of 47 cases);

• In the total of 9 cases, business cooperation agreements were terminated or not renewed due to corrupt practices. The analysis or rev iew of the List of Unreliable Business Partners is performed annually, and in 2014, it was determined that there was no basis for 24 business partners to remain on the said List.

NIS Business Ethics Code and the operation of the so-called SOS line (phone number: 021/481 5005; e-mail address: e.o.zonja@nis.co.rs) provided a possibility to em ployees, as well as to other persons involved with the Company, to report on all breaches of Business Ethics Code they were aware of. Upon the acquisition of such information, the Company should undertake neces sary measures in accordance with the Instructions for the SOS Line Operation.

In 2014, the total number of breaches of Business Ethics Code were reported in the Company. Two cas es initiated in 2014, were in the final stage of resolv ing, whereas, in two cases, it was determined that the Business Ethics Code had really been breached – in one case, the disciplinary/ethical rules were breached, whereas in the other case, the HR Policy was breached.

The Code of Business Ethics and the so-called SOS Line enable employees and other persons hired by and for the Company to report any violation of business ethics.

The main principles guiding the procurement processes are:

• Process cost-effectiveness and efficiency principle,

• Bidder competitiveness and equality principle

All business processes have been standardized through the adoption of different documents: rules, policies, standards and instructions. Priority is given to the competitive selection of suppliers or con tractors. In case current business needs require the no-competition selection of a supplier/contractor, the said needs must be explained and corroborated by the procurement initiator or business user. The competi tive selection of partners is based on an analysis of alternative market offers and the selection of a supplier which has submitted a technically acceptable and, in terms of price, delivery/completion time, warranty period, securities or additional benefits for NIS – opp tional offer.

The main principles guiding the procurement processes are:

• Process cost-effectiveness and efficiency principle,
In order to justify its market leader position, NIS pays great attention to the quality of its products. The Science and Technology Centre includes laboratories providing quality assessment services during the entire oil production and refining process.

Quality control process starts by field testing of the quality of crude oil in facility laboratories, it is continued with the testing of crude oil prepared for refining. The testing of quality of certain processes and intermediate products is performed for the monitoring and control of operation of refining facilities, and finishes with the quality control of the final refining products and the issuance of a Test Report. The Test Report confirms that the quality of produced fuels is in compliance with the quality required by the national rules and regulations.

Laboratory tests performed as the final quality control, prior to the delivery of fuel to end users, are undertaken in order to ensure the quality of fuel during the transport from the refinery to filling stations and to prevent possible degradation of fuel in transport.

These procedures guarantee the quality of fuels produced by the Company.

Raising the level of customer satisfaction to the highest level possible is one of the Company priorities. In order to analyze and monitor customer satisfaction, the Company conducts different customer satisfaction surveys.

The survey of corporate client satisfaction determined the priorities of NIS. Satisfaction is among the top priorities of NIS.

Buyers

Quality of products provided by NIS is a key priority for buyers. NIS has concluded agreements with corporate card partners. Also, buyers reason for selecting NIS as a corporate card partner. Also, buyers' feedback was listed as the main reason of the selection of NIS as a corporate card partner.

Since it exports substantial amount of products to the EU market, NIS has carried out extensive research and activities in order to meet its obligations under REACH.

Product Liability and Compliance of Company Operations with European Union Regulations

Communication between suppliers and customers requires producers and importers to provide information on the environmentally-friendly and safe use of their substances or mixtures. The main instrument in such communication is the Safety Sheet.

The safety sheet is a statutory document whose use has been mandatory since 2013. Compliance with REACH (Registration, Evaluation, Authorization, and Chemicals) is a prerequisite for the export of Company products to the European Union.

Since a significant part of its products is exported to the European Union market, NIS has undertaken extensive tests and activities with a view to fulfilling its REACH obligations. A total of 14 Company products have been registered as REACH-compliant.

All REACH obligations have been met in accordance with the set deadlines and a positive decision has been obtained from the European Chemicals Agency on the registration of substances produced by NIS JSC Novi Sad. This has ensured free marketing and sales of NIS products on the European Union market.

Product Labelling

Considering the nature of its business activities, which include handling a great number of different chemicals, the Company pays special attention to the adequate labelling of products. By observing the REACH regulations, whose aim is to introduce mandatory labelling of products in order to provide information on the hazards of possible impact of chemicals on human health and environment, with a view to adequate product labelling, according to the NIS ESD decision, in 2013 and 2014, NIS changed the visual identity of NI- SOTEC products packaging. Labelling elements on the new NISOTEC packaging are compliant with the CLP/GHS system. This system is much more complex and demanding than the previous DSD/DPD system, therefore, although the date set for the transition to the new labelling system is nearing, the market still has few producers and brands with CLP/GHS-compliant labelling, which is the main instrument in such communication.

During the year, no inspection proceedings were initiated due to the non-compliance with the legal regulations defining the provision of information on products and/or services of the Company. Company activities so far resulted in the fact that, in 2014, no proceedings were initiated against NIS and the Company activities so far resulted in the fact that, in 2014, no proceedings were initiated against NIS and the National Institute of Food Administration.

Since a significant part of its products is exported to the European Union market, NIS has undertaken extensive tests and activities with a view to fulfilling its REACH obligations. A total of 14 Company products have been registered as REACH-compliant.

Communicating information on environmentally-friendly and safe use of substances or mixtures to the European Chemicals Agency, the Company pays special attention to the adequate labelling of products in order to provide information on the environmentally-friendly and safe use of their substances or mixtures. The main instrument in such communication is the Safety Sheet.

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Since NIS also paid RSD 9.3 bln to the Serbian Budget as non-tax related property income (in 2013 RSD 7.1 bln).

The total amount of calculated public revenue liabilities payable by the NIS Group for 2014 amounted to RSD 92.6 bln, which was RSD 16.8 bln, i.e. 18% more than in 2013.

Investments

In accordance with the Medium-Term Investment Plan, in 2014, main investments were directed to the completion of environmental projects, projects related to refining, sales and distribution and production of oil and gas, as well as the Professional Services.

Most important investments in the Exploration and Production Block in 2014 included:

- Drilling development wells,
- 3D seismic exploration programme and drilling exploration wells in the Republic of Serbia,
- Geological exploration of unconventional gas,
- Investments in concession rights,
- Compressor stations in the Veliet oil and gas field with the pertaining infrastructure,
- Separating CUs from natural liquid gas,
- Remediation of GP system accidents.

The most important capital investments in 2014 in the Refining were made in the following projects:

- Production of industrial base oils,
- Reconstruction of tanks and technological systems intended for oil transport,
- Connecting distribution transformer stations and rehabilitation of process transformer stations,
- Installing a stationary vibration testing system on rotating equipment,
- Construction of a new water desalination plant in Pancevo Oil Refinery,
- Construction of a Steam Condensate Purification Plant in Pancevo Oil Refinery,
- Production Automation and Management.

In 2014, the most significant capital investments in environmental protection at the Pancevo Oil Refinery included:

- Construction of a closed drainage system,
- Construction of a closed production sampling system,
- Reconstruction of the vehicle-loading facility,
- Blending diesel with biodiesel.

Maximising customer satisfaction is among the top priorities of NIS.

Since it exports substantial amount of products to the EU market, NIS has carried out extensive research and activities in order to meet its obligations under REACH.

Taxes and Other Public Revenues

The total amount of public revenue liabilities payable by NIS and its subsidiaries developed from the NIS organizational structure in Serbia amounted to RSD 428.1 bln in 2014, which was RSD 9.8 bln, i.e. 2% more than in the same period last year.

In terms of dividends, NIS also paid RSD 9.3 bln to the Serbian Budget as non-tax related property income (in 2013 RSD 7.1 bln).

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Economic Development
Strategic goals

Due to significant macro-economic changes in the last couple of years, NIS has revised its current development strategy. NIS will continue developing in order to form strong foundations which should ensure stable growth in the future, but, at the same time, it will diversify its risks and business opportunities.

The strategic objective of NIS has been and has remained to become the most efficient, fastest-growing energy company in the Balkans and to remain the leader on the domestic market.

Exploration and Production

In the upcoming period, just like so far, the focus shall remain on the exploration and production:
- Special attention shall be paid to the increase of efficiency and yield of the existing reservoirs, as well as to measures for the reduction of production losses,
- Intensification of exploration activities in Serbia, as well as,
- Potential exploration of opportunities in the unconventional resources sector in the mid-term period.

With a view to ensuring long-term sustainable growth, NIS plans to increase its activities in concession projects, as well as to analyze prospective business opportunities in the region and beyond.

Oilfield Services

Further development of oilfield services will primarily be directed to the support of implementation of Company plans in the Exploration and Production domain.

NIS’ strategic goal has been and still is to become the most efficient, fast-growing energy company in the Balkans and to retain its leadership in the domestic market.

The improvement in the quality of provided services, higher exploitation of capacities and an increase in the efficiency of operation are key priorities for the development of oilfield services in the upcoming period.

Refining

Only the most complex refineries in Europe will have an opportunity to compete equitably with the refining capacities in the Middle East and maintain long-term profitability. The petrochemical industry in Europe is in an even more difficult position and cannot compete, in terms of costs and prices, with the Middle East and North America. In accordance with that, NIS is considering possibilities of continuing the development of its refining capacities, primarily through their further streamlining, accompanied by an increase in the operational efficiency initiated as early as 2009. The Company plans further increase in the efficiency of all relevant indicators.

Sales and Distribution

In the sales sector, NIS shall continue strengthening its position in the regions where it currently operates and, if possible, shall expand its operations in those regions in order to surmount the significant negative market trends. NIS will especially pay attention to the implementation of operational efficiency programmes in the entire value chain in sales and distribution, and, at the same time, it will work on the implementation of innovative sales formats in the retail sector, making its product range more streamlined, and, simultaneously, more attractive to the customers.

Energy

Energy, as the youngest business in the NIS portfolio, is a fast-growing segment with ambitious development plans in Serbia, which include complete monetization of the Company’s own natural gas, construction of gas power plants and production and sale of compressed natural gas. This will maximize the effects of Company’s own energy sources and will meet the internal energy needs, as well as the customer needs on the market. Simultaneously, the Energy Block is developing and diversifying its energy sources used for the production of electricity and heat, its conventional resources and the renewable sources of energy.
Human Resources
Human Resources

Professionalism is guaranteed

Through employee benefits, investment in professional development and various youth support programmes, employees have always been a particular focus of NIS’ attention. Investing in their professionalism through an advanced motivation system guarantees that each employee is an expert in their respective field.

Effects

We have developed a motivation programme by the name of “I Have an Idea” as a tool for all employees to put forward proactive proposals for operational and process efficiency improvement. Over 400 ideas nominated through “I Have an Idea”

Cooperation with 17 faculties through the programme “NIS Chance”

Continuous training, courses and guidelines for health and safety at work

265 million for professional development in 2014

Effects
The Company pays special attention to human resources management, as one of the most significant factors in business.

The aim of each area of human resources management is attracting the best candidates and retaining employees with best results and highest quality of performance of work tasks. Mechanisms for finding and attracting candidates, as well as for motivating and developing the employees are constantly improved in order for the Company to cement its leading position thanking to successful and satisfied employees.

Equal Opportunities

The Company strives to be recognized as the most desirable employer.

The equal opportunities principle is consistently applied in employment, which guarantees that the selection of a candidate is based on his/her professionalism, experience and knowledge as the key factors. At the same time, the Company forbids all forms of discrimination when selecting candidates and implementing other HR processes.

Fluctuation in the Number of Employees

On Dec. 31, 2014, NIS employed the total of 5,734 employees.

On Dec. 31, 2014, NIS had 5,591 permanent employees (which made up 97.5% of all employees), and 143 temporary employees working full time. NIS had no part-time or underage employees.

The Company operates in compliance with the law and other regulations, as well as in compliance with the ratified international conventions in all areas, including forced and child labour.

The mechanisms for recruiting new people and for motivating and developing employees are constantly upgraded so that, with successful and satisfied employees, the Company would ensure its leadership.
### Management/Employee Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Managers*</th>
<th>Number of Employees</th>
<th>Management* in 2014</th>
<th>Employees 2014</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
<td>Total</td>
</tr>
<tr>
<td>2013</td>
<td>0</td>
<td>13</td>
<td>0</td>
<td>637</td>
<td>733</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>78</td>
<td>1</td>
<td>637</td>
<td>733</td>
</tr>
</tbody>
</table>

* This includes the I (Block and Function directors), II (Department directors) and III (Sector directors) tier managers.

### Employee Fluctuation

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>200</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>2014</td>
<td>150</td>
<td>150</td>
<td>300</td>
</tr>
</tbody>
</table>

### Age Structure

<table>
<thead>
<tr>
<th>Age Group</th>
<th>18-19</th>
<th>20-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
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</table>

* Including I-, II- and III-tier managers

### Age Fluctuation

<table>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>733</td>
</tr>
</tbody>
</table>
Maternity Leave Dynamics in 2014

| Employees whose leave started in 2013 | 53 |
| Employees returning from the leave in 2013 | 67 |
| Employees whose leave started in 2014 | 67 |
| Employees returning from the leave in 2014 | 58 |
| Employees returning to work after the leave by Dec. 31, 2013 and Dec. 31, 2014 | 116 |
| Remaining number of employees expected to return to work in 2015 and 2016 | 71 |
| Left the Company within less than a year after the return from the maternity leave | 23 |
| Employees returning to work after the leave and remaining employed with the Company 12 months after the return from the leave | 64 |

Basis for Employment Termination

In 2014, 470 employees left NIS, 6 of whom retired and 178 employees left the Company by mutual agreement and with the employees receiving a severance package. The employment of 286 employees was terminated for other reasons – the employer terminated their employment agreements, employment was terminated at the request of the employee, completion of the temporary employment period, death of the employee, etc. If the Company needs to transfer an employee to another position or to change other important elements of its employment contract, the Company has the obligation to offer the employee the conclusion of an Annex to the Employment Agreement and the employee has eight work days as of the date the offer is made to accept or decline it.

Trade Union Cooperation

As a socially responsible company, NIS supports the freedom of association and collective bargaining, therefore, in 2014, it continued its intensive cooperation with the representative employee trade union.

NIS has one representative trade union:

<table>
<thead>
<tr>
<th>Basis for Employment Termination</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Consensual/Termination of Employment against a Severance Package</td>
<td>2,258</td>
<td>178</td>
</tr>
<tr>
<td>Other</td>
<td>597</td>
<td>288</td>
</tr>
<tr>
<td>Total</td>
<td>2,861</td>
<td>470</td>
</tr>
</tbody>
</table>

Number of Employees in Representative Trade Unions

<table>
<thead>
<tr>
<th>Number of Employees in Representative Trade Unions</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniform union organization at NIS j.s.c.</td>
<td>2,597</td>
<td>3,643</td>
</tr>
<tr>
<td>Uniform union organization at Naftagas</td>
<td>1,545</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>4,142</td>
<td>3,643</td>
</tr>
</tbody>
</table>

Note: the total number of employees who were members of unions in 2014 was 3,719, of which 3,643 were members of the representative trade union, whereas 76 employees were members of other Company Trade Unions. Uniform union organization of “Naftagas” lost its representative status and joined the other representative trade union.

In 2014, the representative status of trade unions was reviewed in accordance with the Labour Law. One of the two representative unions at NIS - Uniform Union Organization of „NIS Naftagas” lost its representative status and joined the other representative trade union.

Employee rights specified in the Collective Agreement and the Labour Law are exercised, among everything else, through constructive relationship with the unions, daily consultations, regular meetings with a view to presenting the results of business operations and improvement of social dialogue, as well as through task forces, which include union and employer representatives, whose aim is to monitor the implementation of the Collective Agreement.

The Collective Agreement sets out employee rights, especially HSE issues, as well as the wide range of rights to remunerations and benefits, and provides a high degree of employee social security. The participation of unions in the resolution of these issues is especially important.

The new Collective Agreement signed on Dec. 17, 2014, retained the employee rights corpus and harmonized the provisions of the Collective Agreement with the provisions of the Labour Law (for example, provisions on higher remuneration per work hour, the so-called years of service which are considered only as related to the current employer, as well as the issue of severance package only in reference to the current employer).

On Dec. 31, 2014, 64% of NIS-employees were members of the representative union.

Some of the rights guaranteed in the Collective Agreement and other internal documents of the Company included:
An HR portal has been created with a view to informing:

• Resolving employee accommodation issues by allotting Voluntary retirement insurance paid by the Company.

• Collective employee insurance in case of accidents,

 Scholarships during the regular education of the children of killed and deceased employees, birth of a child in

 Wide range of solidarity assistance paid out to employees (in case of an illness/death of the employee or a member of his/her nuclear family, destruction of their households, or damage of their households, birth of a child in his/her nuclear family, destruction of their households, or damage of their households, destruction of their households).

 Internal candidates have priority, their competitive advantage being the fact that they know the Company, whereas positions which cannot be filled from internal resources are offered to candidates outside the Company.

 The leading position of our Company facilitates this process, but in our striving to get the very best, we keep competing with companies which are also highly positioned on the labour market. Because of that, we put our emphasis on different recruitment methods and techniques, we attend a large number of events organised with a view to strengthening the Company image, we expand the network of prospective candidates and establish contacts which enable us to find the best candidates as soon as possible.

 „NIS Chance“

 In 2014, NIS continued its tradition of employing young people who had only just graduated from technical high schools or universities, and had no experience in the field.

 Since its first stage in 2012, the programme has enjoyed high interest among prospective candidates, which is proven by a high number of applications – about 5,000 for each stage of the programme.

 The programme lasts for 9 months for high-school graduates and 12 months for university graduates. In case of certain education profiles in the organization, units dealing with oil exploration and production, the programme lasts for 24 months, which is estimated as the period necessary for the independent work of young experts and the takeover of business projects.

 The structure of programme attendants is quite diverse. Our employees come from 37 different faculties and more than 20 different technical vocational schools. In geographical terms, employees work in most towns and cities where the Company operates and come from more than 20 different cities.

 The fact that so many as 80% of the total number of employees who started this programme – i.e. 40 young people with a university degree and 56 people with a high school degree are still with the Company – can be regarded as evidence of great positive energy exchanged between the Company and its employees, in whose development the Company keeps investing, whereas the employees, even after the formal expiry of the programme, opt for continuing their careers with NIS.

 Late in 2014, the programme was modified and in the next stage it would be focused on profiles suiting the main business activity of the Company, i.e. on candidates graduating from technical faculties.

 In accordance with the 2014/2015 schedule, 88 candidates were employed.

 „Repatriation“ Programmes

 NIS understands the importance and value of professionals with education and experience acquired outside Serbia, but with desire to apply them in their homeland. With a view to employing Serbian citizens working abroad, the Company has started the “Repatriation” programme.

 Through the initiation of this programme and the cooperation with a range of organizations which already gather people fitting the said profile, as well as with all individuals interested in continuing their professional career with our Company, we want to promote the return of highly-qualified professionals who are willing to take over leadership and use their knowledge and skills in NIS in Serbia.

 Professional Development of Employees

 One of the goals of NIS is to establish a high-quality and continuous training system and to contribute to the success and competitive advantage of the Company through active investment in the development of employee knowledge, skills and professional qualifications.

 Based on the individual educational needs of the employees, the training programmes (technical/professional trainings, trainings intended for the development of corporate competences, legally required trainings and licences, foreign language courses, seminars and conferences) are designed.

 In 2014, NIS allotted RSD 354 mil. for the professional development of its employees.
Apart from trainings intended for the fulfilment of the individual needs of employees, the Company also organizes corporate development programmes intended for the development of target groups of employees.

New Employee Orientation Programme

NIS pays great attention to the integration of individuals into the team and the Company in general. The orientation programme is a part of the introduction of new employees to the Company’s operations, which acquaints them with work organization, colleagues, organizational culture and business environment. In 2014, 366 new employees participated in this programme.

The programme includes lectures on the vision, goals and values of the Company, the organizational structure and the main roles of each organizational unit, as well as visits to the NIS museum and oil field.

“Leader” Programme is intended for the development of the leadership potential of the lower and middle tiers of the Company management. The implementation of the “2014 Leaders” programme included 20 participants chosen on the basis of their managerial capacities and development potential. Goals of the programme are the development of future leaders, bridging the gap between management and those who may become future managers.

The programme is divided into four phases: orientation in the Company, practical part (observation of work and interaction with colleagues, organizational culture and business environment), observation of the Company’s operations and training, and client projects (the development of target groups of employees).

Apart from trainings intended for the fulfilment of the individual needs of employees, the Company also organizes corporate development programmes intended for the development of target groups of employees.

In 2014, 366 employees participated in this programme. The programme is implemented through a series of trainings tailored by the best qualified consultants in Serbia in accordance with the needs of the Company and the participants in the programme:

- Modular Leadership Programme,
- NIS Development Academy,
- Oil and Gas Industry Basics,
- Finance for the inexperienced,
- Project Management.

The standard “NIS Payroll Management Principles” establishes a grading system which is harmonised with the international job assessment methodology.

The “NIS Incentive System” successfully compensates employees for having employees with sufficient knowledge, experience, skills and abilities who would take over predefined positions within the Company.

In 2014, 366 employees participated in this programme. The programme is implemented through a series of trainings tailored by the best qualified consultants in Serbia in accordance with the needs of the Company and the participants in the programme:

- Modular Leadership Programme,
- NIS Development Academy,
- Oil and Gas Industry Basics,
- Finance for the inexperienced,
- Project Management.

NIS also offers opportunities to talented students to acquire experience within the “Summer Internship” programme. The Summer Internship programme motivates the best students of final year undergraduate studies to acquire new experiences and get acquainted with the operation of the Company and the principles of international practices applied here. In 2014, 78 students attended this programme, coming mostly from the Mining and Geology Faculty, Faculty of Economics, Faculty of Technology and Faculty of Technical Science, whereas 15 university and high school students visited NIS for a day.

Incentive System

In order to achieve a higher efficiency of operation, NIS keep improving the incentive system and providing conditions helping it to become one of the most attractive employers in the region.

NIS continuously works on the development and improvement of the total employee incentive system, which includes:

- Earnings system (basic and variable earnings, benefits, premiums, non-financial incentives, etc.),
- Employee development,
- Balanced ratio of work hours and leisure time,
- Assessment of performance and work results.

This system ensures all employees are motivated to achieve Company goals through a well-developed incentive system.

Basic Salary

The Collective Agreement, under which the basic salary of the employees is defined in accordance with the job grade, guarantees that the level of salaries in NIS is on the same level as that in the leading companies in Serbia. Each grade has a clearly defined salary range – from the minimum to the maximum amount of the basic salary.

The salary range covering all grades is defined based on the referential labour market median, according to research on salaries conducted by independent organizations, which ensures the competitiveness of employees salaries.

The grading system ensures the observation of principles of internal equality and external competitiveness of employee salaries. In this manner, the Company creates an environment and culture where employees, through their work results, can directly impact their salaries, influencing, thus, the business result of the entire Company.

Minimum monthly basic gross salary in NIS, defined in the Collective Agreement, amounts to RSD 45,000.00 and is higher than the minimum gross salary in Serbia, which amounted to RSD 43,582 in December 2014. NIS does not discriminate on any basis whatsoever when defining employee salaries.

The “NIS Employee Earnings Management” standard applied since January 2014 defines a grading system aligned with the international methodology used for job evaluation.

Variable Part of the Salary

In accordance with the provisions of the Collective Agreement, employee performance assessment is performed on a monthly, quarterly and annual level, whereas the results are rewarded in the form of the variable part of the salary.

There are three basic forms of variable remunerations in the Company: variable remunerations in the production and technical organizational units, variable remunerations in sales and variable remunerations in administration – and now each employee has the right and possibility to impact its earnings through its own efforts.

In 2014, the second regular employee competence assessment cycle was undertaken, which included all NIS employees classified into 3 main categories – managers, specialists and workers. All employees received feedback on the assessment results.

Non-Financial Incentives

Direct managers use the non-financial incentive programme to increase the motivation of their employees.

The Company has developed several programs, as follows:

- “Best in the Field” – three selection categories are defined within this programme on the individual level: best employee, best expert and best manager.
- “I have an idea” – programme rewarding creative and constructive ideas of the employees, especially those leading to significant savings or financial efficiency.
- “HSE Awards” – programme intended to increase personal safety and safety of colleagues around us. This program sanctions each implemented HSE activity, suggestions for HSE improvements, as well as reporting for medical examinations and HSE training.
- “Instant Rewarding” – the direct-line manager rewards employees who show outstanding work results.
- “Open Door” – programme within which members of senior management define the day and time...
When they are available to employees who want to ask them questions or resolve any problems they might have in eye-to-eye communication.

- **Distinct System** – the distinct system offers discounts to NIS employees for various purposes – mostly for shopping, tourism or cultural events (discounts on food, clothes, footwear, travel arrangements, tickets for cultural events, etc.).

**Sports Activities**

In 2014, NIS continued supporting its employees in order to improve their mental, physical and emotional health, as well as to create a positive working environment, which all contributed to the further enhancement of the Company’s image.

- Educational activities – presentations on the impact of physical activity and healthy food were given in more than 7 towns throughout Serbia. About 20 talks were published and more than 3,000 brochures were distributed as a part of the NIS Fitness Programme. The Company filmed an educational film called “5 Steps to Health,” where employees shared personal experiences in health improvement through physical exercise and a presentation was created called “Where can you exercise?”, which is available on the internal Company portal.
- Preventive activities – the continuation of sports and diagnostic examinations contributed to the definition of employees’ health, both individually and collectively, which created the basis for the plan on how to improve their work abilities. About 1,905 employees were examined, and were allotted more than 4,000 personalized plans for health improvement, as well as plans for well-balanced nutrition.
- Weekly recreational activities contribute to the implementation of health improvement plans, which raises the level of work productivity – more than 4,500 employees participate during a year.
- Competitive activities – at more than 30 sports events, employees have won more than 12 awards for their achievements, and have earned recognition in the corporate sports world for their competitive spirit and result-orientation.
- Promotional activities with different institutions – through cooperation with the Health and Exercise Centre, the Veterans Children’s Home – Novi Sad, “Block Out” VC, Belgrade, “Lonas” SC, Novi Sad, “Movens” TC, Belgrade, “White” HC, Novi Sad, employees and their family members, especially children, had an opportunity to train for free in different sports schools, as well as to watch various sports events for free.

For the first time, 14 employees were rewarded for their contribution to the development of healthy life in the corporate environment, and in colleagues were rewarded for the achieved sports results at the Company Day.

**Occupational Health and Safety**

**Occupational Health and Safety**

Occupational Health and Safety of all NIS employees and business partners is one of the strategic goals of the Company. The Company strives to reduce continuously the number of workplace-related injuries and illnesses.

The Company constantly applies prevention principles with a view to improving working conditions and decreasing the number of adverse HSE events. Activities on the development of HSE competences of all employees and contractors have been continued.

In the field of Occupational Health and Safety, Company standards and the existing practice are stricter than the current legal requirements. All business decisions in NIS are above legally defined minimum and are made in compliance with the national statutory requirements in order to ensure efficient risk management. The Company implements activities related to the management of contractor safety, and the said contractors are expected to observe Company standards.

Upon an analysis of the undertaken HSE measures and activities, as well as of the data obtained for the key HSE indicators in the five-year period – between 2010 and 2014 – a drop in all values was determined. Thus, the number of traffic accidents (RAR category) was reduced by almost 65%, the number of environmental accidents was reduced by 84%, and the number of workplace injuries and days lost by 86%; the number of fires was reduced by 5% despite the conditions requiring permanent increase in transparency of adverse event reporting.

The Company believes that safe operation of facilities is a prerequisite and key element of success; therefore, it strives to operate with no injuries at all. Safe operation also means avoiding environmental hazards and adverse impact on the local communities.

With a view to the safe performance of work processes, the Company has defined fundamental rules:

- Do not obstruct or circumvent safety and environmental protection measures, and do not allow others to do so, regardless of his/her level in the hierarchy. Intervene whenever you witness unsafe or environmentally unacceptable actions. All rules and procedures applied in the facilities and other areas must be observed, and all requirements related to the permits for safe and secure work must be met.
- For the performance of any task, all rules related to the wearing and carrying of personal protection equipment must be observed.
- All traffic safety rules must be obeyed. The maximum speed allowed on the facilities is 10 km/h.
- In danger areas, open flame must not be used and only explosion-proof electrical equipment can be used.
- Insulation and leaking procedures applicable to different sources of energy must always be observed.
- Smoking is not allowed on Company premises, except in areas allotted and specially labeled for that purpose.
- Weapons are not allowed on Company premises.

**HSE Indicators**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Occupational Health and Safety</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of Workplace Injuries</td>
<td>87</td>
<td>87</td>
</tr>
<tr>
<td>No. of Workplace Injuries – with Sick Leave</td>
<td>57</td>
<td>51</td>
</tr>
<tr>
<td>No. of Days Lost</td>
<td>1,462</td>
<td>1,112</td>
</tr>
<tr>
<td>No. of Sick Leave due to Workplace Injuries</td>
<td>14,910</td>
<td>13,958</td>
</tr>
<tr>
<td>Days of Absence from Work</td>
<td>195,087</td>
<td>193,647</td>
</tr>
<tr>
<td>Hours of Regular Work</td>
<td>9,381,076</td>
<td>9,381,076</td>
</tr>
<tr>
<td>Injury Rate (IR)</td>
<td>7.49</td>
<td>8.89</td>
</tr>
<tr>
<td>Absence Rate (AR)</td>
<td>29.76</td>
<td>29.76</td>
</tr>
<tr>
<td>Lost Days’ Rate (LDR)</td>
<td>1.89</td>
<td>1.89</td>
</tr>
<tr>
<td>No. of Fires</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>No. of Traffic Accidents**</td>
<td>67</td>
<td>2</td>
</tr>
<tr>
<td>No. of Environmental Accidents</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>No. of Inspections by the Authorities</td>
<td>779</td>
<td>1,096</td>
</tr>
<tr>
<td>No. of Measures Undertaken by the Authorities</td>
<td>639</td>
<td>465</td>
</tr>
</tbody>
</table>

**Types of Injuries**

<table>
<thead>
<tr>
<th>Types of Injuries</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Falls</td>
<td>30</td>
</tr>
<tr>
<td>Heat and Chemical Injuries</td>
<td>4</td>
</tr>
<tr>
<td>Mechanical Injuries</td>
<td>15</td>
</tr>
<tr>
<td>Traffic</td>
<td>9</td>
</tr>
<tr>
<td>Long Falls</td>
<td>1</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87</strong></td>
</tr>
</tbody>
</table>
After the review of 2014, HSE indicators, one can say that significant improvement had been made in all categories, except in the number of authority inspections, but one has to emphasise that the inspection ratio (number of measures ordered/number of visits) was reduced by 54% in comparison with the said ratio in 2013.

Of the total number of work-related injuries in 2014, one resulted in death. In September 2014, on the local road between Novi Becej and Becej, a traffic accident occurred and an employee hired from a leasing company lost his life. The accident involved a frontal crash between the company vehicle and a third-party vehicle. Such accidents remind us how important it is to observe regulations prescribed by the Law on Road Traffic Safety, as well as internal company rules and recommendations in order to avoid such accidents.

Activities of the Board for Occupational Health and Safety

In accordance with the amendments to the provisions of the Collective Agreement, NIS has established new Boards for Occupational Health and Safety (BOHS) in all organizational units.
- BOHS NIS
- BOHS Exploration and Production
- BOHS Refinery
- BOHS Sale and Distribution
- BOHS Oil Field Services (OFS) and
- BOHS Energy

Each Board for Occupational Health and Safety has seven members now (prior to the amendment to the Collective Agreement, each had five members): four employee representatives (trade union) and three employer representatives, and in 2014, more than 38% of employees were covered.

Reports on the activities of these Block Boards are submitted to the Board on the NIS corporate level. The Boards meet at regular intervals during the year, and their role is extremely significant, especially in the following areas:
- Considering OHS issues and making relevant proposals;
- Reviewing drafts of special documents having significant impact on work conditions and OHS;
- Considering and participating in the preparation of a Special Document on Personal Protection Equipment and Means;
- Cooperation with professional services in the OHS area and monitoring the implementation of the provisions of the Agreement regulating this area;
- An analysis of the condition in the OHS and proposing measures for its improvement;
- Analysis and conducting of periodic machine and device inspections and tests of physical and chemical hazards related to the micro-climate in the working environment; proposing extraordinary tests and controls if needed;
- Proposing and requesting the introduction of preventive employee protection measures;
- Initiatives for the determinants which pose external higher risks and for the introduction of employee protection programmes at such jobs;
- Reviewing employee health reports based on periodic medical check-ups and controlling the regularity of employee medical check-ups;
- Reviewing work-related injuries and professional illnesses, their causes and causes and proposing measures for their prevention;
- Mediation in the reimbursement negotiations related to the damage suffered by employees due to work-related injuries or professional illnesses;
- Reviewing other issues significant for the achievement of employee occupational health and safety.

In 2014, NIS top management continued their regular topical meetings chaired by the CEO and the HSE management. Meetings are organized on a quarterly basis at different locations in NIS.

Safe working conditions for all employees and business partners and environmental protection are one of the strategic goals of our Company. In the previous years, NIS employee risk assessment was undertaken. The conclusion of the Document on Workplace and Work Environment Risk Assessment defined that NIS had 1,206 high-risk positions.

Records on the high-risk workplaces are kept in the prescribed form (Form 1 of the Rules on Occupational Health and Safety Records).

NIS strives to reduce the number of identified risks through the introduction of new technological improvements. NIS is a company which has covered all Occupational Health and Safety issues in a formal agreement with the trade union included in the Collective Agreement. By setting an example and taking steps towards the achievement of HSE principles, the management and the employees demonstrate their dedication to the improvement of the HSE performances, the management and the employees demonstrate their dedication to the HSE principles.

Some of the areas covered by the Collective Agreement are:
- Education, professional trainings and development;
- Working hours, vacations and leaves;
- Occupational Health and Safety;
- Damage reimbursement;
- Employee redundancy;
- Meeting accommodation needs;
- Exercising and protecting employee rights;
- Exercising employee strike rights.

NIS makes its business decisions in accordance with the requirements of the national legislation and strives to keep them above the legally defined minimum with a view to ensuring more effective risk management.

Companies operating in the areas of oil and gas exploration, production, refining and distribution are companies whose work, by its very nature, involves huge risks of situations which can have catastrophic consequences, such as multiple fatalities, large-scale environmental impact, significant property damage, huge economic impact on the society, as well as great impact on the local community.

One way in which accidents can be prevented is by defining safe methods for the execution of regular tasks based on direct risk assessment.

The Safe Work Instructions are prepared in accordance with the needs of the line management provided in the Standardization Plan, the introduction of new work technology, as well as the corrective measures arising from the analyzed HSE events.

HSE Training, Development of HSE Competences and Employee Awareness

HSE Competences

In 2014, the “Instructions on the Development of HSE Competences in NIS JSC Novi Sad” were developed and adopted. The instructions define the process of development of HSE competences an employee should have according to the category of its position in order to perform his/her tasks with minimum HSE risks, in compliance with the legal regulations, requirements of internal normative and methodological documents and the international HSE practice. These competences have three components: knowledge, skills or abilities and the international HSE practice. These competences define the level of HSE knowledge and skills necessary for:
- Ensuring that employees perform their tasks in the manner which reduces adverse impact on human health and safety, environment, processes and property all in accordance with the legal reg-
employees related to the recognition, control and management of risks during the performance of high-risk activities. A total of 448 line managers and permit-issuing employees successfully passed these trainings.

All 44 employees attended trainings intended to prepare them for the state exam in the area of Fire Safety and Occupational Health and Safety.

Improving Employee HSE Competences

During the year, with a view to improving employee HSE competences, “NEBOSH International General Certificate” and “NEBOSH Technical Certificate in Oil and Gas” trainings were organized on the corporate level and were attended by 40 employees. Also, “IRCA EMS upon Lead Auditor Training”, which was attended by 8 HSE employees.

Development of Instructions and Educational Materials

“HSE Training Instructions” were prepared for all trainings within M4, M5 and M6 modules (Introductory HSE Training, Workplace Training and HSE Management System Training), in order to define the scope and contents of the materials adopted, as well as the time necessary for the training of the employees and the list of laws and regulations in the Republic of Serbia, i.e. Company NMD and other technical documents including HSE requirements, whose contents should be processed, studied or reprinted during the HSE training. Also, for the instructions related to these three HSE Training Modules, educational materials were developed (“Power Point” presentations and films), as well as knowledge tests.

Improving HSE Competences of Line Management

With a view to improving HSE competences, 25 trainings were organized in order to improve the knowledge of employees related to the recognition, control and management of risks during the performance of high-risk activities. A total of 448 line managers and permit-issuing employees successfully passed these trainings.

All 44 employees attended trainings intended to prepare them for the state exam in the area of Fire Safety and Occupational Health and Safety.

HSE Campaigns

In 2014, NIS implemented 19 different HSE campaigns. HSE campaigns were executed in the form of a dialogue between professionals and employees, visitors and contractors at the Company, as well as by developing and distributing educational posters and brochures.

Safe Driving Training – „NAVAK” Training

The Company worked hard on the reduction of risks related to the transport of employees and equipment, as well as to the delivery of fuel to customers. The Company actively promotes the use of LNG in transport in order to reduce CO2 emissions; and, in accordance with that, more than 70% of company vehicles were equipped with LNG devices.

It was estimated that the use of organized transport of employees to and from work resulted in the saving of 799,824 liters of fuel.

In 2014, NIS continued working on the improvement of driver skills and competences. Two projects were implemented: procurement of driver testing consoles for safe driving in order to prevent traffic accidents and safe driving trainings in cooperation with the NA-VAK National Driving Academy.

In 2014, on the NIS level, about 700 users of company vehicles were tested on specialized consoles (including professional drivers, too).

The following trainings were implemented at the NAVAK Training Centre:

- Corrective training – intended for employees who were involved in traffic accidents or committed a traffic offence.
- Intensive training – intended for employees who use Company vehicles frequently or for longer periods of time.
- Professional training – intended for professional drivers of passenger Company vehicles.
- Professional “Off-Road” training – for freight and terrain vehicle drivers.

In 2014, the safe driving programme was completed by 376 participants.
The above diagram shows the number of participants in each of the four training programmes, as well as the total number of participants, i.e. the number of employees attending any of the safe driving trainings.

**Lock-Out, Tag-Out Training**

In October and November 2014, employees attended the lock-out/tag-out training for dangerous forms of energy. The goal of the training was to acquaint the employees with the Lock-Out/Tag-Out concept (LOTO), raise their awareness, allow them to acquire knowledge and skills relevant for the lock-out and tag-out of dangerous forms of energy (electricity, pneumatic, hydraulic, kynetic, gravity, etc.) with a view to ensuring safe operation of the equipment, devices and tools, preventive actions and elimination of potential risks which might cause fatal/ severe injuries to the employees and contractors. During the two days of training, employees got acquainted with basic theoretical information on the dangerous energy lock-out/tag-out concept, but also had an opportunity to get acquainted with the equipment and the lock-out/tag-out process in practice in selected facilities.

The training was outsourced and implemented by “Tehtpro” in 22 sessions on 3 sites: Novi Sad Oil Refinery, Elemir Oil and Gas Production and Transport Facility and Pancevo Oil Refinery. The training was attended by the total of 208 employees from all Blocks, as well as from the HQ.
Responsibility Towards the Community
Responsibility Towards the Community

Responsibility – the road to a better future

Social responsibility is both a continual and a progressive concept. Inventing ever-new practices that bring NIS closer to the communities in which it conducts its business is an indispensable part of NIS’ mission.

Being socially proactive, encouraging young talents and involving stakeholders in a joint drive for a better future are some of NIS’ principles that make the business responsible and the local community a better place to live in.

Effects

- 592.5 million put up for social programmes
- 43% more social investments year on year

Five community investment programmes: Energy of Sports, Culture without Borders, Energy of Knowledge, Humanitarian Projects and Together for the Community

- 110.5 million for funding
- 19 NIS IT Classrooms and
- 4 NIS Labs equipped and refurbished

- 164 projects through the public contest “Together for the Community”
Responsibility Towards the Community

Corporate social responsibility is a part of our strategic operation. In 2014, we adopted the Corporate Brand Repositioning Strategy and defined a social responsibility platform under the “Future at Work” slogan. It is primarily strategically focused on talented young people, who are supported to achieve their full potential, but on the support to the development of the entire community, as well.

The Company is not involved in the activities of political parties. Through a dialogue with the representatives of state authorities, local government and business community, we create partnerships with the society in order to create a better future for everyone.


Energy of Sport

The "Energy of Sports" programme supports professional and children's sports, and promotes healthy lifestyles. Special attention is paid to the proper development of children and youths and promotion of new talent.

NIS is a long-term partner of the Partizan Basketball Club, and in the last two years, it has also been the general sponsor of that club. Feeling the need to reward club's fans and supporters, in cooperation with Partizan BC, NIS started the traditional "Strike Three for Season Tickets" campaign.

Within its endorsement of the Basketball Federation of Serbia, for the third consecutive year, NIS supported the BFS sports campaign – Mini Basketball League, a mini-basketball tournament for children up to 12 years of age.

NIS is also the general sponsor of the Tennis Association of Serbia and supports the best tennis players of Serbia competing in Davis and Fed Cup. As a part of this cooperation, NIS and the Tennis Association of Serbia organized the third consecutive "Open School of Tennis" for children from all parts of Serbia. More than 4,000 children had the opportunity to take their first tennis steps with the help of professional trainers, and all that for free.

The Company and the Tennis Association of Serbia, in cooperation with the Ministry of Education, Science and Technological Development, initiated the "Sports against Violence" campaign intended to promote sports values, non-violence culture and fair play in sports, as a very important element in the healthy development of children. The "Sports against Violence" campaign was presented in all parts of Serbia in more than 300 elementary schools during the 2014/15 school year. So far, more than 6,000 children have had an opportunity to learn true sports values through tennis.

Support for car racing and top results in that field is reflected in the cooperation with the European champion Dusan Borkovic, a member of the NIS Petrol Racing team, who proved through the results he achieved, fair play and team spirit that our trust in him was well-placed.

The Company allotted RSD 197.4 million for sports sponsorship projects.

Culture Without Limits

The goal of the 'Culture without Limits' programme is to uphold cultural values, fund cultural institutions and festivals of national and international renown and support young talented people.

For the fifth time in a row, NIS was the general sponsor of the FEST International Film Festival, whose 2014 slogan was "Things are not black and white". With a view to inspiring the creativity in young people, NIS organizes an Instagram video competition called "Film NISpiration". The author of the best video selected by the jury received a three-day trip for two to the "Karlove Vary" International Film Festival in the Czech Republic.

Like in the past, in 2014, NIS also supported a significant music event promoting musical tradition and national heritage in Serbia: for the sixth time, the Company was the strategic partner of the Guca Trumpet Festival.

With a view to promoting cultural values and supporting art development, this programme was used to
The programme “Energy of Knowledge” covers partnerships with the leaders of the domestic educational system: universities, faculties, secondary schools, professional associations and scientific societies.

In 2014, within the “Energy of Knowledge” programme, the following projects were implemented as a part of the cooperation with universities:

• A new study program called “Industrial Engineering in the Oil and Gas Exploitation” was developed and accredited on the undergraduate level at the “Mijaš Popiv” Technical Faculty in Zrenjanin, Novi Sad University. A total number of 50 students was enrolled at the new department in the 2014/2015 academic year.
• The NIS CEO gave two lectures on leadership to the students of the Novi Sad and Belgrade Universities; NIS experts also gave several lectures with a view to acquainting the students with the NIS business processes.

As for the cooperation with elementary and high schools, in 2014, the 6th “Knowledge Olympics” – a competition in natural sciences – mathematics, physics and chemistry – for the total of 47 students took place on the NIS premises in Novi Sad. NIS was also a partner of the national teams representing our country at the International Olympics in those areas.

The Project places special emphasis on the Russian language. Apart from the organization of the Russian Language Olympics for the total of 888 participants, key results achieved in this area include the accreditation and opening of 5 bilingual Serbian/Russian classes: one 1st grade and one 2nd grade class at “Ivan Pupin” Elementary in Novi Sad; one class at the Aleksinac Grammar School.

A part of the collaboration with scientific institutions, NIS continued its cooperation with the Petnica Research Station – IT laboratories were adapted and equipped at the educational profile, which was selected by 50 students in the 2014/2015 school year, as soon as they graduate from high school, these students will be qualified for work in the oil industry.

Within the “Energy of Knowledge” programme, the Company introduced a scholarship project supporting the most successful students, whose goal is to provide financial support to and invest in the development of students through internship programmes in the Company, attendance of summer schools in the Russian Federation, learning Russian and, upon the completion of the scholarship period, employment with the Company. In the 2014/2015 school year, the scholarship programme included a total of 47 students, 25 of whom were students of technical and technological faculties of the Universities in the Republic of Serbia, 22 Serbian students at the oil and gas universities in the Russian Federation and 5 winners of the first “Knowledge Olympics”.

One of the segments of the “Energy of Knowledge” programme is the adaptation and equipment of NIS classrooms and laboratories with a view to modernizing studying conditions there. In 2014, 4 NIS laboratories were adapted and officially opened, 19 NIS classrooms – IT laboratories were adapted and equipped at the educational institutions selected on the basis of the results of the most successful participants of the NIS “Knowledge Olympics” in natural sciences and the Russian language for high-school students in 2013 and 2014.

Petnica Research Station.

A part of the collaboration with scientific institutions, NIS continued its cooperation with the Petnica Research Station, as well. As the sponsor of programme...
For the third year running, a public contest has been organised in cooperation with 11 local governments as part of the programme “Together for the Community.”

**Humanitarian projects**

Within the programme whose aim is to help and support vulnerable groups, several important projects were implemented in 2014.

Immediately upon receiving first information on the floods, NIS organized emergency response teams. Their task was to protect the health and safety of employees, reduce adverse environmental impacts, minimize stoppage risks, and protect Company assets and operations. Within the programme, a public competition was organized for the third consecutive year in cooperation with local units: Belgrade, Novi Sad, Nis, Pančevo, Zrenjanin, Kikinda, Novi Bečej, Zita, Čačak, Sremska Mitrovica, and Smederevo. In 2014, 164 projects were selected through that public competition, and the implementation of those projects was intended to contribute to the development of local communities, facilitate the operation of numerous institutions and improve the operation of cultural, educational and sports institutions.

In 2014, through the local communities cooperation programme, NIS invested RSD 105 million.

**Together for the Community**

The objective of this programme is strengthening relations with local communities whereas the Company operates. Within the programme, a public competition was organized for the third consecutive year in cooperation with 11 local units: Belgrade, Novi Sad, Nis, Pančevo, Zrenjanin, Kikinda, Novi Bečej, Zita, Čačak, Sremska Mitrovica, and Smederevo.

In 2014, NIS started cooperating with the City of Belgrade, and that cooperation, among everything else, resulted in the implementation of projects for the modernization and sprucing up of children's park in Banji settlement (RSD 420,990), the “Zumski Haj” park area in the very vicinity of Zelenik was renovated (RSD 1 million) and a part of the Belgrade Car Museum was refurbished and adapted (RSD 2.9 million).

In Novi Sad, the Company helped the basic refurbishment of the “Veseljko” kindergarten, funding the adaptation of its premises and the purchase of a part of the needed furniture with an amount of RSD 65,000.

Apart from that, NIS invested RSD 3,456,626 in the “Audio Library – New Aid for Us” Programme. This is an audio library for the daily stay of persons with polio and overall paralysis, but of other persons with disabilities, as well.

On the territory of the City of Nis, among other things, the Company allotted funds for the “Classroom in the Nature” project, enabling the construction of a summer classroom in the schoolyard providing a more interesting learning method (RSD 65,840).

As a part of the support provided for the Čačak projects, one should mention the funding of the skateboard park reconstruction on the Morava bank and of a children playground (RSD 5 million), as well as the project of equipping the yard of the “Radiant” kindergarten with paths and playground equipment (RSD 7 million).

On the territory of the Novi Bečej municipality, the Company funded the reconstruction of the “Dombacka” tower and its vicinity – before the celebration of 200th anniversary of the opening of the park (RSD 259,556) and the development of Begej sports fields (RSD 410,000).

We also have to mention the refurbishment of sports terrains in Horgos, which amounted to RSD 400,000, and improved the conditions for the development of sports and healthy lifestyle.

In Pančevo, apart from everything else, the Company funded the refurbishment of locker rooms and other facilities used by children in the local football club (RSD 4.7 million).
Health and Environmental Protection
Health and Environmental Protection

Environmentally responsible

NIS is constantly improving on its environmental activity and performance with the aim of raising environmental awareness of both the individuals and the entire community. The results emphasize the importance of environmental investments, application of new technologies and innovative solutions for a more efficient and greener business and the importance of ensuring a healthier environment.

Effects

4.1% less energy consumption per product unit

Apart from the Electric Power Industry of Serbia, NIS is the only producer in Serbia that supplies electricity to the free market

Efficient use of gas resources through cogeneration

Noxious emissions have declined:

- SO₂: -16%
- NOₓ: -21%
- Particulate matter: -57%

compared with last year
Health and Environmental Protection

Sustainable environmental management in NIS entails care for environmental protection through the implementation of projects for the reduction of pollutant emissions into the air, water and soil, waste reduction, energy efficiency increase and use of renewable sources, eradication of historical and accident-related pollution, as well as the implementation of technical and technological measures in accordance with the best available techniques.

In 2014, NIS, as a socially responsible company, continued its operation in accordance with the “Policy of Environmental Protection, Industrial Safety and Occupational Health and Safety at NIS JSC” (adopted in 2013), the “HSE Policy Statement” (November 2014) and the principles of sustainable development, reduction of adverse effects of Company operations on the environment and human health, as well as the constant improvement and efficient management of the environmental protection system.

In 2014, the HSEnet software application was created with a view to automation and optimization of the HSE process management in the Company. At the moment, this software application has 12 modules, 3 of which are associated with environmental protection management. Processes related to the management of chemicals, environmental risk assessment and environmental condition monitoring are all automated.

Investments in the Environment

In 2014, the Company continued investing significant funds in environmental projects, whose aim was the streamlining of equipment and the reduction of emissions of pollutants into the environment, the remediation and recultivation of polluted sites, the monitoring of environmental conditions, etc. In 2014, RSD 983 million was invested in environmental projects, whose aim was the improvement of environmental conditions.

In 2014, various projects started in the previous years were completed. The reconstruction of the vehicle-loading facility in Pancevo is expected to have significant environmental effects in the form of a reduction in the emission of pollutants into the air.

The streamlining of boilers and furnaces at the Pancevo Energy Plant, which included the implementation of combustion of water and mastute emulsion and the replacement of burners, resulted in the decrease in the emission of pollutants into the air from the boiler outlet.

Current expenses related to the environmental protection amounted to RSD 1,321 million (Table No. 1). Other EP costs include significant funds necessary to cover monitoring costs (underground and waste waters and soils), costs of waterway development and well legalization, environmental risk management, processes related to the management of chemicals, environmental condition monitoring, employee EP trainings, maintenance of equipment and devices used for EP (separators, e.g.).

Materials Used

Materials used in the production processes are obtained from non-renewable sources and are included in the final product. Due to the nature of its business activities, our Company cannot use recycled materials as raw materials for production.

<table>
<thead>
<tr>
<th>Used Materials</th>
<th>No.</th>
<th>Raw Materials/Materials</th>
<th>Unit</th>
<th>Quantities Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Crude Oil - Domestic</td>
<td>t</td>
<td>1,179,662</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Crude Oil - Imported</td>
<td>t</td>
<td>1,567,708</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Natural Gas</td>
<td>m³</td>
<td>132,775</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Geothermal Water</td>
<td>m³</td>
<td>523,410</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Raw Water</td>
<td>m³</td>
<td>23,420</td>
</tr>
</tbody>
</table>

983 million dinars invested into environmental projects
List of Crude Oil – Domestic and Imported by Types:

<table>
<thead>
<tr>
<th>No.</th>
<th>Raw Materials/Materials</th>
<th>MU</th>
<th>Quantities used 2013</th>
<th>Quantities used 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Crude Oil - Paraffinic, Light</td>
<td>t</td>
<td>625,492</td>
<td>561,113</td>
</tr>
<tr>
<td>2</td>
<td>Crude Oil – Paraffinic, Heavy</td>
<td>t</td>
<td>201,377</td>
<td>213,035</td>
</tr>
<tr>
<td>3</td>
<td>Crude Oil – Naphthenic</td>
<td>t</td>
<td>352,793</td>
<td>339,706</td>
</tr>
<tr>
<td>4</td>
<td>Slop - Domestic Oil – Mix from the Novi Sad Oil Refinery</td>
<td>t</td>
<td>26,756</td>
<td>14,893</td>
</tr>
<tr>
<td>5</td>
<td>Crude Oil REB</td>
<td>t</td>
<td>0</td>
<td>1,222,859</td>
</tr>
<tr>
<td>6</td>
<td>Crude Oil ES SIDER</td>
<td>t</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Crude Oil Syrian Light Crude Oil</td>
<td>t</td>
<td>302,018</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Crude Oil Siberian Light Crude Oil</td>
<td>t</td>
<td>11,017</td>
<td>79,412</td>
</tr>
<tr>
<td>9</td>
<td>CPC BLEND</td>
<td>t</td>
<td>0</td>
<td>197,120</td>
</tr>
</tbody>
</table>

List of Intermediate Products

<table>
<thead>
<tr>
<th>No.</th>
<th>Intermediate Products/Materials</th>
<th>MU</th>
<th>Quantities used 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Platformate</td>
<td>t</td>
<td>60,420</td>
</tr>
<tr>
<td>2</td>
<td>Heavy Gasoline, SK + Fraction</td>
<td>t</td>
<td>56,130</td>
</tr>
<tr>
<td>3</td>
<td>Light Catalyst Cracked Gasoline – LCCG</td>
<td>t</td>
<td>83,867</td>
</tr>
<tr>
<td>4</td>
<td>Heavy Catalyst Cracked Gasoline – HCCG</td>
<td>t</td>
<td>105,088</td>
</tr>
<tr>
<td>5</td>
<td>Alkylate</td>
<td>t</td>
<td>18,018</td>
</tr>
<tr>
<td>6</td>
<td>Raw Gasoline</td>
<td>t</td>
<td>8,665</td>
</tr>
<tr>
<td>7</td>
<td>Light Gasoline</td>
<td>t</td>
<td>34,902</td>
</tr>
<tr>
<td>8</td>
<td>Raffinate</td>
<td>t</td>
<td>40,784</td>
</tr>
</tbody>
</table>

Packing materials (paper, cardboard, plastics), list of packaging

<table>
<thead>
<tr>
<th>No.</th>
<th>Materials</th>
<th>MU</th>
<th>Quantities used 2013</th>
<th>Quantities used 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Paper and Cardboard</td>
<td>t</td>
<td>84</td>
<td>126</td>
</tr>
<tr>
<td>2</td>
<td>Wood</td>
<td>t</td>
<td>81</td>
<td>100</td>
</tr>
<tr>
<td>3</td>
<td>Plastics</td>
<td>t</td>
<td>96</td>
<td>57</td>
</tr>
<tr>
<td>4</td>
<td>Metal Containers</td>
<td>t</td>
<td>121</td>
<td>87</td>
</tr>
</tbody>
</table>

As a socially responsible company, NIS observes all provisions of the legal regulations referring to the marketing and management of packaging and packaging of waste.

Energy Consumption

Increase in energy efficiency is an important element of the Company’s energy policy, which contributes significantly to stable energy supply and reduction of the adverse impact on the environment. During the last three years, as a part of the operating efficiency increase project, NIS has implemented a programme for energy efficiency increase. The aim of this programme was to introduce the practice of saving and rational use of energy in all segments of Company operation, as well as to implement new energy-efficient technologies.

By upgrading the existing management system in accordance with the requirements of the ISO EN 50001:2011 international standard, i.e. SRPS EN ISO 50001:2012, in 2013, the Company started the implementation of the Energy Management System (EnMS), whose limited scope was certified late in December 2013. During 2014, the scope of EnMS was expanded, and it was certified by Bureau Veritas.

NIS keeps repeating the cycle of strategy development, planning and implementation of measures for the increase in the energy efficiency.

Completed Projects

- Lighting Modernization
- Installing State-of-the-Art Energy-Saving Equipment
- Construction of Small Cogenerators – 11 Facilities with the Total Power of 12.5 MW
- Reconstruction of the Electricity Network in Pancevo Oil Refinery
- Operative and Technical Measures for the Reduction of Steam and Heat Losses
- Adaptation of the Heating System in the Novi Sad Energy Plant
- Construction of Modern Oil Refining Facility (MNS – New Hydrocracking and Hydrotreating Complex)
- Implementation of the Automated System for Material Energy Balance Monitoring
- New Geothermal System Users
- Alternative/Renewable Energy Source Projects Initiated
In 2014, the Company introduced a new methodology for energy consumption review (analysis of energy use and consumption) and defined indicators (EnPI) for the monitoring of the achievement of the set goals and the performance check (energy performance).

The programme intended to save energy and increase energy efficiency at NIS defines the measures, responsibilities and the necessary resources for the improvement of energy performances in the period between 2015 and 2017.

EII (Energy Intensity Index) – In accordance with the Company’s strategic direction, NIS refineries were included in the comparative analysis programme in accordance with the ‘Solomon’ methodology (the most prevalent methodology for the comparative analysis of oil refineries in the world). In accordance with that, the Company monitors the Energy Intensity Index, which is regarded as the indicator of the ratio of the actual energy consumption and the standard energy consumption. The standard energy consumption is the projection of consumption in Solomon Company having in mind the capacity use and process parameters.

Total consumption of different energy sources in 2014 amounted to 22.48 million GJ.

The table lists energy consumption in the Company:

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>MU</th>
<th>IP</th>
<th>RNP &amp; RNS</th>
<th>PRO</th>
<th>SER</th>
<th>JAZ</th>
<th>PC</th>
<th>ENE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>MWh</td>
<td>2013</td>
<td>76,193</td>
<td>199,278</td>
<td>31,233</td>
<td>3,236</td>
<td>827</td>
<td>21,649</td>
<td>319,442</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>89,297</td>
<td>221,177</td>
<td>28,306</td>
<td>3,624</td>
<td>821</td>
<td>24,305</td>
<td>379,209</td>
</tr>
<tr>
<td>Electricity Produced</td>
<td>MWh</td>
<td>2013</td>
<td>1,436</td>
<td>695</td>
<td>1,189</td>
<td>5,889</td>
<td>0,19</td>
<td>0</td>
<td>10,484</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>1,489</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10,448</td>
</tr>
<tr>
<td>Fuel – own consumption (gasoline, diesel)</td>
<td>t</td>
<td>2013</td>
<td>51,857</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>11,321</td>
<td>63,168</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>77,269</td>
<td>114</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7,580</td>
<td>84,849</td>
</tr>
<tr>
<td>Fuel oil, fuel gas, coke – own consumption</td>
<td>t</td>
<td>2013</td>
<td>0</td>
<td>5,889</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5,889</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Steam</td>
<td>t</td>
<td>2013</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>m³</td>
<td>2013</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LNG</td>
<td>t</td>
<td>2013</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
The energy consumption trend on the Company level in 2014 was based on:

- The increase in the electricity consumption due to the change in the crude oil and gas exploitation in the ‘Exploration and Production’ Block.
- The reduction in the natural gas consumption due to the increase in the use of oil-well gas for its own uses in the ‘Exploration and Production’ Block and the implemented energy efficiency measures in the boiler facilities in ‘Energy’ and ‘Refinery’ Blocks.
- The reduction in energy losses in the Pancevo Oil Refinery facilities.
- The increase in the consumption of oil-well gas due to the implementation of energy efficiency measures (reduction in the consumption of fuel gas caused by the introduction of cogenerators for the production of electricity and heat).
- The reduction in the consumption of other fuels caused by the implementation of energy efficiency measures (reduction in the consumption of fuel gas in furnaces and other measures).

The completed cogenerators in 2014 increased the participation of Company’s own electricity in the satisfaction of the total needs of the Company, and this participation shows a further increase tendency.

Water management

Total Captured Water by Intake

Significant quantities of water are needed for the Company production and technological processes; for steam production, the functioning of cooling systems, fire safety, potable water bottling, as well as for the sanitary facilities on the premises. In accordance with the Company priorities, the installation of water gauges in the wells on the premises of the ‘Sales and Distribution’ Block and the introduction of monthly water consumption records in sanitary facilities on the premises. In accordance with the regulations, the consumption of chemicals used in the processing of industrial and oil-contaminated waters, the practice used in standard conditions of production and in case of accidents. The Instructions include a MNEQVE register of values for waste waters depending on their origin, recipient and scope of testing, which includes some specific parameters depending on the process in which waste waters are produced.

In 2014, the Company developed the ‘Instructions for Waste Water Management at NIS JSC’, dealing with the processing of industrial and oil-contaminated waters, with a view to meeting the legally defined quality of discharged processed waste waters, the practice used in standard conditions of production and in case of accidents. The Instructions include a MNEQVE register of values for waste waters depending on their origin, recipient and scope of testing, which includes some specific parameters depending on the process in which waste waters are produced.

Total Water Discharge by Quality and Recipient

In 2014, the Company continued installing mixing separators for oil-contaminated atmospheric waters at filling stations in the ‘Sales and Distribution’ Block. The Company installed 6 separators, so that 80% (656) of filling stations are now equipped with facilities separating mineral oils from water prior to its discharge into the intended recipients. In 2015, the Company plans to install the remainder of separators wherever there are technical conditions for their installation. In some facilities, where there are no technical conditions for the connection to the public sewers, waste waters are collected in collection pits, which are periodically emptied in accordance with the regulations.

The nature of the business activity dictates that considerable water resources are used in production and technological processes, so water resource management is given priority in our Company.

Intakes Significantly Burdened by Water Capturing

The structure of captured water by intake follows the trend defined in the previous years, i.e. the major part of water used comes from the Danube and the Danube-Tisa-Danube canal (as much as 83%), whereas the use of water from public supply systems reached 12% and water from wells made for 5% of the total consumption. The above said structure reflects our responsible treatment of water resources, since the Company uses water from the least sensitive source. Both Danube and the DTD canal are high-capacity waterways, and capturing their waters does not jeopardize their potential.

Percent and Total Quantity of Recycled and Reused Water

The practice of significant savings of water resources in Pancevo Oil Refinery is continued due to the return of condensate. The quantity of the returned condensate in 2014 was 1,225,057 tons. In this manner, the intake of raw water from the Danube was reduced by 45.50% on the RNP level, i.e. by 39.76% of the total captured water at NIS level, which was similar to the 2013 level.

Total Captured Water by Intake

<table>
<thead>
<tr>
<th>Water Source</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>River water intake</td>
<td>3,956,671</td>
<td>3,959,375</td>
</tr>
<tr>
<td>Public water supply</td>
<td>778,471</td>
<td>475,877</td>
</tr>
<tr>
<td>Underground waters</td>
<td>175,426</td>
<td>191,579</td>
</tr>
<tr>
<td>Water from开采 servicing</td>
<td>3,948,954</td>
<td>3,949,049</td>
</tr>
</tbody>
</table>

The nature of the business activity dictates that considerable water resources are used in production and technological processes, so water resource management is given priority in our Company.

In 2013 and 2014, the Novi Sad Oil Refinery facility for waste water treatment was automated, which rationalized the consumption of chemicals used in the purification process, and enabled the control of input and output parameters of the waste water in the facility. At the end of the year, the total of 350 waste water treatment facilities were registered at NIS JSC.
The total quantity of the generated waste water was reduced in 2014 by 30% — from 2,822,751 m³ to 1,985,611 m³. The quantity of the primarily treated industrial waste water from the Pančevo Oil Refinery sent for external treatment to HIP Petrohemija was reduced by 8%; the quantity of sanitary waters discharged into the public sewers from the administrative facilities was reduced by 42%; whereas the quantity of all other processed waste waters was halved, which resulted in lower costs for the Company, as well as in the reduction of the environmental impact.

<table>
<thead>
<tr>
<th>List of Discharged Waste Waters (m³) by Treatment and Recipient</th>
<th>2013</th>
<th>2014</th>
<th>2014/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Untreated Waste Water - Public Sewers</td>
<td>50.6%</td>
<td>48.9%</td>
<td>85.9%</td>
</tr>
<tr>
<td>Externally Treated</td>
<td>1,386,948</td>
<td>1,268,876</td>
<td>91.49%</td>
</tr>
<tr>
<td>Treated Waste Water</td>
<td>1,385,129</td>
<td>673,200</td>
<td>48.60%</td>
</tr>
<tr>
<td>Total</td>
<td>2,822,751</td>
<td>1,985,611</td>
<td>70.34%</td>
</tr>
</tbody>
</table>

Waste waters whose treatment is outsourced make for as much as 64% of the total waste waters.

**Quantity of Produced and Disposed Layer Water**

Layer (reservoir) waters are generated during oil and gas production and in case of mining works in wells. This water may contain hydrocarbons, salts and heavy metals originating from the geological formations they were found in. Layer water is treated in order to separate hydrocarbons, suspended and dissolved substances, and is injected into the selected unused wells at a certain depth through the system for the preparation and injection, so that there is no possibility of contamination of geological layers or water resources.

In 2014, the total of 5,387,692 m³ layer water was injected into wells, i.e. approx. 15% more than in 2013.

**Quantity of Hydrocarbons Discharged into the Air**

During the exploitation of oil and gas, a certain quantity of dissolved and free gas, which cannot be used for Company’s own consumption or distributed into the PE «Srbijagas» network due to its poor chemical contents, is combusted in flares. In 2014, the “Exploration and Production” Block combust ed the total of 73,442,863 m³ gas in flares, whereas it is estimated that the “Backa” plant combusted about 100,000 m³ of gas without combustion.

In the upcoming period, through the implementation of cogeneration projects and the commissioning of new compressors, the Company expects to reduce further the quantity of flue-combusted gas and of the gas released into the air without combustion, because such gas will be used for the operation of cogenerators, i.e. the production of heat and electricity.

With the cogeneration project, the gas that has previously been flared off will now be used for plant operation and for heat and electricity generation.

**Environmental Accidents**

NIS strives to reduce the number of environmental accidents, to respond swiftly to them and to remediate efficiently their consequences.

In 2014, 67 environmental accidents were registered, which number was significantly lower (50%) than last year, when 89 environmental accidents were recorded. According to the event classifier, the majority of environmental accidents in 2014 were classified as minor – 64 events; one event was classified as medium and two events were classified as major. These events mostly included oil and oil product spillages onto the ground, and these were primarily caused by oil and gas pipeline perforations and technological defects or process failures. Consequences of these environmental accidents were successfully remediated in the shortest time possible.

In 2014, the quantity of spilled products amounted to 373.07 m³, which was an increase in comparison to the previous year, when the quantity of spilled products was 251.71 m³. The increase in the quantity of spilled products in comparison with the previous year was caused by one of the said two major events, when 250 m³ of Euro diesel leaked from the area inside the bunker around the tank during the filling of the tank from a tank car. The accident was immediately remediated and all environmental hazards were immediately removed.

This year, the Company plans to appoint a quick-response team in the “Exploration and Production” Block in case of major accidents, which would additionally improve response effectiveness.

**Overview of released wastewater (m³) depending on treatment and recipient**

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layer Water m³</td>
<td>5,387,692</td>
<td>4,537,324</td>
</tr>
</tbody>
</table>

30% decrease in total waste water generated

**Number and Severity of Environmental Accidents**

<table>
<thead>
<tr>
<th>Major</th>
<th>Medium</th>
<th>Small</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>44</td>
<td>64</td>
<td>80</td>
<td>138</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of environmental accidents by Block</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and Production</td>
</tr>
<tr>
<td>Sales and Distribution</td>
</tr>
<tr>
<td>Energy</td>
</tr>
<tr>
<td>Services</td>
</tr>
</tbody>
</table>

NIS aims to decrease the number of environmental accidents, to ensure faster emergency response and to be efficient in mitigating any consequences.
Type of Environmental Accidents

<table>
<thead>
<tr>
<th>Type of Environmental Accidents</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>67</td>
<td>89</td>
</tr>
<tr>
<td>Leaking of oil and petroleum products into the ground</td>
<td>50</td>
<td>62</td>
</tr>
<tr>
<td>Leaking of oil and petroleum products into the water</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Leaking of wastewater into the ground</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Leaking of chemicals (as part of the process) into the ground</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Leaking of chemicals (outside of the process) into the ground</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Gas emissions</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Quantities of leaked substances (m³)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refining</td>
<td>46</td>
<td>16</td>
</tr>
<tr>
<td>Sales and Distribution</td>
<td>296</td>
<td>24</td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>29</td>
<td>92</td>
</tr>
<tr>
<td>Services</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Energy</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>373</td>
<td>138</td>
</tr>
</tbody>
</table>

Causes of Environmental Accidents

<table>
<thead>
<tr>
<th>Causes of Environmental Accidents</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15%</td>
<td>34%</td>
</tr>
<tr>
<td>Perforation of oil pipelines</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Perforation of gas lines</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Perforation of supporting pipelines</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>Damage to structural facilities</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Work activity – failure and malfunction</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Work activity – human factor</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Responsibility for Environmental Accidents

<table>
<thead>
<tr>
<th>Responsibility for the accident</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15%</td>
<td>34%</td>
</tr>
<tr>
<td>Responsibility of employee</td>
<td>82%</td>
<td>82%</td>
</tr>
<tr>
<td>Responsibility of third party</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Technical factor</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Impact on Biodiversity

Biodiversity is of inestimable value for the healthy and safe development of society and we have the obligation to keep it intact for generations to come. At the same time, the threat to the natural species and ecosystems has never been greater than today; therefore, one must apply strategies for the maintenance of the existing and the revitalization of the jeopardized biodiversity wherever it is possible.

Protected areas include protected natural resources characterized by distinctive geological, biological, eco-system and/or landscape diversity. These are defined as protected areas of public interest through the adoption of the Decision on Protection. Areas which are significant for the survival of migrating species in accordance with the international regulations are placed under a special protection regime (I, II and III category), whereas cross-border connections with the protected areas in other countries is also possible.
3. Information on the protected areas or in their vicinity include:
   - SSG Donji Milanovac – in the Djerdap National Park,
   - SSG Tûva and HTS Devpjeski budor in the Delibato Sands Special Nature Reserve,
   - Oil and Gas Preparation and Transport Facility in the vicinity of and Eli-1 well in the Okanj Lake Special Nature Reserve,
   - SSG Mokrin South and Els Mokrin West in the vicinity of the ‘Meadows of Great Bustard’ Special Nature Reserve,
   - SSG Novi Sad 6 in the vicinity of the Novi Sad – Petrovaradin Marshes Special Nature Reserve,
   - HTS Pulča 1 and the Subotica LNG Storage in the vicinity of Pulča Lake – Nature Park,
   - HTS Vranovica on the wege of the Jadovnica Forest Natural Monument,
   - SSG Zrenjanin 1 in the vicinity of the Zapadnjački Park Natural Monument, the city garden in Zrenjanin.

Facilities of the ‘Sales and Distribution’ Block, SSG lezhi, venue in the Froska Gora National Park and SSG Golubac in the vicinity of Djerdap National Park are out of order and are planned to be torn down in accordance with the Resolutions obtained from the competent authorities.

Protected or Restored Habitats

Environmental protection is one of the main priorities and an integral part of the strategy for efficient company management.

In 2014, NIS continued its activities on the remediation of historical pollution and restoration of the soil to its original – agricultural purpose. Thus, in 2014, the Company remediated the total of 7 primary mud pits (historical pollution) with the total area of 5,705m², as well as 15 ‘fairs’ mud pits with the total area of 1,250m². The total number of remediated primary mud pits was increased to 25, and the total area of restored soil amounted to 95,000m². The restoration and remediation of soil where exploration, oil and gas well drilling, oil and gas exploitation activities took place remove the hazards threatening the health of the local population and the employees in such facilities, but also the hazards of soil, underground water and air pollution.

Pollutant Emissions

At the moment, climate changes are regarded as the most intense meteorological phenomenon with global impact on the economic, commercial and social systems of many countries. Since NIS is one of the highly intensive companies in terms of energy consumption, and it operates in the area of exploration, production, refining, transport and storage of oil and oil products, as well as due to the fact that Serbia is in the process of implementation of EU regulations defining this area, having in mind the impact of its business activities on climate changes, the Company has undertaken certain steps in order to establish a system for the monitoring of and reporting on greenhouse gas emissions and the reduction of such emissions.

NIS actively participates in the operation of the task force for the implementation of the 'Creation of a Monitoring, Reporting and Verification System for the Successful Implementation of EU Emissions Trading System’ Twinning Project.

With a view to preparing for the future implementation of the EU ETS Directive (2009/29/EC) and the Directive 2001/80/EC, NIS has prepared a CO₂ Emitter Register. In the upcoming period, the Company plans gradually to introduce mechanisms for the harmonisation of calculations with all the requirements of the Directive 40/2009/EU, which provides detailed instructions on the methods for the monitoring of and reporting on greenhouse gas emissions, as well as for the monitoring of parameters necessary for more precise emission calculations.

Amine Facility for the Separation of CO₂ from Natural Gas

In 2014, the Company completed the construction of an amine facility for the separation of CO₂ from natural gas in Elemir. Natural gas contains CΟ₂, which reduces the caloric value of gas, even in concentrations of up to 5%. For that reason, gas with higher CO₂ content does not comply with the distribution requirements; therefore, CO₂ must be separated from it. Upon the implementation of this project, the natural gas would not be discharged into the air, but it will be compressed and reinjected into the Rusanda reservoir, which will both increase the quality of natural gas (by reducing the CO₂ contents to 0.05%), and reduce the greenhouse gas emissions into the air.

In the medium term the accession to the European Union, and the opening of the negotiation process regarding Chapter 27 – Environment and Climate Change, we have to emphasize the active participation of the operation of the Permanent Task Force, established on the NIS level for the selection of the relevant EU Directives, their analysis and
Wherefrom it is sent to the exhaust fume treatment AdBlue for the environment and for the human health. It is converted into safe gas – N2. Nitrogen oxides are hazardous both in the exhaust fumes, i.e. of nitrogen oxides, by converting them in an exhaust gas treatment facility emitters, and they confirmed the already determined trend of decreasing pollutant emissions into the air. The implementation of environmental projects, initiated in the previous period, which was quite extensive in 2014, resulted in a significant impact on further reduction in the emission of pollutants into the air.

NIS especially protects its customers and care for them always come first. All filling stations are continually inspected and all products and services are controlled in order to ensure that their supply is always in compliance with the legal regulations.

With a view to reducing its environmental impact, NIS produces and sells AdBlue, which is a 32.5% solution of urea, and is used as an agent for the reduction of vehicle exhaust fumes, i.e. of nitrogen oxides, by converting it into safe gas. -N. Nitrogen oxides are hazardous both for the environment and for the human health.

AdBlue is stored in a special tank in the vehicle, wherefrom it is sent to the exhaust fume treatment device, the so-called SCR (Selective Catalytic Reduction) device.

As of September 2015, the Euro 6 standard will include all categories of passenger vehicles. This will further increase the consumption of AdBlue.

In 2014, the generation of both non-hazardous and hazardous waste was increased. The implementation of infrastructural projects led to an increase in the generation of non-hazardous waste, primarily of concrete and different types of metal. Maintenance and cleaning of tanks and separators, as well as the cleaning of oil seepage caused an increase in the generation of hazardous waste, primarily of mud and sludge, as well as of oil-contaminated waste.

Waste Management

Waste Management at NIS is a matter of public interest. The Company implements an organized and well-designed waste management system in accordance with the internal Standards and Instructions achieving positive results in the environmental protection.

In 2014, the generation of both non-hazardous and hazardous waste was increased. The implementation of infrastructural projects led to an increase in the generation of non-hazardous waste, primarily of concrete and different types of metal. Maintenance and cleaning of tanks and separators, as well as the cleaning of oil seepage caused an increase in the generation of hazardous waste, primarily of mud and sludge, as well as of oil-contaminated waste.

The generation and disposal of waste is monitored on daily level for all types of waste through Daily Waste Records kept by the waste generator, whereas total quantities of the generated and disposed-of waste (hazardous and non-hazardous) are reported to the Environmental Protection Agency through their information system.

In 2014, 10.23 tons of waste was exported, which made 0.04% of the total disposed waste. Miteco Knezevac exported to Romania 3.96 tons of PCB transformer cogenerating in the Oil Industry of Serbia, and 4.624 tons of PCB condenser was exported to Switzerland, whereas “Eco Logistics” exported 1.621 tons of absorbents to Poland.

Implementation of Pilot Project of Co-Combustion of Oil-Contaminated Sludge in Lafarge Cement Factory in Beocin

In 2014, the pilot project of co-combustion of oil-contaminated waste slag generated in the oil exploration and production process was implemented in the Beocin Cement Factory. The total amount of treated materials was about 7,200 tons. Preparatory activities lasted for a year (waste analysis and procurement of the necessary equipment), and the co-combustion treatment was implemented for the first time within the Company.

Based on the performed technical and economic analysis, it has been determined that the two main benefits of this type of treatment of oil-contaminated waste include:

• Environmental – no waste landfills (the total quantity of waste is combusted, and the ash, i.e. the combustion products are used as raw materials in cement production),

• Economic – waste is used as alternative fuel (this waste has high calorific value ranging between 8 and 30 MJ/kg).

Quantity of Drilling Waste

Drilling waste (waste mud) is a mix of non-hazardous and hazardous wastes. It is a mix of:

- Various types of mud and sludge
- Oil-contaminated waste
- Various types of metal
- Waste generated in the marketing and logistic activities

The following table shows the quantities of pollutants in 2014:

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>RS Market, t</td>
<td>9,007</td>
<td>5,395</td>
</tr>
<tr>
<td>NIS/OTE, AdBlue, t</td>
<td>1,000</td>
<td>1,032</td>
</tr>
</tbody>
</table>

The following table shows the quantities of pollutants in 2014:

<table>
<thead>
<tr>
<th>Pollutant</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emission of SO2</td>
<td>1,759</td>
<td>1,479</td>
</tr>
<tr>
<td>Emission of NOx</td>
<td>7,756</td>
<td>6,691</td>
</tr>
<tr>
<td>Emission of particulate matter</td>
<td>69</td>
<td>30</td>
</tr>
</tbody>
</table>

The following table shows the quantities of pollutants in 2014:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hazardous</td>
<td>1,872</td>
<td>14,731</td>
<td>9,885</td>
</tr>
<tr>
<td>Hazardous</td>
<td>1,112</td>
<td>1,034</td>
<td>2,678</td>
</tr>
<tr>
<td>Total</td>
<td>2,984</td>
<td>15,765</td>
<td>12,563</td>
</tr>
</tbody>
</table>

The following table shows the quantities of pollutants in 2014:

<table>
<thead>
<tr>
<th>Disposal Methods</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling</td>
<td>10,285.8</td>
</tr>
<tr>
<td>Storage / Combustion</td>
<td>5.98</td>
</tr>
<tr>
<td>Storage till Exported</td>
<td>22.18</td>
</tr>
<tr>
<td>Solidification</td>
<td>4,973.75</td>
</tr>
<tr>
<td>Combustion</td>
<td>2,696.90</td>
</tr>
<tr>
<td>Re-Refining (Re-Use of Waste Oil)</td>
<td>15.04</td>
</tr>
<tr>
<td>Storage / Disposal</td>
<td>4.11</td>
</tr>
</tbody>
</table>

The following table shows the quantities of pollutants in 2014:

<table>
<thead>
<tr>
<th>List of Disposed Waste by Type</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hazardous</td>
<td>3,975.04</td>
</tr>
<tr>
<td>Cleaning and Washing / Recycling</td>
<td>24.48</td>
</tr>
<tr>
<td>Export</td>
<td>10.29</td>
</tr>
<tr>
<td>Composting</td>
<td>0.00</td>
</tr>
<tr>
<td>Mechanical Treatment / Oil and Water Separation</td>
<td>1,195.77</td>
</tr>
<tr>
<td>Disposal</td>
<td>179.64</td>
</tr>
<tr>
<td>Recycling</td>
<td>10,285.8</td>
</tr>
<tr>
<td>Storage / Combustion</td>
<td>5.98</td>
</tr>
<tr>
<td>Storage till Exported</td>
<td>22.18</td>
</tr>
<tr>
<td>Solidification</td>
<td>4,973.75</td>
</tr>
<tr>
<td>Combustion</td>
<td>2,696.90</td>
</tr>
<tr>
<td>Re-Refining (Re-Use of Waste Oil)</td>
<td>15.04</td>
</tr>
<tr>
<td>Storage / Disposal</td>
<td>4.11</td>
</tr>
</tbody>
</table>
Mud, i.e. liquid, viscose fluid used for the flushing of drilled material during well drilling and the overcoming of pressure of drilled layers. All mud types used in NIS JSC (lignite – sulphate, bentonite, gypsum, Duratherm system and KCL system) are water-based. According to the chemical contents – these are fluids based on suspensions of very active absorbent clay (bentonite), with certain additives (biopolymers and synthetic polymers).

Material from drilled rocks (sandstone, marl, limestone, etc).

According to its chemical contents, waste mud is mostly non-hazardous (except when contaminated by hydrocarbons) – and, as such, is disposed of at non-hazardous waste landfills. In 2010, NIS commissioned the Novo Milosevo waste mud landfill, which was designed and constructed for permanent and safe disposal of waste mud. In 2011, during the works on the new oil wells (the total of 59 wells was driled), the total of 40,000 tons of waste mud was generated, of which 33,000 tons was disposed of, where-as the remaining quantity of about 7,000 tons will be disposed of during 2015.

All drilling rigs used by NIS have a dry drilling system in place which stores waste mud material while drilling.

<table>
<thead>
<tr>
<th>Type of Packaging</th>
<th>Type of Packaging Material</th>
<th>Quantity of the Packaging Placed onto the Market (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic</td>
<td>PET</td>
<td>281,944</td>
</tr>
<tr>
<td></td>
<td>Other Types of Plastic</td>
<td>52,395</td>
</tr>
<tr>
<td>Metal</td>
<td>Iron</td>
<td>0</td>
</tr>
<tr>
<td>Paper and Cardboard</td>
<td>Paper and Cardboard</td>
<td>55,345</td>
</tr>
<tr>
<td>Wood</td>
<td>Pallets</td>
<td>64,790</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>407,341</td>
</tr>
</tbody>
</table>

Biofuels

The production of biofuels is one of the areas included in the NIS strategy. The use of this type of fuels reduces the impact of Company activities on the environment through the reduction of greenhouse gases and the production of energy from renewable sources, and, at the same time, all sustainability criteria are met.

Biodiesel production is the production of first-generation fuel, since it is based on materials and raw materials used in the food industry. In 2014, Pančevo Oil Refinery did not blend biocomponents with Euro-diesel, which meant that Euro diesel by was not produced. The refinery dispatched supplies remaining from the previous year in the amount of 204,828 t. This fuel was dispatched to Romania. The Company is considering the possibility of production of the second-generation fuel based on the agricultural production waste.
Appendices
## GRI Indicators

<table>
<thead>
<tr>
<th>Profile</th>
<th>Description</th>
<th>Status</th>
<th>Page number</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-1</td>
<td>Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability</td>
<td>RSD p 4</td>
<td></td>
</tr>
<tr>
<td>G4-2</td>
<td>Report the organization’s name</td>
<td>RSD p 48</td>
<td></td>
</tr>
<tr>
<td>G4-3</td>
<td>Report the location of the organization’s headquarters</td>
<td>RSD p 6</td>
<td></td>
</tr>
<tr>
<td>G4-4</td>
<td>Report the primary brands, products, and services</td>
<td>RSD p 14, AR p 44</td>
<td></td>
</tr>
<tr>
<td>G4-5</td>
<td>Report the name of the organization</td>
<td>RSD p 98</td>
<td></td>
</tr>
<tr>
<td>G4-6</td>
<td>Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the organization’s strategy for addressing sustainability topics covered in the report</td>
<td>RSD p 85</td>
<td></td>
</tr>
<tr>
<td>G4-7</td>
<td>Report the nature of ownership and legal form</td>
<td>RSD p 148</td>
<td></td>
</tr>
<tr>
<td>G4-8</td>
<td>Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)</td>
<td>RSD p 48</td>
<td></td>
</tr>
<tr>
<td>G4-9</td>
<td>Report the scale of the organization, including total number of employees, total number of operations, net sales (for private sector organizations) or net revenues (for public sector organizations), total capitalization broken down in terms of debt and equity (for private sector organizations). Quantity of products or services provided, or other comparable data</td>
<td>RSD p 14, 34, 40</td>
<td></td>
</tr>
</tbody>
</table>
| G4-10   | a. Report the total number of employees by employment contract and gender  
  b. Report the total number of permanent employees by employment type and gender  
  c. Report the total workforce by region and gender  
  d. Report whether a substantial portion of the organization’s work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors  
  e. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries) | RSD p 44 |
| G4-11   | Report the percentage of total employees covered by collective bargaining agreements | RSD p 48 |
| G4-12   | Describe the organization’s supply chain | RSD p 94 |
| G4-13   | Report any significant changes during the reporting period regarding the organizations size, structure, ownership, or its supply chain | RSD p 6 |
| G4-14   | Report whether and how the precautionary approach or principle is addressed by the organization | AR p 44, 90 |
| G4-15   | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses | RSD p 20 |
| G4-16   | List memberships of associations (such as industry associations and national or international advocacy organizations) in which the organization holds a position on the governing body. Participates in projects or committees. Provides substantive funding beyond routine membership dues. Views membership as strategic | RSD p 20 |

### Profile Description

- **G4-17**: List all entities included in the organization’s consolidated financial statements or equivalent documents  
  - **RSD p 6**  
    - **AR p 44, 90**
- **G4-18**: Explain the process for defining the report content and the Aspect Boundaries  
  - **RSD p 6**  
    - **AR p 44, 90**
- **G4-19**: Explain how the organization has implemented the Reporting Principles for Defining Report Content  
  - **RSD p 6**  
    - **AR p 44, 90**
- **G4-20**: List all the material Aspects identified in the process for defining report content  
  - **RSD p 7**
- **G4-21**: For each material Aspect, report the Aspect Boundary within the organization  
  - **RSD p 7**
- **G4-22**: For each material Aspect, report the Aspect Boundary outside the organization  
  - **RSD p 7**
- **G4-23**: Report any significant changes during the reporting period in the scope and Aspect Boundaries  
  - **RSD p 6**
- **G4-24**: Provide a list of stakeholder groups engaged by the organization  
  - **RSD p 20**
- **G4-25**: Report the basis for identification and selection of stakeholders with whom to engage  
  - **RSD p 20**
- **G4-26**: Report the organization’s approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process  
  - **RSD p 20**
- **G4-27**: Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns  
  - **RSD p 7**
- **G4-28**: Reporting period (such as fiscal or calendar year) for information provided  
  - **RSD p 6**
- **G4-29**: Date of most recent previous report (if any)  
  - **RSD p 6**
- **G4-30**: Reporting cycle (such as annual, biannual)  
  - **RSD p 6**
- **G4-31**: Provide the contact point for questions regarding the report or its contents  
  - **RSD p 148**
- **G4-32**: a. Report the organization’s policy and current practice with regard to seeking external assurance for the report  
  b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided  
  - **RSD p 106**
- **G4-33**: a. Report the organization’s policy and current practice with regard to seeking external assurance for the report  
  b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided  
  - **RSD p 106**
- **G4-34**: Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts  
  - **RSD p 18**
- **G4-35**: Describe the organization’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics  
  - **RSD p 16**
<table>
<thead>
<tr>
<th>Topic</th>
<th>Indicator</th>
<th>Description</th>
<th>Status</th>
<th>Page number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accidents</td>
<td>EN 24</td>
<td>Total Number And Volume Of Significant Spills</td>
<td></td>
<td>RSD p 85</td>
</tr>
<tr>
<td>Economic indicators</td>
<td>EC 1</td>
<td>Short Economic Value Generated And Distributed</td>
<td></td>
<td>RSD p 29</td>
</tr>
<tr>
<td></td>
<td>EC 3</td>
<td>Coverage Of The Organization’s Defined Benefit Plan Obligations</td>
<td></td>
<td>RSD p 103</td>
</tr>
<tr>
<td></td>
<td>EC 4</td>
<td>Financial Assistance Received From Government</td>
<td></td>
<td>RSD p 102</td>
</tr>
<tr>
<td>Air pollution emissions</td>
<td>EN 20</td>
<td>Emissions Of Ozone-Depleting Substances (ODS)</td>
<td></td>
<td>RSD p 29</td>
</tr>
<tr>
<td></td>
<td>EN 21</td>
<td>Nox, Sox, And Other Significant Air Emissions</td>
<td></td>
<td>RSD p 93</td>
</tr>
<tr>
<td></td>
<td>DG 6</td>
<td>Volume Of Flared And Vented Hydrocarbon</td>
<td></td>
<td>RSD p 84</td>
</tr>
<tr>
<td>Consumer satisfaction</td>
<td>PR 5</td>
<td>Results Of Surveys Measuring Customer Satisfaction</td>
<td></td>
<td>RSD p 36</td>
</tr>
<tr>
<td></td>
<td>PR 8</td>
<td>Total Number Of Substantiated Complaints Regarding Breaches Of Customer Privacy And Losses Of Customer Data</td>
<td></td>
<td>RSD p 56</td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td>LA 5</td>
<td>Percentage Of Total Workforce Represented In Formal Joint Management-Worker Health And Safety Committees That Help Monitor And Advise On Occupational Health And Safety Programs</td>
<td></td>
<td>RSD p 86</td>
</tr>
<tr>
<td></td>
<td>LA 6</td>
<td>Type Of Injury And Rates Of Injury, Occupational Diseases, Lost Days, And Absenteeism, And Total Number Of Work-Related Fatalities, By Region And By Gender</td>
<td></td>
<td>RSD p 55</td>
</tr>
<tr>
<td></td>
<td>LA 7</td>
<td>Workers With High Incidence Or High Risk Of Diseases Related To Their Occupation</td>
<td></td>
<td>RSD p 56</td>
</tr>
<tr>
<td></td>
<td>LA 8</td>
<td>Health And Safety Topics Covered In Formal Agreements With Trade Unions</td>
<td></td>
<td>RSD p 56</td>
</tr>
<tr>
<td>Protection or remediation of polluted soil</td>
<td>EN 35</td>
<td>Habitats Protected Or Restored</td>
<td></td>
<td>RSD p 88</td>
</tr>
<tr>
<td>Investments</td>
<td>EN 31</td>
<td>Total Environmental Protection Expenditures And Investments By Type</td>
<td></td>
<td>RSD p 76</td>
</tr>
<tr>
<td>Product Quality</td>
<td>DG 8</td>
<td>Benzene, Lead And Sulphur Content In Fuels</td>
<td></td>
<td>RSD p 36</td>
</tr>
<tr>
<td></td>
<td>PR 3</td>
<td>Type Of Product And Service Information Required By The Organization’s Procedures For Product And Service Information And Labeling, And Percentage Of Significant Product And Service Categories Subject To Such Information Requirements</td>
<td></td>
<td>RSD p 56</td>
</tr>
<tr>
<td></td>
<td>PR 4</td>
<td>Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning Product And Service Information And Labeling, By Type Of Outcomes</td>
<td></td>
<td>RSD p 56</td>
</tr>
<tr>
<td></td>
<td>PR 6</td>
<td>Sale Of Banned Or Disputed Products</td>
<td></td>
<td>RSD p 103</td>
</tr>
<tr>
<td></td>
<td>PR 9</td>
<td>Monetary Value Of Significant Fines For Non-Compliance With Laws And Regulations Concerning The Provision And Use Of Products And Services</td>
<td></td>
<td>RSD p 103</td>
</tr>
<tr>
<td>Topic</td>
<td>Indicator</td>
<td>Description</td>
<td>Status</td>
<td>Page number</td>
</tr>
<tr>
<td>Used materials</td>
<td>EN 1</td>
<td>Materials Used By Weight Or Volume</td>
<td></td>
<td>RSD p 77</td>
</tr>
<tr>
<td></td>
<td>EN 2</td>
<td>Percentage Of Materials Used That Are Recycled Input Materials</td>
<td></td>
<td>RSD p 77</td>
</tr>
<tr>
<td>Corporate management</td>
<td>SO 3</td>
<td>Total Number And Percentage Of Operations Assessed For Risks Related To Corruption And The Significant Risks Identified</td>
<td></td>
<td>RSD p 78</td>
</tr>
<tr>
<td></td>
<td>SO 4</td>
<td>Communication And Training On Anti-Corruption Policies And Procedures</td>
<td></td>
<td>RSD p 73</td>
</tr>
<tr>
<td></td>
<td>SO 5</td>
<td>Confirmed Incidents Of Corruption And Actions Taken</td>
<td></td>
<td>RSD p 73</td>
</tr>
<tr>
<td>Lobbying</td>
<td>SO 6</td>
<td>Total Value Of Political Contributions By Country And Recipient/Beneficiary</td>
<td></td>
<td>RSD p 103</td>
</tr>
<tr>
<td>Renewable energy resources</td>
<td>DG 14</td>
<td>Volume Of Biofuels Produced And Purchased Meeting Sustainability Criteria</td>
<td></td>
<td>RSD p 93</td>
</tr>
<tr>
<td>Relations with employees</td>
<td>EC 5</td>
<td>Ratio Of Standard Entry Level Wage By Gender Compared To Local Minimum Wage At Significant Locations Of Operation</td>
<td></td>
<td>RSD p 51</td>
</tr>
<tr>
<td></td>
<td>EC 6</td>
<td>Proportion Of Senior Management Hired From The Local Community At Significant Locations Of Operation</td>
<td></td>
<td>RSD p 54</td>
</tr>
<tr>
<td></td>
<td>LA 1</td>
<td>Total Number And Rates Of New Employee Hires And Employee Turnover By Age Group, Gender And Region</td>
<td></td>
<td>RSD p 44</td>
</tr>
<tr>
<td></td>
<td>LA 2</td>
<td>Benefits Provided To Full-Time Employees That Are Not Provided To Part-time Employees, By Significant Locations Of Operation</td>
<td></td>
<td>RSD p 49</td>
</tr>
<tr>
<td></td>
<td>LA 3</td>
<td>Return To Work And Retention Rates After Parental Leave, By Gender</td>
<td></td>
<td>RSD p 48</td>
</tr>
<tr>
<td></td>
<td>LA 4</td>
<td>Minimum Notice Periods Regarding Operational Changes, Including Whether These Are Specified In Collective Agreements</td>
<td></td>
<td>RSD p 48</td>
</tr>
<tr>
<td></td>
<td>LA 11</td>
<td>Percentage Of Employees Receiving Regular Performance And Career Development Reviews, By Gender And By Employee Category</td>
<td></td>
<td>RSD p 51</td>
</tr>
<tr>
<td></td>
<td>LA 12</td>
<td>Composition Of Governance Bodies And Breakdown Of Employees Per Employee Category According To Gender, Age Group, Minority Group Membership, And Other Indicators Of Diversity</td>
<td></td>
<td>RSD p 38, AP p 35</td>
</tr>
<tr>
<td></td>
<td>LA 13</td>
<td>Ratio Of Basic Salary And Remuneration Of Women To Men By Employee Category, By Significant Locations Of Operation</td>
<td></td>
<td>RSD p 51</td>
</tr>
</tbody>
</table>
### Relations with employees

| HR 3 | Total Number Of Incidents Of Discrimination And Corrective Actions Taken | RSD p 44 |
| HR 4 | Operations And Suppliers Identified As Having Significant Risk For Incidents Of Child Labor, And Measures Taken To Contribute To The Effective Abolition Of Child Labor | RSD p 45 |
| HR 5 | Operations And Suppliers Identified As Having Significant Risk For Incidents Of Forced Or Compulsory Labor, And Measures To Contribute To The Elimination Of All Forms Of Forced Or Compulsory Labor | RSD p 45 |

### Legal issues

| EN 29 | Monetary Value Of Significant Fines And Total Number Of Non-Monetary Sanctions For Non-Compliance With Environmental Laws And Regulations | RSD p 103 |
| PR 2 | Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning The Health And Safety Impacts Of Products And Services During Their Life Cycle, By Type Of Outcomes | RSD p 36 |
| PR 7 | Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning Marketing Communications, Including Advertising, Promotions, And Sponsorship, By Type Of Outcomes | RSD p 36 |
| SO 7 | Total Number Of Legal Actions For Anti-Competitive Behavior, Anti-Trust, And Monopoly Practices And Their Outcomes | RSD p 103 |
| SO 8 | Monetary Value Of Significant Fines And Total Number Of Non-Monetary Sanctions For Non-Compliance With Laws And Regulations | RSD p 103 |
| SO 11 | Number Of Grievances About Impacts On Society Filed, Addressed, And Resolved Through Formal Grievance Mechanisms | RSD p 74 |

### Oil and gas reserves

| OG 1 | Volume And Type Of Estimated Proved Reserves And Production | RSD p 103 |

### Cooperation with educational institutions

| EC 7 | Development And Impact Of Infrastructure Investments And Services Supported | RSD p 66 |

### Reduction of negative influence of products

| EN 27 | Extent Of Impact Mitigation Of Environmental Impacts Of Products And Services | RSD p 90 |

### Investment into the local community

| EC 7 | Development And Impact Of Infrastructure Investments And Services Supported | RSD p 66 |
| OG 10 | Number And Description Of Significant Disputes With Local Communities And Indigenous Peoples | RSD p 103 |
| OG 12 | Operations Where Involuntary Resettlement Took Place, The Number Of Households Resettled In Each And How Their Livelihoods Were Affected In The Process | RSD p 103 |

### Water management

| EN 8 | Total Water Withdrawal By Source | RSD p 83 |
| EN 9 | Water Sources Significantly Affected By Withdrawal Of Water | RSD p 83 |
| EN 10 | Percentage And Total Volume Of Water Recycled And Reused | RSD p 83 |
| EN 22 | Total Water Discharge By Quality And Destination | RSD p 83 |
| GC 5 | Volume And Disposal Of Formation Or Produced Water | RSD p 84 |

### Supplier relation management

| EC 9 | Proportion Of Spending On Local Suppliers At Significant Locations Of Operation | RSD p 75 |
| SO 3 | Percentage Of New Suppliers That Were Screened Using Criteria For Impacts On Society | RSD p 75 |
| SO 10 | Significant Actual And Potential Negative Impacts On Society In The Supply Chain And Actions Taken | RSD p 75 |

### Waste management

| EN 23 | Total Weight Of Waste By Type And Disposal Method | RSD p 90 |
| EN 28 | Percentage Of Products Sold And Their Packaging Materials That Are Reclaimed By Category | RSD p 91 |
| GC 7 | Amount Of Drilling Waste (Drill Mud And Cuttings) And Strategies For Treatment And Disposal | RSD p 91 |

### Energy consumption management

| EN 3 | Energy Consumption Within The Organization | RSD p 81 |
| EN 5 | Energy Intensity | RSD p 81 |

### Technical asset management

| OG 15 | Number Of Process Safety Events, By Business Activity | RSD p 95, 85 |

### Transportation management

| EN 90 | Significant Environmental Impacts Of Transporting Products And Other Goods And Materials For The Organization’S Operations, And Transporting Members Of The Workforce | RSD p 95 |

### Impacts on biodiversity and ecosystem

| EN 11 | Operational Sites-Owned, Licensed, Managed In, Or Adjacent To, Protected Areas And Areas Of High Biodiversity Value Outside Protected Areas | RSD p 88 |

### Is not related to any topic

| RR 8 | Total Number Of Incidents Of Violations Involving Rights Of Indigenous Peoples And Actions Taken | RSD p 103 |

## Complete

- RSD Report on Sustainable Development 2014
- AB 2014 Annual Business Report
- CGC Corporate Governance Code
### An overview of subsidies in 2013 and 2014

<table>
<thead>
<tr>
<th>Name of programme</th>
<th>Amount of subsidy per agreement</th>
<th>Funds paid in:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013</td>
<td>2014</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>The “First Chance” Agreement – National Employment Service Serbia</td>
<td>562,397.92</td>
<td>562,397.92</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Agreement of establishing mutual rights and obligations in the implementation of the project “NIS Chance” with APV and the City of Pančevo 2012.</td>
<td>6,394,762.74</td>
<td>3,850,128.90</td>
<td>3,850,128.90</td>
<td></td>
<td></td>
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<tr>
<td>The Agreement of establishing mutual rights and obligations in the implementation of the project “NIS Chance” with APV for 2013.</td>
<td>21,922,228.80</td>
<td>21,922,228.80</td>
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<td></td>
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<tr>
<td>The Agreement of establishing mutual rights and obligations in the implementation of the project “NIS Chance” with The City of Pančevo for 2013.</td>
<td>11,235,141.28</td>
<td>6,167,897.58</td>
<td>9,456,232.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Agreement of establishing mutual rights and obligations in the implementation of the project “NIS Chance” with The City of Zrenjanin for 2013.</td>
<td>10,207,536.89</td>
<td>8,494,865.52</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>The Annex to the Agreement of establishing mutual rights and obligations in the implementation of the programs or measures of active employment policy with the APV for 2014.</td>
<td>12,937,795.49</td>
<td>12,937,795.49</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,643,390.66</strong></td>
<td><strong>18,900,518.53</strong></td>
<td><strong>36,523,609.19</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**EC 3** – The company calculates in the liabilities for the payment of severance pay and pensions for employees as well as for anniversary rewards.

**EN 20** – The company does not engage in production, import, or export of substances which deplete the ozone layer.

**FR 6** – In 2014, the company did not sell products which are prohibited or subject to public debate in certain markets.

**PR 9** – In 2014, there were no penalties due to non-compliance with laws and regulations relating to the provision of services and use of company products.

**SO 6** – According to the adopted document “Foreign Policy,” the official view of the Company is that it does not fund the operation of political parties.

**SO 7** – In 2014, there were no open legal proceedings or legal actions against the Company on account of anti-competitive and monopolizing behaviour.

**SO 8** – In 2014, no significant penalties or fines were imposed against the Company on account of non-compliance with the laws and regulations.

**OG 1** – In line with the legislation of the Republic of Serbia, the company is unable to report on the assessed quantity and value of oil and gas reserves.

**OG 10** – In 2014, 4 legal actions were taken on account of compensation of the damage for non-use of land or re-cultivation. One legal action was resolved by out-of-court settlement.

**OG 11** – In 2014, there were no actions taken or ongoing against the Company on account of dislocating of population or affecting their lives in the process.

**HR 8** – In 2014, there were no violations of the local population’s rights.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>REACH</td>
<td>Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.</td>
</tr>
<tr>
<td>Grade</td>
<td>Level allotted to certain positions based on task assessment. Jobs allotted the same grade have approximately the same relative value in the Company regardless of the function or organizational part they belong to.</td>
</tr>
<tr>
<td>MAC</td>
<td>Maximum Allowed Concentration</td>
</tr>
<tr>
<td>ELV</td>
<td>Emission Limit Value</td>
</tr>
<tr>
<td>PCB</td>
<td>Polychlorinated biphenyls</td>
</tr>
<tr>
<td>GRI</td>
<td>The Global Reporting Initiative (GRI) is an international non-profit organization founded in 1997 in order to achieve the highest quality of corporate reporting on sustainable development. GRI standards are improved each year and since 2006 G3, a so-called third generation of reporting on sustainable development has been applied. G3 consists of the principles and indicators which define the frame for the content and quality of reports on sustainable development as well as guidance for setting the limits in reporting. G3 principles can be used by small companies, big multinational companies, public sector, non-governmental and other organizations throughout the world.</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>All private individuals and legal entities interested in the business activities of the Company who have influence on the business results of the Company or are under its influence.</td>
</tr>
<tr>
<td>Directly Generated Value</td>
<td>Income from sale + financial revenue + lease revenue + interest revenue + net result on the basis of the sale of capital assets</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>Procurement cost of the sold goods + cost of material + other business expenses – various kinds of taxes</td>
</tr>
<tr>
<td>Remediation</td>
<td>A term generally used for cleaning and renewal-restoration (revegetation, revitalization, regeneration) of a polluted spot – area or otherwise damaged environment as a result of human activity.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings before interest, taxes and depreciation and amortization.</td>
</tr>
</tbody>
</table>
Limited Assurance Report on the Report on Sustainable Development

TO THE BOARD OF MANAGERS
NIS A.D. MOVI SAD

Scope and Responsibility
We have reviewed the Report on Sustainable Development for 2014 of the NIS a.d. Navi Sad (the "Company"). Management is responsible for the preparation of the Report on Sustainable Development in accordance with the G3 Global Reporting Initiative Guidelines (GRI), as set out in "On the Report and Reporting Principles" section. Management is also responsible for determining the Company’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.

Performed Procedures
We carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 2000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)" issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we comply with applicable ethical requirements of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

These procedures included:
- comparison of information and data presented in the "Economic Development" section of the Report on Sustainable Development to the corresponding information and data included in the Company’s consolidated financial statements as at and for the year ended 31 December 2014, as published by the Company on its website;
- analysis of the functioning of key processes for generating, recording and managing quantitative data presented in the Report. In particular, we performed the following procedures:
  - interviews and discussions with management of the Company to gather information on the IT, auditing and reporting systems used in preparing the sustainability report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the Report;
  - sampling and analysis of transactions and balances to test the accuracy of the data and information presented in the Report;
  - testing controls designed to ensure the integrity and completeness of the data and information presented in the Report;
  - testing the completeness and accuracy of the information presented in the Report against management’s assertions and other supporting documents.

Opinion
Based on the procedures performed, nothing has come to our attention that causes us to believe that the Report on Sustainable Development for 2014 of the Company is not prepared, in all material respects, in accordance with the G3 GRI - Global Reporting Initiative, as set out in "On the Report and Reporting Principles" section.

As indicated by the directors in "On the Report and Reporting Principles" section of the Report on Sustainable Development for 2014, the Company intends to continue to expand the report through further standardization of the existing information and data gathering procedures.

Belgrade, 30 June 2015
KPMB d.o.o. Beograd
(L.S.)
James Thomsen
Partner

This is a translation of the original Limited Assurance Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.
Contact

NIS J.S.C. Novi Sad
e-mail: office@nis.eu
2 Narodnog Fronta Street
21000 Novi Sad
(021) 48 1111
1 Milentija Popovica Street
11000 Belgrade
(011) 51 3111

Investor Relations
e-mail: investor.relations@nis.eu
2 Narodnog Fronta Street
21000 Novi Sad, Serbia

Minority Shareholders Sector
e-mail: servis.akcionara@nis.eu
2 Narodnog Fronta Street
21000 Novi Sad, Serbia
Info Desk: (021) 22 000 55