

Report on Sustainable Development 2018



We are drivers of change

Serbia is our home

Innovative in technologies

Mobile towards resources

For the community

Resolute to empowering the young

2018

**Report on
Sustainable
Development**



FUTURE
AT WORK

CEO's Foreword	4
Company Profile	8
NIS Group	9
Awards and Acknowledgements	9
Mission, Vision, Values	10
On the Report and reporting principles	12
Materiality matrix	12
Dialogue with stakeholders	15
Corporate Responsibility	18
Sustainable Development Goals	20
3 Good Health and Well-Being	22
4 Quality Education	26
5 Gender Equality	30
6 Clean Water and Sanitation	34
7 Affordable and Clean Energy	38
8 Decent Work and Economic Growth	42
9 Industry, Innovation and Infrastructure	46
11 Sustainable Cities and Communities	50
12 Responsible Consumption and Production	54
13 Climate Action	58
15 Life on Land	62
16 Peace, Justice and Strong Institutions	66
GRI Disclosures	70
General Standard Disclosures	70
Specific Standard Disclosures	72

Appendices 122

Auditor's Report	122
Glossary	126
Contact Information	128

NIS Sustainable Development Report aims to present the Company's business operations from 2018. Our goal is to provide a secure and stable energy supply which will meet the needs of the growing population, and simultaneously generate long-term value for our shareholders, employees and the community in which we operate.

The Report has been prepared in compliance with the international standards of the Global Reporting Initiative GRI G4, with an addendum on the Oil and Gas Sector. The compliance of the Report with the GRI standard and the accuracy of information provided in the Report on the Company's business operations from 2018 were assessed and verified by Ernst & Young, an independent auditing company. This Sustainable Development Report has been prepared in Serbian, English and Russian. In the event of any inconsistency, the Serbian version shall prevail.

CEO's Foreword



Kirill Tyurdenev
Chief Executive Officer
NIS j.s.c. Novi Sad



Dear friends,

Sustainable development is the foundation of all business processes at NIS, stringent adherence to its principles has considerably contributed to the results we have achieved in the last decade, the results that have changed the very core of our company transforming it into a major player of the regional energy market. Furthermore, these are the principles that guide our further development under complex conditions imposed by external environment.

We invested a total of 41 billion dinars in our company's development in 2018, an increase of 55% on last year's investment volume. Our financial and business performance indicates that we are on the right track and that implementation of development projects shall remain our primary focus in the years to come.

“Sustainable development is the foundation of all business processes at NIS”

The driver of our success at NIS is the cornerstone of sustainable development – care about people regardless of how this care manifests itself: through equal opportunities for our employees, gender equality or our willingness to provide our people with continuous development opportunities and transform them into leaders in their area. Safety of our employees, contractors, visitors and community overall is of equal importance to us. It is only fair that our consumers expect us to continuously improve the quality of our products and services, and we aspire to meet these expectations. At the same time, we are committed to developing the communities where we operate and remaining a reliable partner in the joint effort to enhance the living standards of our fellow citizens.

Our focus on human resources as the groundwork for sustainable development and NIS driving force is of particular importance now in the time of

permanent changes that press us to become increasingly flexible and rapid. On the one hand, our industry is facing growing energy needs of a modern society, while on the other hand we see a reinforced demand to produce such energy in an environmentally friendly manner that curbs the pace of climatic changes. With the fourth industrial revolution in its prime, we are obliged to promptly grasp the changes under way and apply new technologies in order to remain efficient, agile in decision-making and capable of foreseeing the growing needs of our customers. We need change-conscious specialists able to put into life the digital transformation of NIS that we view as a development opportunity, the people who will introduce new values, both in the company and society, on the whole.

This is exactly why we exert our best effort to foster the development of such experts. We cooperate

“At the time of dramatic and unforeseeable changes, NIS follows its chartered course forward”

with 30 faculties and three specialized scientific societies in Serbia and abroad. Concurrently, we try to foster professional growth of our own employees. In 2018, we invested 237 million dinars in skill, knowledge and capacity building of our staff and held over 2,000 training courses. In-house Corporate University saw a record number of participants of its programs last year - 2,500.

We devote much attention to natural resources. In 2018, we invested around 320 million dinars in environmental projects, and safety improvement will remain high on our corporate agenda in the years ahead. Furthermore, we have worked on boosting the energy efficiency of our technological processes and thus achieved the effect of 522 million dinars.

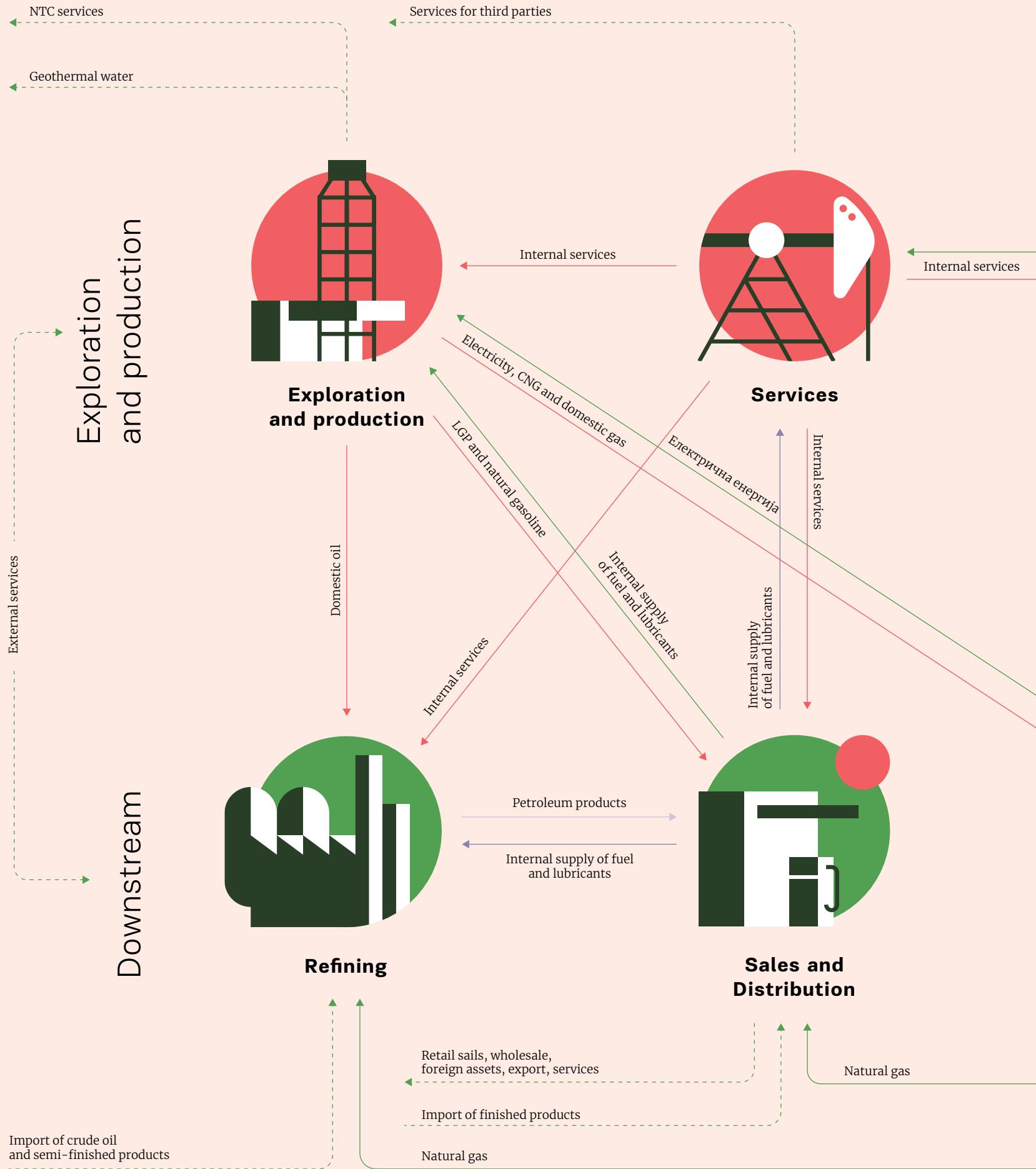
We pride ourselves on marking the tenth anniversary of our collaboration with local communities throughout Serbia within our CSR program “To-

gether for the Community”. Since its inception, we have implemented over 900 projects jointly with our partners and invested over a billion dinars. To be more specific, the outcomes of program implementation include renovated schools and classrooms equipped with up-to-date facilities, repaired laboratories, refurbished kindergartens and playgrounds, enhanced sport infrastructure, a variety of cultural and artistic events. I am convinced that in the future we will be able to jointly implement numerous other successful projects that will serve the society.

To conclude, let me point out that in the forthcoming period NIS plans to execute several major investment projects, the most crucial being further modernization of our refining capacities and construction of new power plants: combined heat and power plant Pančevo and a wind park in Plandište. It is an important step in our development but we

assign equal importance to other goals, namely, environmental protection and generation of gas and wind power. We see this as our contribution to the improvement of Serbia's ecology and fulfilment of our country's international obligations in the area of environmental protection. At the same time, we will be able to hire young local specialists thus giving them a chance to pursue career in Serbia.

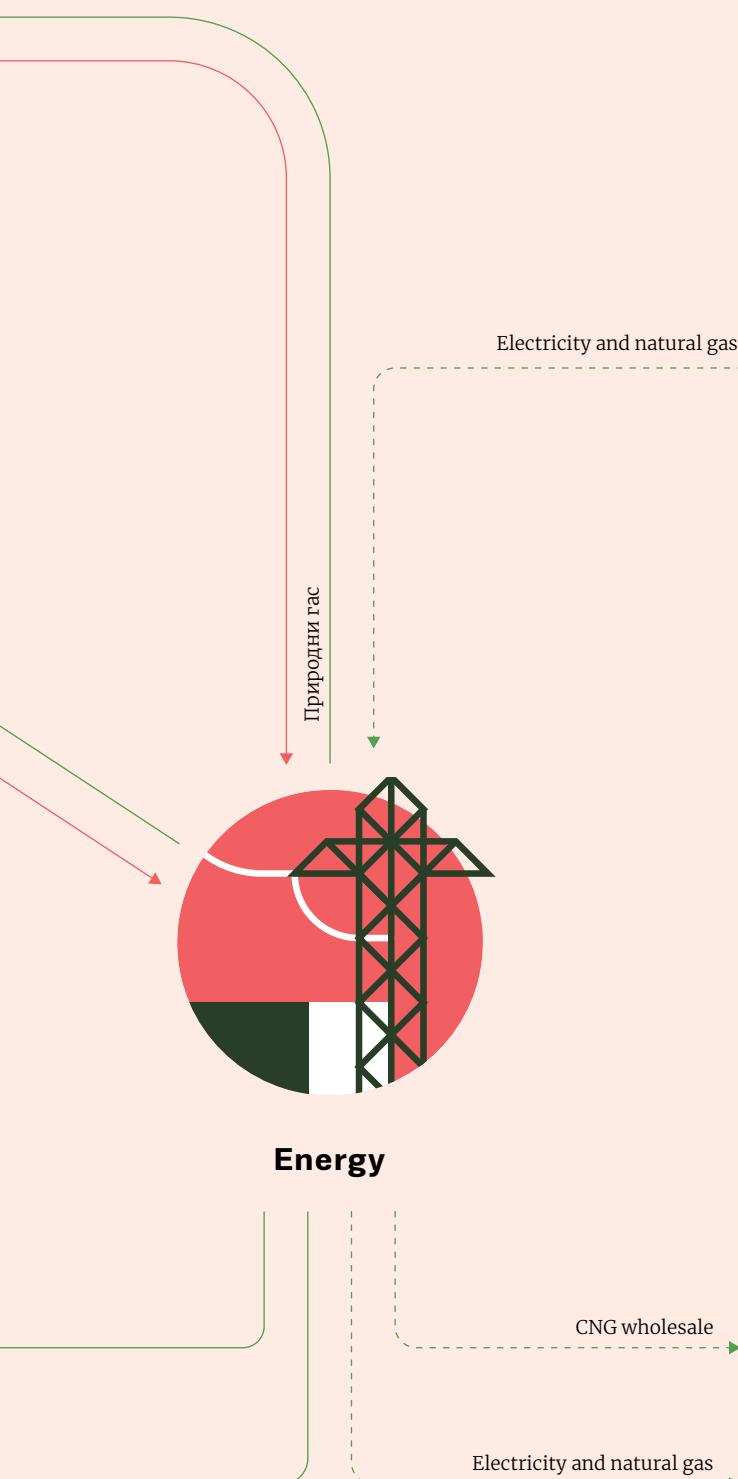
At the time of dramatic and unforeseeable changes, NIS follows its chartered course forward. Our 2025 development strategy sets the tasks we are committed to fulfilling in order to create new values for our shareholders, employees and the communities we work in. Sustainable development principles ingrained in our business processes will be our allies on the way towards these ambitious goals.



NIS Group

The NIS Group is one of the largest vertically integrated energy systems in Southeast Europe. As a company which employs 11,000 people, NIS aims to create new value for its shareholders, employees and the community in which it operates, despite the challenging macro environment.

The NIS Group's core business activities are exploration, production and refining of oil and natural gas, sale of a broad range of petroleum and natural gas products, and implementation of projects in the areas of petrochemical and energy industry. The main processing units of the NIS Group are located in the Republic of Serbia, but the Company also has subsidiaries and representative offices in several other countries.



Awards and Recognitions:

Captain Miša Anastasijević Award for the best company in Serbia

Best of Serbia Award for the best corporate brand in the category Manufactured Goods and Business Services

Corporate Superbrands Award – 1st first place in the Energy category

Gold Plaque for Best Investor Relations by the Belgrade Stock Exchange

NIS Petrol in Romania was awarded for its socially responsible business practices by the City Administration of Oradea, Romania, and a local

NIS Petrol in Bulgaria was awarded for the best road safety campaign

On the Road with Us Debit Card won the award for the most innovative product in the bank card sector for 2018

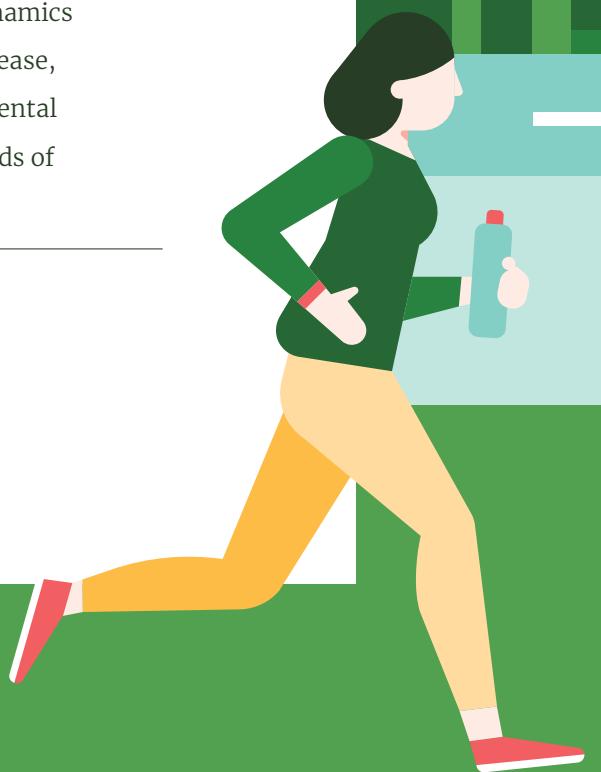


Mission

By responsible use of natural resources and the state-of-the-art technology, supply the people of the Balkan region with the energy for making progress.

Vision

NIS will be a recognizable leader of the Balkan region in its field of business activity, owing to the dynamics of sustainable development and efficiency increase, by showing a high level of social and environmental responsibility as well as contemporary standards of providing services to the clients.





Values

Professionalism

Acquiring up-to-date knowledge in order to permanently increase the level of professional expertise and the ability to implement it in specific business processes.

Initiative and responsibility

Finding and proposing new solutions, both in the area of work responsibilities, as well as in the area of Company's interests.

Positive Attitude and Cooperation

Readiness to participate in multifunctional groups and projects, eagerness to meet demands of colleagues from other units of the company, willingness to exchange information, ability to work in teams.

Shared Results

Joint efforts in achieving visible and meaningful results, a desire to succeed accompanied by inescapable mutual assistance and cooperation of employees.



On the Report and reporting principles

Materiality Matrix

The Report focuses on challenges the Company faced in its operations during 2018, as well as on the business topics crucial to both NIS and all interested parties, as defined in the Materiality Matrix.

The Materiality Matrix undergoes revision every two years, which is a structured process that involves the key interested parties. The objective of these revisions is to define topics which will clearly represent the pivotal points for the Company and its future.

The Company continues to engage in an active dialogue with interested parties and regularly reviews all topics crucial to both sides. This Report includes additional indicators that are relevant for the operations of both the Company and interested parties, and which exceed the basic requirements under the GRI reporting standards.

The Report was prepared on the basis of the following methodology, rules and principles outlined in the GRI Standards:

Materiality

Adherence to the materiality principle in the selection of topics means that the Report also covers the topics that may materially affect the assessments and decisions of governing bodies and interested parties.

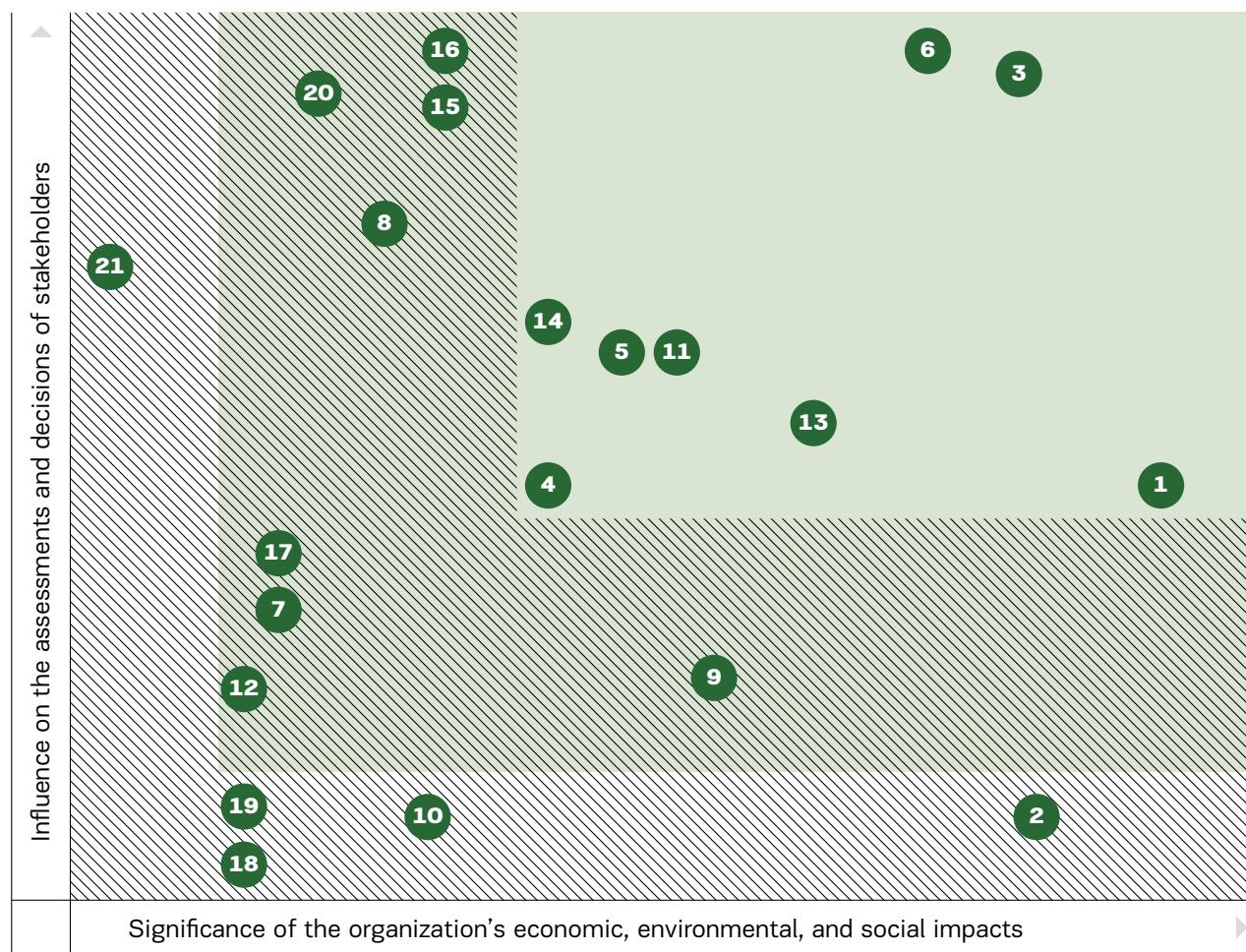
The Materiality Matrix is based on the results of surveys, i.e. interviews conducted with all interested parties, topics from sustainable development reports of other international oil and gas companies, and topics which are relevant for all interested parties (as recommended in the GRI guidelines).

Inclusion

The Report represents all interested parties, and the communication with them is outlined in the chapter titled 'Dialogue with Interested Parties'.

Sustainability

The Report contains data and activities of NIS in the territory of the Republic of Serbia. The Report



TOPIC	SDG*	TOPIC	SDG*
1 Accidents	6, 15	12 Legal Issues	8, 16
2 Economic Indicators	8, 13, 16	13 Oil and Gas Reserves	
3 Air Emissions	12	14 Investments and Impact on the Local Community	9, 11
4 Occupational safety and protection	3, 8	15 Water Management	6, 12
5 Land protection and remediation	15	16 Waste Management	6, 12
6 Product quality	12	17 Energy Consumption Management	7
7 Used materials	8	18 Technical Management	3
8 Renewable energy sources	7	19 Transport Management	
9 Relations with employees	5, 8	20 Impact on Biodiversity and Ecosystems	15
10 Supplier relation Management	12, 16	21 Cooperation with Educational Institutions	4
11 Customer relation Management	16		

* Sustainable Development Goal

presents the plans reflecting the Company's commitment to sustainable development.

Completeness

The data presented in the Report refer to 2018. Where possible, comparable data for 2017 are included. Financial and economic indicators are derived from the consolidated financial statement (source: Annual report 2018, NIS).

The Report presents indicators describing NIS' activities related to the crucial topics for the Company's business operations as defined in the Materiality Matrix.

Balance

Information contained in the Report for 2018 reflects the results and achievements of the Company as well as the challenges it encountered during the year. Unbiased representation of data provides an opportunity for both positive and negative assessments.

Comparability

The Report has been prepared in accordance with the reporting methodology outlined in the GRI Standards, which allows for comparison with previous NIS Sustainable Development Reports, as well as with reports of other domestic and foreign companies.

Accuracy

In its reports, NIS strives to present qualitative and quantitative data with the highest possible degree of accuracy. The Report lists the sources and methodology used for data collection, while financial and economic data can be found in NIS' Annual Report 2018.

Timeliness

This Report is published annually and ensures that all interested parties can make timely decisions about the Company and its business operations.

Clarity

The Report is suitable for all interested parties owing to its clear and accessible wording. The specific nature of NIS' business activities makes it difficult to achieve absolute clarity, particularly in the field of environmental protection. All terms and abbreviations that might be unclear are explained in the Glossary.

Reliability

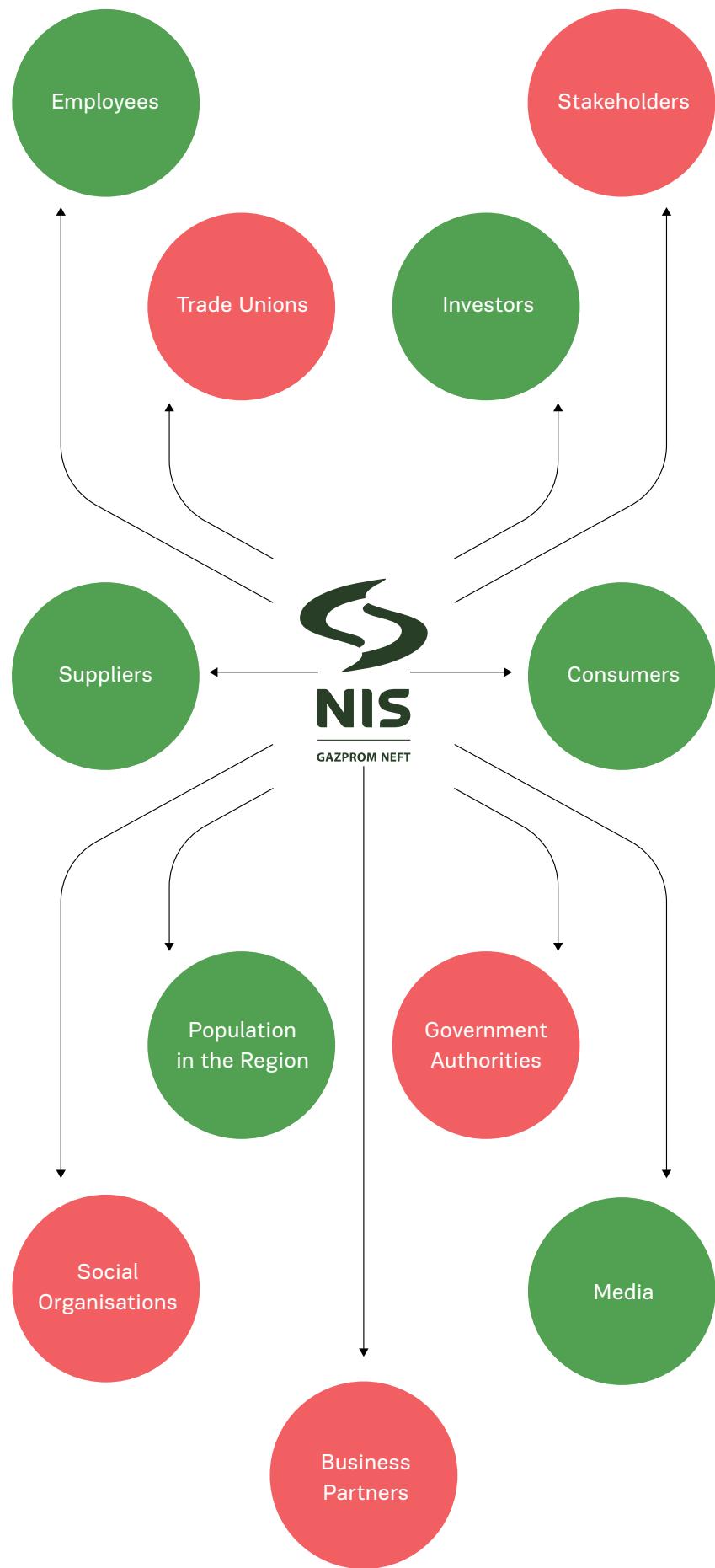
The Report's compliance with the GRI guidelines and the accuracy of its information have been assessed and verified in Serbia by Ernst & Young, an independent auditing company.

Dialogue with stakeholders

NIS builds its relations with shareholders, investors and all other interested parties on mutual trust and two-way communication. In addition, one of the Company's priorities is to ensure that the public is informed about its most relevant business and socially responsible activities in a timely and transparent manner.

In all its business dealings, NIS insists on principles of sustainable development, responsible use of resources, protection of the environment and human health, and the exchange of best practices with its partners and associates. Our aim is to provide our business processes with innovative and modern technologies which will not only improve our financial results, but also boost our energy efficiency and improve the environmental situation in Serbia. Correspondingly, one of NIS' main objectives is to contribute to the development of the community in which it operates, which is the reason why it pays equal attention to its socially responsible programmes in Serbia and the wider region. These efforts received recognition from professionals in the field who awarded NIS numerous times for its contributions in the field of corporate management and social responsibility. Some of these awards are the Gold Plaque of the Belgrade Stock Exchange for best investor relations and St. Sava Award of the Ministry of Education, Science and Technological Development for improving the quality of education.

The compliance with the Business Ethics Code* and transparency in business activities have remained the Company's priorities in its relations with business partners. The Company strives to achieve the highest professional standards by adopting streamlined procedures.



* More information on the Business Ethics Code is available at the web page: <https://www.nis.eu/o-nama/informacije-o-kompaniji/kodeks-poslovne-etike>

Membership

NIS has been a member of several associations and Chambers of Commerce in Serbia and abroad, including:

- National Petroleum Committee of Serbia of the World Petroleum Council (WPC) – since 2011;
- Foreign Investors Council (FIC) – since 2011;
- Chamber of Commerce and Industry of Serbia – since 1991;
- American Chamber of Commerce and Industry in Serbia (AmCham Serbia) – since 2014;
- European Virtual Institute for Integrated Risk Management (EU-VRi) – since 2007;
- Petroleum Committee in Bosnia and Herzegovina – since 2016;
- EU Research and Innovation Platform Vision 2020: The CrowdHelix Network – since 2017.

Relations with Shareholders and Investors

NIS applies the highest standards in the area of information sharing, and gives equal treatment to all users of its information. It also ensures that published information is equally, easily and quickly available to all interested parties.

The Company pays special attention to fostering relations with its investors and shareholders, and ensures that all of them can readily access all relevant information about NIS' business operations, their rights and all other important issues. The following organisational units are responsible for communication with this group of interested parties:

- Sector for Relations with Minority Shareholders, servis.accionara@nis.eu
- Special Call Centre for minority shareholders, telephone number (011) 22 000 55
- Section for Investor Relations, investor.relations@nis.rs
- Special segment of the corporate website 'Investors', ir.nis.eu

The statutory reporting process is defined by special documents which govern the method and process of publishing and submitting information to the relevant authorities. However, in the field of information sharing, NIS goes a step further. After the end of each quarter, the Company organises

presentations of its results, where representatives of the top management and investors work closely together to carefully analyse business activities and their results. Moreover, NIS also participates at investor conferences, and the Company's door is always open for those who wish to obtain more information at face-to-face meetings. Each year, the Company holds an Investor's Day in its offices for the purpose of presenting important projects.

The special section of the corporate website dedicated to investors and shareholders is also an invaluable source of information for all interested parties (<https://ir.nis.eu>). This section of the corporate website is regularly updated with presentations on the latest performance results, financial statements, audit reports, the financial calendar, as well as various other presentations and material.

The quality of investor relations fostered by NIS was reaffirmed by an award which the Company received this year as well. NIS won the Gold Plaque of the Belgrade Stock Exchange for best investor relations in 2018 for the sixth time. The Company competed with 16 other companies from Serbia and the wider region for this renowned prize.

Corporate Website

NIS' corporate website (www.nis.eu) is one of the most important tools for timely and comprehensive communication with the media representatives and other interested parties. This public website has a modern design optimised for any computer or mobile device, and contains regular updates on the Company's activities published in three languages: Serbian, Russian and English. Visitors of the corporate website can also view information about investors, news about the most important development projects and job opportunities in NIS, as well as information on open calls for proposals and procurement procedures. In order to ensure that the NIS Group's activities are fully transparent and readily available to the public, its website contains electronic versions of annual reports as well as reports on sustainable development. For the last few years, these documents have been also available on-line. Additionally, the website contains the Magazine section, where visitors can read technical articles related to NIS' activities.

Consumer Websites

The Company's market presence in Serbia and the wider region is marked by two brands – NIS Petrol (a consumer brand) and GAZPROM (a premium brand of petrol stations).

In order to ensure that our consumers are well-informed about our activities, nearest petrol stations, and products, services and special offers in the largest retail network in Serbia, the Company launched the following websites: www.nispetrol.rs and www.gazprom-petrol.rs.

Since the network of GAZPROM petrol stations is active in three other countries in the region besides Serbia (Bosnia and Herzegovina, Bulgaria and Romania), its website is available in all these countries in their official languages, as well as in English. This website informs our customers about the characteristics and advantages of the premium G-Drive fuel, among other things.

The development of the oil and lubricant sector is very important to the Company, which is one of the leading manufacturers present on the regional market. Constant improvement of product quality and implementation of innovations made it possible for the NISOTEC brand to take the leading position on the Serbian market and to make a significant regional step forward. At the brand's website (www.nisotec.rs), consumers can find the entire NISOTEC product range, detailed information about oils, lubricants and technical fluids, and instructions on vehicle preparation for winter conditions. The site also features a map of all retail outlets, the list of authorized distributors and product recommendations.

In order to show its appreciation for customer loyalty, NIS continued to develop its On the Road with Us loyalty programme in Serbia and other countries. The website www.sanamanaputu.rs provides our customers with instructions on how to join this programme, collect and use bonus points, and informs them about all benefits of this loyalty card. The website also contains information on current sales. Last year, the Company developed On the Road with Us mobile application, which customers can use to check their bonus points at all times. Together with Sberbank, the Company also created

On the Road with Us debit card which offers deferred payment of up to 45 days.

Jazak water is mineral spring water from a well-known Jazak spring on Fruška gora. The website of Jazak Water is www.jazakvoda.rs.

Social Networks

NIS believes that its presence on social media is crucial for fostering a two-way communication with its customers and other interested parties. NIS has accounts on the following social media platforms: Facebook, LinkedIn, Twitter, YouTube and Instagram. On our social media accounts, the followers can read about our key activities; participate in special offers, promotions and giveaways; gain insight into our activities from a different point of view; send their comments and suggestions; and receive answers on their questions about NIS and its products. In order to keep pace with global trends, NIS has been particularly focused on building its presence on the Internet, social media and digital sphere in the last several years.

Our customers can also reach our Call Centre through our toll-free number 08 0000 8888, by sending an email to: office@nis.eu.

Internal Communications

Active development of the Company's corporate culture and well-informed employees are essential for meeting business objectives and improving business operations. The Company uses various information channels and a wide array of tools for promoting key topics.

The development of corporate culture depends largely on the open communication with employees about all current topics – including business results, development plans, employee development and training, safety at work, social security packages and other employee benefits. For its internal communication, NIS employs various information channels which include a large number of communication tools, such as corporate electronic media and notice boards placed at more than 400 locations in Serbia whose purpose is to inform employees in the field.

Corporate publications in Serbian and English, such as monthly and quarterly magazines and special additions to these magazines and other publications, are another source of information for our employees in Serbia and the wider region.

In this process, it is crucial to establish a bi-directional communication between the management and employees, in the form of events such as the Corporate Forum or Direct Dialogues in our Blocks. Employees can also put questions to the management directly via the 'Questions for Management' section on the Intranet Portal.

SOS Line

The SOS line is the key feedback channel which our employees can use for consultations about the Company's ethical norms and through which they can report unlawful and unethical activities, i.e. activities which violate the Code of Business Ethics. To ensure objective and timely resolution of complaints, all cases are reviewed by the coordinator for the implementation of the Code of Business Ethics, as an independent body. Decisions regarding alleged violations of the Code of Business Ethics and the measures for elimination of consequences and prevention of re-occurrence of similar incidents are made by the Corporate Culture and Ethics Council, which are composed of representatives from various organisational units of the Company.

The SOS line can be reached either by phone number 021/481 5005, or by email: soslinija@nis.eu. Additionally, a special phone line and email address were set up for reports of corruption within the Company (phone number: 064/888 5888, email address: dkz.ia@nis.eu).

In 2018, there were five filed and processed complaints in the Company, all reported though the SOS line.

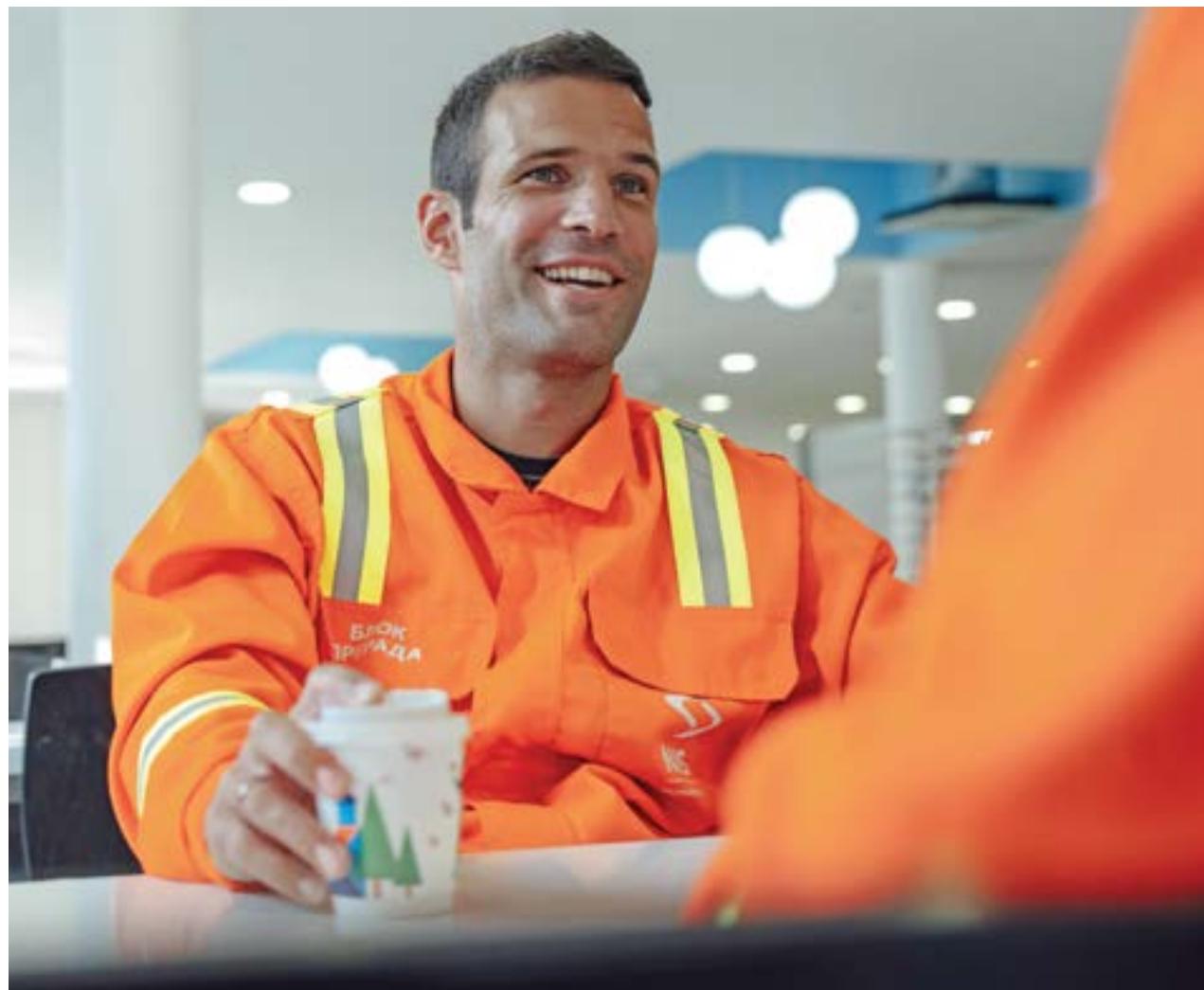
Corporate Responsibility

Responsibility one of the fundamental principles NIS adheres to in its business dealings. This is compounded by the fact that the principles of sustainable development are intertwined with the foundations of all business processes in the Com-

pany. As one of the leading companies in Serbia, NIS believes that its responsibility is not only to generate value for its employees and shareholders through continuous development. We believe that our responsibility also includes constant improvement of environmental protection, occupational health and safety, business climate in the country and the community in which we operate.

In 2018, NIS invested a record RSD 41 billion into its further development, while Gazprom Neft has invested around three billion euros in it since 2009, when it became NIS' majority shareholder. Owing to these investments, NIS has become one of the leading companies and exporters in Serbia, and a company which strives to boost the economic growth of the entire country. NIS is also the largest contributor to the national budget, and the NIS Group's tax liabilities and other liabilities payable to the government totalled nearly RSD 193 billion in 2018. Another goal of the Company is to contribute to the development of Serbia's business community. This refers to strict regulations which its suppliers and contractors must comply with, and to the exchange of best practices and experiences with its partners. NIS is also known for fostering transparent relations and a two-way communication with its investors and shareholders, for which it received recognition – another Gold Plaque of the Belgrade Stock Exchange for best investor relations in 2018.

It is worth noting that NIS does not focus solely on its business successes – it also strives to achieve them in the manner beneficial for both the community and the environment. In 2018, the Company invested RSD 320 million in environmental protection, and all its major investment projects such as the Bottom-of-the-Barrel Project, combined cycle power plant (TE-TO Pančevo) and Plandište Wind Farm will bring considerable benefits to the environment, in addition to the increase in performance. In the coming years, NIS' priority will be to supply the Balkan market with green energy, and thus contribute to resource conservation and reduction in greenhouse gas emissions. In this manner, the Company hopes to provide the future generations with the opportunity to achieve their goals.



For NIS, relations with human resources are particularly important. The Company continuously invests in employee development with the aim of providing them with the skills necessary to address modern business challenges. In 2018, NIS invested RSD 237 million in employee development and training. As a way to boost business efficiency, NIS continues to improve its employee reward systems and to provide conditions which will secure its position as one of the most attractive employers in the wider region.

Additionally, NIS feels a strong sense of responsibility towards the community in which it operates. The Company's socially responsible activities are inspired by its desire to contribute to the overall prosperity and well-being of Serbian citizens – its investments for this purpose totalled approximately RSD 408 million in 2018. In the previous year, NIS celebrated an important anniversary – 10 years of successful cooperation with local communities through the Together for the

Community programme. Within this programme, NIS has invested over a billion dinars in various projects which contributed to the development of local communities in the last ten years. NIS will continue to fulfil its responsibilities in this regard in the coming period as well. It is worth noting that the number of NIS' partners constantly grows, and that the focus of its social responsibility programmes are young people, as the driving force of future growth of the entire country.

Sustainable Development Goals

The Sustainable Development Goals are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

These 17 goals build on the successes of the Millennium Development Goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another.

The goals work in the spirit of partnership and pragmatism to make the right choices now to improve life, in a sustainable way, for future generations. They provide clear guidelines and targets for all countries to adopt in accordance with their own priorities and challenges. They tackle the root causes of poverty and unite us together to make a positive change for both people and planet. The goals provide us with a common plan and agenda to tackle some of the pressing challenges facing our world such as poverty, climate change and conflict.



SUSTAINABLE DEVELOPMENT GOALS

03 Good Health and Well-Being



04 Quality Education



05 Gender Equality



06 Clean Water and Sanitation



07 Affordable and Clean Energy



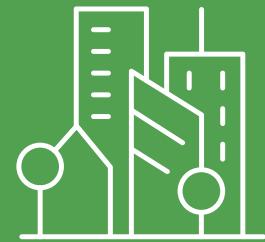
08 Decent Work and Economic Growth



09 Industry, Innovation and Infrastructure



11 Sustainable Cities and Communities



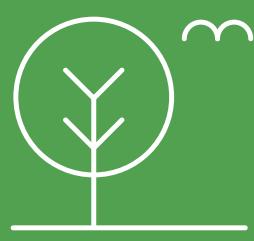
12 Responsible Consumption and Production



13 Climate Action



15 Life on Earth



16 Peace, Justice and Strong Institutions



3 **Good Health and Well-Being**

Ensuring healthy lives and promoting the well-being for all at all ages.

Employee health care and promotion of corporate sports and healthy lifestyle remain the Company's strategic goals. During 2018, more than 2,000 employees participated in recreational sports activities in 14 Serbian cities. Additionally, over 250 employees represented the Company at various sports events and won over 100 awards and prizes for their achievements in 11 sports disciplines.





The Company's strategic goals include employee health care and promotion of a healthy lifestyle.

protect and improve physical and mental health, prevent workplace injuries and promote healthy lifestyles, the Company has implemented the following activities:

- Employee health screening programme
- Monitoring, analysis and identification of measures aimed at improving employee health and well-being
- Control and prevention of alcohol and drug abuse at work
- First aid training, training for administering first aid to persons who have suffered workplace injuries/persons affected by occupational diseases, and medical evacuation
- Smoking prevention campaign
- Awareness raising campaigns and other health education activities

The Company strives to raise employee awareness regarding the importance of healthcare through mandatory corporate training sessions, seminars, brochures, informative posters, video content and other communication channels, both independently and jointly with the Ministry of Health, the Occupational Safety and Health Administration and the Road Traffic Safety Administration of the Republic of Serbia.

The Company organises educational campaigns in order to teach its employees how to maintain good health at any stage of life, and to educate them on latest diet trends and early detection of changes and tumours. These campaigns also include lectures and workshops on the topic of mental health which focus on preventing the effects of stress on health.

In October 2018, NIS organised the first Health Week and marked a Green Apple Day, as a symbol of a healthy lifestyle. During that week, the Company, local community health centres and private healthcare providers organised mini health screenings, weight watch as prevention of obesity, and checked sugar levels and blood pressure. They also held lectures on healthy and balanced diets and a lecture on breast self-exams, as an important factor in breast cancer prevention. Green apples were handed out to employees with each meal in restaurants of the Company, as a symbol of health, healthy lifestyle and healthy diet.

The Company's strategic goals with regards to human resources include employee health care – primarily education on prevention and early detection of diseases and promotion of a healthy lifestyle. Preventive healthcare forms the backbone of the employee healthcare management system at NIS, in line with the best practices and recommendations from relevant organisations. In order to

In order to raise awareness and promote healthy lifestyles, NIS conducted a number of campaigns in 2018:

- Lecture cycle on a healthy and balanced diet:
 - Good and Bad Fats
 - The Truth About Cholesterol
 - How to Recognize Bad Food Choices
 - Diet for a Long Life
 - Do We Really Need More Protein?
- Step to Health, lecture on the necessity of physical activity
- How to Beat High Blood Pressure, a two-lecture cycle

In 2018, stop smoking seminars were organised in the Company for the third time – Allen Carr's Easyway to Stop Smoking.

The development of corporate sports is a particularly important segment of our HSE Policy, and it provides support to employees in both recreational and competitive sports. During 2018, more than 2,000 employees participated in recreational sports activities in 14 Serbian cities in order to improve their fitness. Additionally, over 250 employees represented the Company at local and regional sports events, as well as at international corporate sports tournaments of Gazprom Neft Group in Kyrgyzstan and Russia. NIS' recreational athletes won over 100 awards and prizes for their achievements in 11 different disciplines.

It should be noted that at the end of 2018, a meeting of all managers of Gazprom Neft Group was held in Serbia for the first time. More than 20 participants took part, aiming to further develop corporate sports and simultaneously contribute to improving health and motivation of employees.

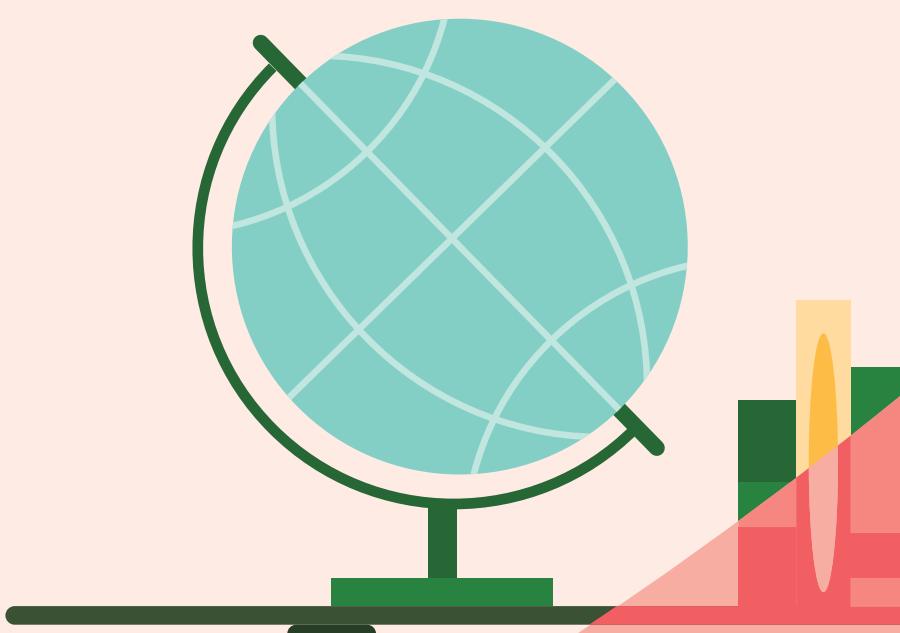


4

Quality Education

**Ensure inclusive and equitable quality
education and promote lifelong learning
opportunities for all**

The Company believes that investing in the improvement of the quality of education and helping young people realize their full potential are the best investments in the future, and a very important precondition for further development of the Company and the community in which it operates.





For seven years now, NIS has been investing in the future and education of highly qualified prospective employees through its Energy of Knowledge corporate programme. To this end, the Company provides scholarships to the best students in Serbia and abroad, and works closely with educational and scientific institutions in Serbia.

The Company continued its strategic cooperation with higher education institutions in Serbia – the NSU Faculty of Economics in Subotica, Belgrade University, Novi Sad University, the BU Faculty of Geography, the BU Faculty of Technology and Metallurgy, Mihajlo Pupin Technical Faculty in Zrenjanin and the Faculty of Education in Sombor.

In the field of secondary education, NIS continued its cooperation with the Technical School in Zrenjanin, and in 2018 it organised internships for 55 students from its department for 'Oil and Gas Production Unit Operators' in the Training Centre in Zrenjanin, and on oil, gas and combined oil and gas fields. In the same year, nine students of the second generation of education programme 'Oil and Gas Production Unit Operators' were employed by the Company.

Additionally, the education programme 'Oil and Gas Refining Technician' in the 23rd May Technical School from Pančevo was accredited in co-operation with the Ministry of Education, Science and Technological Development and the Institute

for the Improvement of Education. The programme was aimed at training prospective employees of the Pančevo Oil Refinery. The first class of 30 students was enrolled in school year 2018/2019. Additionally, a smart classroom was equipped, and a new ecology lab opened.

Under the Memorandums of Cooperation signed with the Pančevo School of Mechanical Engineering and Nikola Tesla School of Electrical Engineering, their school curriculums were adjusted, and new NIS classrooms were equipped with the aim of improving conditions for training future employees of the Pančevo Oil Refinery.

In order to promote natural sciences, the Company supported the organisation of three Serbian natural science Olympics and helped talented high school students participate in international Olympics. All of this was made possible by the cooperation with the Serbian Chemical Society, Serbian Physical Society and Mathematical Society of Serbia. Serbian teams won the total of 13 medals at prestigious international competitions. NIS also organised the 6th NIS Russian Language Olympics, in order to popularize Russian language and culture. The total of 1,470 participants from Serbia, Montenegro and Republic of Srpska (from 138 schools and faculties) took part in the 6th NIS Russian Language Olympics.

The Company continued to support bilingual education programmes in Jovan Popović Primary School in Novi Sad, Aleksinac Grammar School, and Jovan Jovanović Zmaj Grammar School in Novi Sad. In school year 2018/2019, a Serbian language course was launched in the Russian School of the Embassy of the Russian Federation in Belgrade with the help of the BU Faculty of Philology. For the purpose of providing professional training and certification for teaching staff for the Russian language, NIS continued its long-term cooperation with the Russian House RCSC and the Faculty of Education in Sombor. In 2018, a NIS classroom for the Russian language was opened in Pirot Grammar School. As a result of the cooperation between the Company and the BU Faculty of Political Sciences, the Centre for Russian Studies was established at this educational institution.

In the field of professional development courses, the Company intensified its cooperation and exchange

of up-to-date knowledge with partner universities. The Services and Exploration and Production Blocks organised professional development courses and lectures for their employees in cooperation with the Belgrade University Faculty of Mechanical Engineering and the Novi Sad University Faculty of Technical Sciences. Moreover, NIS' experts gave a series of guest lectures at the BU Faculty of Mining and Geology, Mihajlo Pupin Technical Faculty and the NSU Faculty of Technology. In cooperation with the Faculty of Technology, the Company organised a lecture by Professor Grishin, head of the Oil Chemistry Department of the Lobachevsky University in Nizhny Novgorod.

In 2018, NIS CEO Kirill Tyurdenev gave lectures at both the MGIMO University in Moscow and the prestigious University of Cambridge Judge Business School on the topic *Management and Leadership in the 4th Industrial Revolution – Challenges and Opportunities*.

NIS organised numerous student internships and field visits to its facilities with the aim of supplementing school curriculums and connecting the education and industrial sectors. Within these activities, Serbian and foreign students had the opportunity to learn about the business processes of our company.

In school year 2017/2018, NIS granted 41 scholarships for students of the faculties of Belgrade and Novi Sad Universities, and students of prestigious Russian oil and gas universities. In school year 2018/2019, NIS has concluded 12 new scholarship agreements. In 2018, NIS hired 17 NIS scholarship holders – graduates of Serbian and Russian faculties.

In 2018, the Energy of Knowledge programme actively participated in numerous conferences and seminars on the dual education system and investments in education in Serbia with the support of the Ministry of Education, Science and Technological Development.

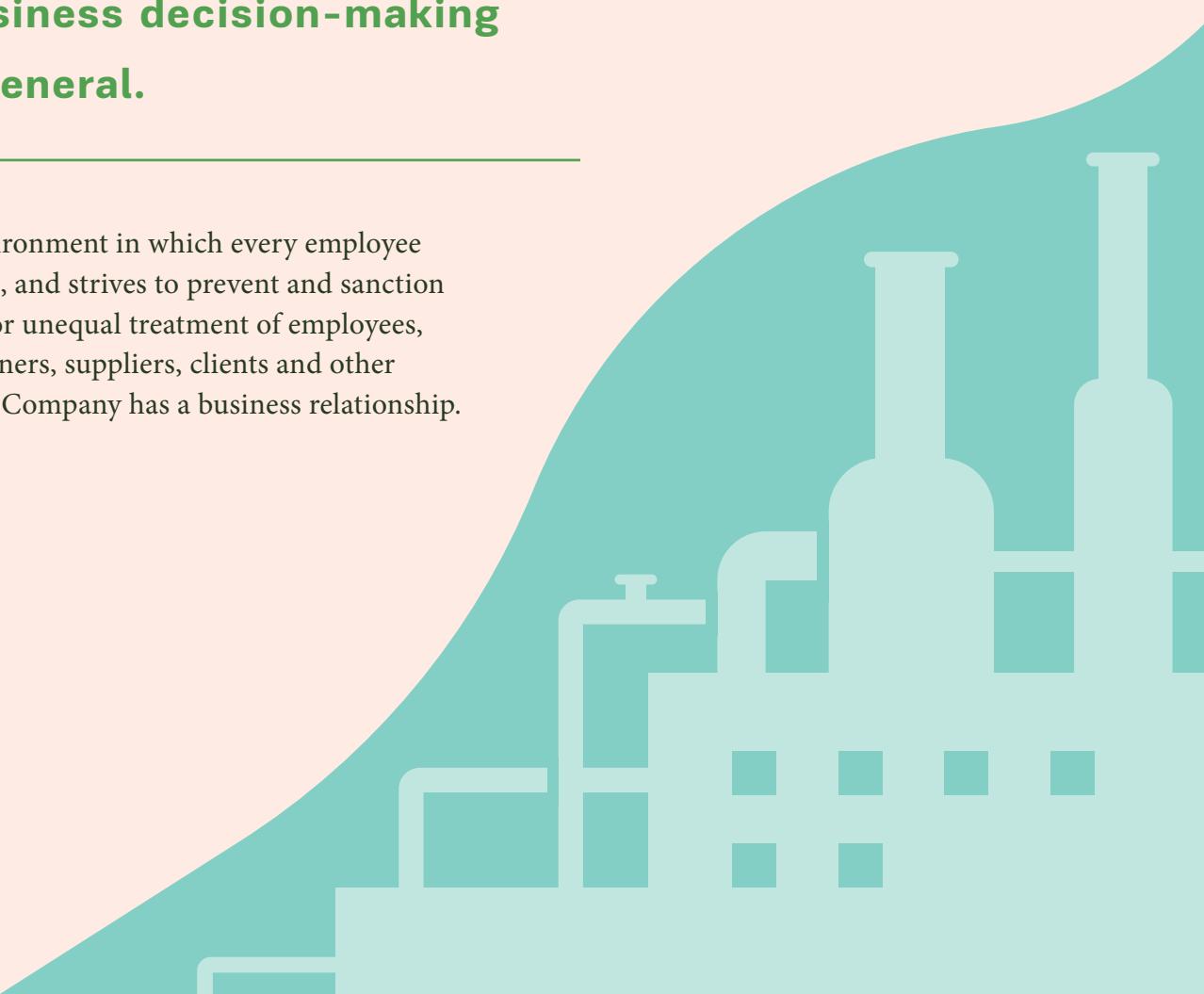


5 Gender Equality

Achieve gender equality and empower all women and girls.

Improve gender equality and the position of women and men in the Republic of Serbia; contribute to increasing the role of women in business decision-making and society in general.

NIS provides a business environment in which every employee can reach their full potential, and strives to prevent and sanction all forms of discrimination or unequal treatment of employees, job applicants, business partners, suppliers, clients and other third parties with which the Company has a business relationship.





The alignment of a company's strategy with its corporate culture is one of the main prerequisites for its success, but also one of the greatest challenges faced by businesses all over the world.

NIS provides a business environment in which all employees can reach their full potential, and strives to prevent all forms of discrimination or unequal treatment of employees, job applicants, business partners, suppliers, clients and other third parties with which the Company has a business relationship.

NIS ensures that all its operations are free from discrimination based on race, skin colour, national origin, citizenship, nationality or ethnicity, language, religious or political beliefs, sex, gender identity, sexual orientation, financial situation, birth, genetic characteristics, health condition, disability, family or marital status, criminal record, age, appearance, membership in political and other organisations, or on other real or assumed personal traits.

Compliance with the highest corporate responsibility standards and commitment to the principles of business ethics, legal compliance and observation of human and labour rights remain the Company's priorities. It also insists on maintaining high standards for a fair and safe work environment for all its employees and business partners. The Company aims to create a business environment which respects human rights guaranteed by the Constitution of the Republic of Serbia and those protected by international agreements and laws prohibiting discrimination and ensuring equality, as well as employee rights guaranteed under the Labour Law, the Collective Agreement and NIS' internal policies, all in line with the UN Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

With a view to preventing discrimination in the field of labour and human rights, NIS is particularly dedicated and committed to:

- providing equal employment opportunities for all male and female job applicants;
- assessing and evaluating job applications regardless of candidates' personal traits and evaluating only job-specific skills;
- seeking only qualifications and traits which are directly related to specific duties of a particular position;
- formulating job postings in a way that provides (when appropriate) special motivation to male and female candidates from particularly vulnerable groups;
- using gender-sensitive/neutral language in job postings, and
- posting job vacancies in various accessible formats and at locations accessible to different candidate groups.

In 2018, NIS launched around 30 initiatives aimed at improving both job applicants' experience during the hiring process and recruitment policies. NIS is one of 1,800 global companies which have signed the United Nations' seven Women's Empowerment Principles.

In an effort to ensure the effective exercise of the right to fair working conditions, NIS is committed to informing every employee about their employment status in writing. For these purposes, the Company

ensures compliance with laws, bylaws and business standards with regards to working hours, rest, salaries, benefits, etc. The salary management system is based on the principles of internal fairness and external competitiveness, and is aligned with the international methodology of job evaluation, which minimises the opportunities for discrimination against employees. NIS supports the freedom of association and collective bargaining and cooperates with the representative trade union.

If workplace discrimination is suspected, employees can contact their line manager, HR business partner of their organisational unit or SOS line (soslinija@nis.eu), and submit all relevant evidence that can point to discrimination. When all documentation is collected, it is submitted to the labour law team, which reviews it and informs the authorities whether the complaint is justified. In the event that it is, the labour law team also informs the authorities about its further actions.



6 Clean Water and Sanitation

**Ensure availability and sustainable
management of water and sanitation for all**

The manner in which NIS treats the natural and working environments is best reflected in its responsible and rational use of water from the least sensitive water supply sources, and in constant improvement of the water treatment process.





Responsible use of water resources is one of the Company's priorities in the area of environmental protection and utilisation of natural resources. The use of water resources is necessary for both production and technological processes (steam production, operation of cooling systems), fire protection, water bottling, and sanitation.

The manner in which NIS treats the natural and working environments is best reflected in its responsible and rational consumption of water – it uses the least sensitive water supply sources to withdraw water for its production and refining processes, fire protection, tank integrity testing, cooling, cleaning and watering.

A responsible use of water resources is measured not only on the basis of withdrawn quantities, but also on their origin and quality. The majority of water used comes from the least sensitive resources – the Danube River and the Danube-Tisa-Danube Canal (79%). By using water from the least sensitive resource, the Company preserves water intended for public water supply, food industries and agricultural irrigation. The majority of water is withdrawn for the needs of the Pančevo Oil Refinery. The quantity of withdrawn water per tonne of refined oil in the Pančevo Oil Refinery remained at the same level as in the previous year (0.82 m³/t).

NIS pays special attention to waste water treatment, since oily waste water and atmospheric water pose a real risk to the recipient. During 2018, 28 separators were installed at our petrol stations which previously did not have them, while old separators were replaced with new ones on 4 renovated petrol stations. Therefore, at the end of 2018, 98% of petrol stations had separators for oily waste water treatment. The Company owns the total of 368 facilities for waste water treatment.

In 2018, within the Project for analysing the need for rehabilitation and remediation of groundwater and soil in the area of the Novi Sad Petroleum Products Warehouse, the Company conducted a Study of completed electrical resistivity surveys, with the aim of defining the zones of groundwater and soil contamination by hydrocarbons caused by the NATO bombing in 1999, as well as future activities on the rehabilitation and remediation of groundwater and soil at this location.

In line with its HSE policy, the Company ensures that drinking water is available to all its employees at their workplace. Bottled water or water dispensers are provided in the facilities where the quality of water from public supply or wells does not meet quality standards. In our retail outlets, customers can use water from the public water system, and in the cases that this water poses a health risk, we have provided notices that the water is non-potable.

One of NIS' secondary activities is the production and sale of Jazak drinking water. This high quality mineral-rich spring water originates from one of the purest natural water springs on Fruška gora, located in the close vicinity of Jazak Monastery in Vojvodina. It is produced according to the most stringent technological, industrial and safety standards in this segment.

For thirteen years now, Jazak water has been produced and bottled in a drinking water plant with the same name located in the Fruška gora National Park. The brand has recently been given a new visual identity characterized by modern design and improved eco-friendly packaging (reduced weight, smaller caps), which further contributes to environmental protection.

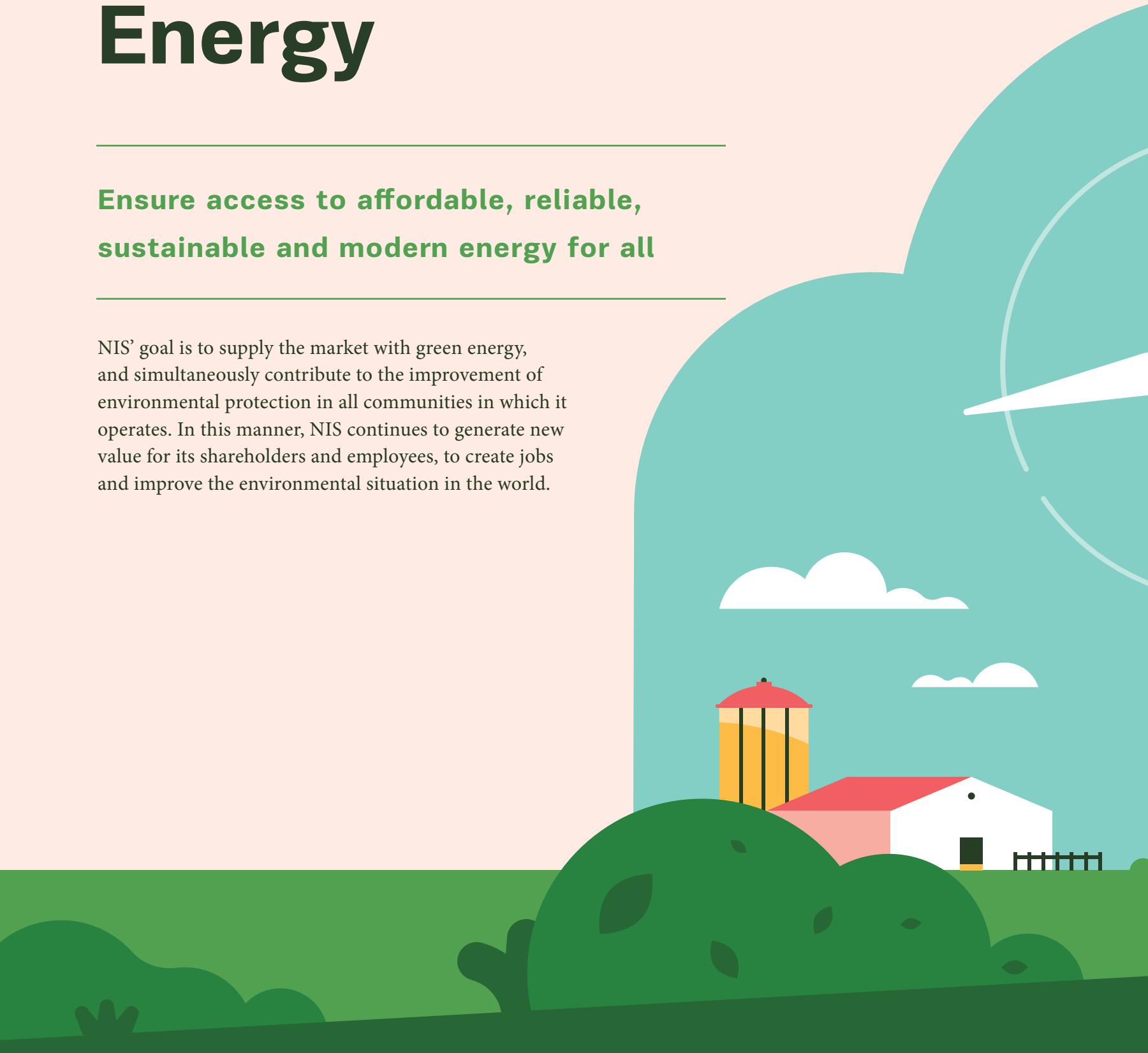


7

Affordable and Clean Energy

**Ensure access to affordable, reliable,
sustainable and modern energy for all**

NIS' goal is to supply the market with green energy, and simultaneously contribute to the improvement of environmental protection in all communities in which it operates. In this manner, NIS continues to generate new value for its shareholders and employees, to create jobs and improve the environmental situation in the world.





One of the key directions of NIS' further development under Strategy 2025 is the construction of new power plants.

NIS' goal is to supply the market with green energy, and simultaneously contribute to the improvement of environmental protection in all communities in which it operates. One of the key directions of NIS' further development under Strategy 2025 is the construction of new power plants. In this manner, NIS continues to generate new value for its shareholders and employees, to create jobs and improve the environmental situation in the world. In accordance with this objective, the Company is currently implementing two significant projects which will help NIS and its partners become important players in the Serbian energy market. Additionally, they enable Serbia to fulfil its international responsibilities regarding environmental protection and production of energy using renewable energy sources.

The first project is the construction of a combined cycle power plant (CCPP) at the location of the Pančevo Oil Refinery, realized by NIS and its partner, Gazprom Energoholding. The future CCPP with a gas-steam cycle and cogeneration (simultaneous production) of electricity and thermal energy will have a power generation capacity of 196 MW. The technology which will be applied in the CCPP is currently the best from the aspect of energy efficiency and environmental protection. It is also the most economically viable technical solution

for using natural gas as fuel, and it ensures high fuel utilization resulting in low fuel consumption per unit of useful energy. Although its basic function is to meet the Pančevo Oil Refinery's needs for process steam and electricity, the new CCPP will supply the majority of electricity it generates to the power system of Serbia, which will in turn contribute to the stability of its power supply. The commissioning of the CCPP Pančevo is scheduled for the third quarter of 2020.

In the area of renewable energy sources, NIS and its partner MET Group have continued their activities on the Plandište Wind Farm project. In line with the plan, this wind power plant will have a power generation capacity of 102 MW, and it will consist of 34 wind turbines and produce electricity equivalent to the amount of power consumed by about 85,000 households. This project has strengthened NIS' renewable energy strategy, and its implementation will contribute to the diversification of the Company's portfolio. This joint venture is also an excellent foundation for further investments in the area of renewable energy sources. By generating energy using renewable sources, NIS helps Serbia fulfil its international responsibilities regarding this field. In this area, NIS also implemented several projects for using its own geothermal resources to heat buildings, prepare sanitary hot water, heat indoor and outdoor pools and glasshouses, and to provide heating in the industry whose application has been expanding in the recent years. The projects in the field of geothermal energy have a significant impact on increasing energy efficiency and reducing harmful emissions.

NIS shows its dedication in this area by using available resources responsibly. In 2013, the Company launched the construction of small power plants on oil and gas fields in Serbia, and so far it has invested over EUR 20 million in this programme. In this manner, NIS generates thermal energy and electricity using associated gas from oilfields which used to be burned in flare stacks, as well as gas from gas fields which does not meet quality standards and therefore cannot be transferred to the public gas distribution network. Today, small power plants are distributed in 8 locations, and have the total capacity of approximately 14 MW. Since 2014, these small power plants have secured NIS' position on the electricity market.

In addition to the small power plants, the Company's projects for gas monetisation included the construction of natural gas compressor stations at the Palić gathering and distribution station and the Ostrovo Oilfield near Požarevac. These compressor stations generate compressed natural gas for wholesale, which is then used by consumers in locations not included in the public gas distribution network, or consumers who previously used coal or liquid fuels. Along with its economic benefits for consumers, such substitution has a beneficial effect on the environment as well, due to reduced emissions of harmful gases from boilers used by these consumers.

In addition, the Company contributes to the increase in overall energy efficiency and reduces the pollution of the environment by developing a new motor fuel – compressed natural gas for

road vehicles. NIS has installed filling stations for compressed natural gas at three of its petrol stations in Novi Sad, Čačak and Belgrade, and is currently building another filling station in Belgrade, and planning to build more. The economic benefits for consumers are obvious (cheaper fuel), but there are benefits for the environment as well, as liquid fuels are substituted with clean fuel, i.e. natural gas.

Simultaneously, NIS has been implementing comprehensive energy efficiency measures. Their total effect in 2018 amounted to RSD 522 million. It is worth noting that the Company has been considering new directions of development for the period till 2030, and some of the areas to be diversified are electricity production (primarily from renewable energy sources), use of biofuels and construction of charging stations for electric vehicles.



8

Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

The belief that employees are the most important resource in a company, desire to provide them with continuous opportunities for professional development, and various material and non-material benefits have made NIS one of the most desirable employers in Serbia.





As a leader in the regional energy market, NIS strives to make its employees leaders in their respective fields.

experience to both job applicants and employees of the Company. Launched in 2019, our project ‘Corporate Culture Transformation and Creation of NIS’ Employer Value Proposition’ is the Company’s strategic goal aimed at creating a working and business environment which meets the needs of both the company and its employees.

As a leader in the regional energy market, NIS strives to make its employees leaders in their respective fields, able to meet all demands of the modern business environment.

During 2018, NIS Corporate University continued to develop its systems for continuous learning, improvement of management and leadership skills and development of competencies in line with global standards in the area of professional development and training.

The blended learning approach, which combines classic in-class training with modern tools and methodologies such as e-learning, workshops, sessions and business simulations, has helped to fully align development activities with the actual needs of employees.

During 2018, 2,500 employees (the largest number so far) attended programmes at NIS Corporate University. Employees from all levels, from department directors to specialists, joined its numerous training courses.

In 2018, the Corporate University focused on the diversification of topics for training programmes. Each training course was tailored in cooperation with renowned business schools from the country and the wider region, training and development partners and leading lecturers. In order to keep up with global trends, the Company provided its employees with the opportunity to listen to world-renowned lecturers on topics such as: Change management, *Agile*, *Design thinking*, Digital transformation, Digital leadership, Global trends in the 4th industrial revolution, etc.

We have continued to develop the mentoring culture through training courses certified by the Academy of Executive Coaching UK, London (Coaching Skills Certificate) and Coaching and Mentoring International (CMI), London (Mentoring Skills Certificate for mentors).

NIS is one of the largest energy companies in Southeast Europe and one of the largest employers in Serbia. Our team includes 11,000 highly talented, skilled and hard-working people from 17 different countries. They are the driving force behind our business growth, as well as responsible citizens and great colleagues. We are a stable company designed to last. We also believe that our future begins with each and every new addition to our team. We are curious and open to innovations and fresh ideas and energy that each new employee brings to our team, who strives with us to live every day by our slogan – Future at Work.

In 2018, NIS introduced a number of initiatives aimed at strengthening NIS’ employer brand, improving corporate culture and providing a better

NIS promotes the freedom of association and collective bargaining, and the new Collective Agreement for NIS' employees is one of the best in Serbia and the wider region with regards to the employee benefits package. Additionally, NIS maintains the position of an employer whose collective agreement serves as a model for other employers.

In order to provide students with more flexibility regarding internships, NIS has launched NIS Calling, a new programme offering 320-hour internships, available to students during a three-month period, which they can organise in accordance with their faculty class schedules. In addition to gaining practical experience, students also have the opportunity to gain new and build on their previous knowledge and skills at NIS Corporate University.

We also recognise the importance and value of professionals who have gained knowledge and experience abroad and who wish to apply their skills in Serbia. The Company has launched Return to Serbia programme aimed at creating job opportunities for Serbian citizens who work abroad. By launching this programme and working closely with a number of organisations which connect the people who fall into this category (as well as with all individuals interested in continuing their careers in our company), we aim to support the return of highly qualified professionals who are ready to assume leading positions and apply their knowledge and skills in NIS.



9

Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Application of modern technologies and innovative solutions in all business segments constitutes the cornerstone of NIS' further development and its response to the rising customer expectations in the time of the 4th Industrial Revolution.





Introduction and application of modern technologies are the cornerstones of the development of all NIS' business segments.

Application of modern technologies and innovative solutions in all business segments, from oil and gas exploration to human resources, constitutes the cornerstone of NIS' progress in the Serbian and regional markets, and a prerequisite for the Company's further development. In the time of the 4th Industrial Revolution, a company's flexibility, agility, employee professional development and constant innovation are all prerequisites for its survival in the increasingly competitive market.

In order to keep up with the current trends, NIS has launched the process of digital transformation of all of its business segments. The Company has created over 60 projects, and 10 of them have already entered the realization phase. Particularly important projects are those that apply artificial intelligence and machine learning for the purposes of predictive maintenance of refineries, modification of retail strategies on petrol stations, and development of a power trading platform. NIS expects that these projects will contribute to its further development, ensure faster and more efficient decision-making, help meet customer needs, and consequently create new value for the Company and its shareholders. It is important to note that NIS' employees also substantially contribute to its development in this area by providing ideas which considerably improve business efficiency. NIS' digital transformation entails the modification of both numerous processes and culture at all levels in the Company.

Introduction and application of modern technologies are the cornerstones of the development of all NIS' business segments. As for individual projects, the Company is implementing the Bottom-of-the-

Barrel Project in the Pančevo Oil Refinery which will ensure an increase in the production of 'white' petroleum products and launch a new product – coke, which is currently imported. Additionally, the Company is focused on the production of green energy, and together with its partners is implementing projects such as the CCPP in Pančevo and the Plandište Wind Farm, which will contribute both to the Company's performance and to the improvement of environmental protection. Following the construction of these plants, NIS and its partners will become important players in the domestic energy market.

NIS manages a network of over 400 petrol stations in Serbia and three other neighbouring countries (Bosnia and Herzegovina, Bulgaria and Romania). The Company's main objectives also include constant modernisation of its retail outlets, improvement of quality of its products and services and further development of loyalty programmes.

In line with the principles of corporate social responsibility, environmental protection and reliability of supply in thinly populated areas, NIS is considering the implementation of a new, compact type of petrol stations. This type of petrol stations would be suitable for a large number of locations in which NIS facilities were built 30 or more years ago, and in which it is not financially viable to invest in larger facilities due to the limited market potential. The alternative – closing these stations – is not acceptable from the aspect of social responsibility. The principles of modular construction and use of prefabricated components would help replace several decades-old small and medium-size stations in as little as 45 days in cases where property law and town and country planning conditions allow it. These stations would be replaced by modern mini station systems which will apply the latest technical and technological solutions which have become a standard in NIS. In addition to the standard range of liquid fuels, these stations would also offer non-fuel products and NISOTEC range. It should be noted that these facilities would still require sales staff, as the new station format cannot be operated without any personnel.

In 2019, the Company plans to launch a pilot project for the construction of this type of stations on several locations.



DA-1309

FA-430

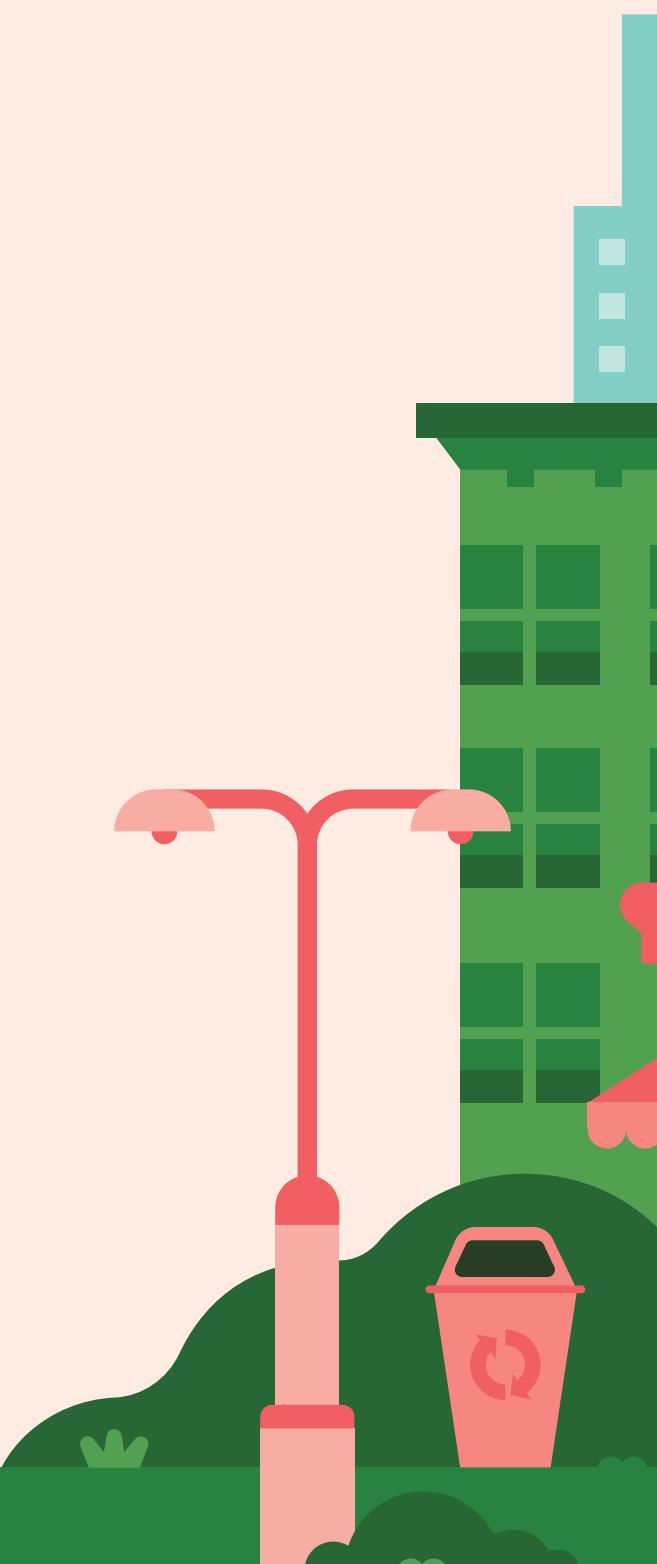
11

Sustainable Cities and Communities

**Make cities and human settlements
inclusive, safe, resilient and sustainable**

**Turn business success into general
prosperity, support community development**

NIS has been one of the leading social investors in Serbia for several years now, and by implementing its social responsibility programmes under the slogan 'Future at Work' it aims to support the overall development of the community in which it operates. In this segment, NIS particularly values its strategic partnership with citizens and organisations throughout Serbia.





Corporate responsibility and desire to support community development through various socially responsible programmes are among NIS' priorities.

Corporate responsibility and desire to support community development through various socially responsible programmes are among NIS' priorities. As one of the leading social investors in Serbia and the wider region, NIS has been investing substantial funds under its slogan 'Future at Work' for several years now. These investments are aimed at supporting the younger generations by improving educational infrastructure, popularising science, culture and art, improving working conditions in health and social care facilities of considerable social importance, developing sports and promoting sports values. In 2018 only, NIS invested nearly RSD 408 million into socially responsible projects.

NIS is proud of its cooperation with local communities throughout Serbia, since it has produced numerous initiatives which contribute to the improvement of living conditions of many citizens of Serbia. This synergy enabled us to renovate many kindergartens, revamp school buildings and children's parks, improve conditions for those who work and stay in health and social care facilities, equip workshops for young creative people and build sports fields. Our company considers it very important that in 2018 we celebrated the 10th anniversary of our Together for the Community corporate programme aimed at cooperation with local communities throughout Serbia. In the previous decade, we have successfully implemented more than 900 projects worth over a billion dinars. The anniversary of the Together for the Community programme was the perfect opportunity to strengthen our partnerships with the communities participating in the programme (Belgrade, Novi Sad, Niš, Čačak, Zrenjanin, Pančevo, Kikinda, Kanjiža, Novi Bečeј, Srbobran, Žitište), as well as to add the 12th participant – the town of Požarevac. Within the programme Together for the Commu-

nity 2018, the Company supported 26 projects and invested the total of RSD 114.5 million.

The proof that social responsibility isn't just a phrase for the Company are its employees who have invested their time, knowledge and means in providing support to those in need. In the past year, the NIS Volunteer Club was formally established, and its members carried out 9 prominent volunteering campaigns in 2018. Additionally, NIS and its employees have provided considerable support to health care providers in Serbia as well. The Institute for Child and Youth Health Care in Novi Sad received funds for the purchase of modern medical devices which have considerably improved health care services for its young patients. Within the Magnet for Love campaign, the Institute was also equipped with an MRI scanner intended for children. The support to Dr. Vukan Čupić Mother and Child Health Care Institute is aimed at improving working conditions in operating theatres, and for that purpose it received an operating table equipped with modern systems and additional features designed to provide assistance during surgery. Operating theatres were also revamped in the Clinical Centre of Serbia and the Clinic for Plastic and Reconstructive Surgery and Burns. At the end of 2018, in a traditional campaign before New Year holidays, NIS' representatives presented Studenica General Hospital in Kraljevo and the Clinical Hospital Centre in Kosovska Mitrovica with substantial donations. The donation for the hospital in Kraljevo was intended for the procurement of a modern laparoscopy tower, while the clinic in Kosovska Mitrovica received a new ambulance with a mobile incubator. Support to health care providers throughout Serbia will be NIS' priority in the area of social responsibility in the future period as well. As a result, the Company has allocated the budget of RSD 116.5 million within its Together for the Community programme for 2019, aimed at health care institutions, particularly those that treat children and young patients.

New Year holidays were a perfect opportunity for NIS' employees to traditionally donate presents and surprises to children who receive care in both health and social care facilities. These institutions included the SOS Children's Village and Studenica General Hospital in Kraljevo, Clinical Centre in Niš and the Clinical Centre in Kosovska Mitrovica.



12

Responsible Consumption and Production

Ensure sustainable consumption and production patterns

Responsible use of resources, application of modern technologies and improvement of environmental protection are absolute priorities for NIS. Our goal is ambitious – we want to achieve work processes with no injuries and detrimental effects for the environment.





Nearly EUR 3 billion were invested in NIS' development in the period between 2009-2018. These investments enabled the modernisation of the Company in all its business segments and implementation of modern technologies which both improved its financial and operational results and significantly contributed to environmental protection in our country.

NIS Corporate Strategy, adopted towards the end of 2017, launched a new large investment cycle which will help the Company create the foundations for its long-term development, preserve its leading position in Serbia and strengthen its competitive advantage on the regional energy market.

In the time of rapid technological development, NIS' key priorities include equipment modernisation, innovative approaches and application of modern technologies. This is why NIS constantly modernizes its oil and gas operations, introduces and improves new oil and gas production methods, builds new refining facilities, modernises its retail network, develops its business operations in the area of electricity generation, implements digital transformation in all segments and expands its range of products and services.

NIS' capital projects in the upcoming period include further modernization of its refineries, construction of a CCPP in Pančevo and implementation of a wind power generation project. Another capital project aimed at further modernisation of the Pančevo Oil Refinery, the construction of its bottom-of-the-barrel unit with the delayed coking technology, is planned to be completed in 2019. After the new unit is brought into production, NIS' refineries will be among the best units with the bottom-of-the-barrel technology in the world. Additionally, it will be possible to discontinue the production of high-sulphur fuel oil, which will enable Serbia to fulfil its international responsibilities regarding the improvement of environmental protection.

Implementation of projects in the area of power generation scheduled for 2020 will boost the Company's performance and enable the production of green energy, which will have a beneficial effect on the entire country.

In addition to these projects, NIS has commenced its digital transformation which includes both the application of new technologies and the modification of the Company's culture and values at all levels. In the climate of growing complexity of oil and gas industry and fierce competition in the market, innovative digital technologies constitute one of the driving forces which will enable NIS to meet its strategic goals. In order to achieve these goals and keep up with the best global practices, NIS has established partnerships with some of the leading IT companies in the world, including Microsoft. NIS' objective is to use the full potential of digital technologies in the future period in order to strengthen its competitive advantage.



13 Climate Action

Take urgent action to combat climate change and its impacts

As part of the energy sector, NIS is aware of its responsibilities regarding environmental protection, and it considers investments into sustainable development as investments into the future of its employees and the entire community.





Environmental protection is one of NIS' priorities and it is reflected in its sustainable use of natural resources.

If we could choose one term that defines our business operations, it would be responsibility. Health of our employees and third parties is always an absolute priority, which we prove every year by reducing negative effects on human lives and by improving our HSE culture.

By signing the Paris Agreement in 2015, 197 countries pledged to protect the environment and apply climate-friendly approaches to all segments of everyday life, business and industry. It is paramount to both reduce CO₂ emissions and take action against other pollutants which are harmful for the environment, endanger human health and reduce air quality. All companies, primarily large ones, have the responsibility to join this fight, and the oil and gas sector plays an important role by undertaking appropriate measures and investing into sustainability.

Environmental protection is one of NIS' priorities and it is reflected in its sustainable use of natural resources, identification of environmental risks, reduction of the impact of production activities on air, water and soil, efforts to reduce waste generation, recycling and disposal of generated waste,

monitoring environmental parameters, remediation of historical pollution, improvement of existing processes and investments in eco-friendly projects in accordance with BAT principles (best available techniques and technologies).

NIS has incorporated environmental protection in its vision and mission, HSE policy and HSE Policy Statement.

During 2018, the construction of the Delayed Coking Unit was continued in the Pančevo Oil Refinery. After the commissioning (planned for the third quarter of 2019), we expect an increase in the production of 'white' petroleum products and high-value fuel – coke, which is currently imported. From the aspect of environmental protection, the emissions of sulphur and nitrogen oxides and powder substances will be significantly reduced. The final result, after the construction of the unit, will be reduction of the emissions of sulphur oxides in the air in the entire country due to the lower presence of fuels with high sulphur content on the market, which is a requirement of the Directive 1999/32/EC on the reduction of sulphur content in certain liquid fuels.

In the course of 2018, NIS implemented the practice of monitoring environmental projects that eliminate, mitigate, or bring high and medium risks to an acceptable level (low risk). In accordance with the completed risk assessment and adopted HSE Strategy for 2017-2030, NIS continued to realize ongoing projects and commenced new ones, such as the installation of Low NOx burners at the Hydrodesulfurization Unit II and the Atmospheric Distillation Unit. These projects were aimed at ensuring that the operation of the units is aligned with the Directive 2010/75/EC on industrial emissions and more strict emission limit values for air pollutants.

The Company completed the project for scrubbing of ejector gas which resulted directly in the reduction of SO₂ emissions below emission limit values. Regulatory compliance was also achieved by the implementation of the project for the installation of an automatic continuous emission monitoring systems (CEMS) at the Hydrogen Unit in the Pančevo Oil Refinery. This system enables timely modification of process parameters in the

unit in the case that they are exceeded. Other projects worth mentioning are the modernisation of bitumen (un)loading installations, burning waste gas from tanks and installation of radar gauges and thermometers in tanks. Harmful emissions are measured by authorised and accredited legal persons specialised for measuring emissions using prescribed manual or automated methods.

We are highly dedicated to environmental standards and constant, year-on-year improvement of sustainable business practices. This dedication is our driving force, something that inspires us to step up our efforts and exceed the norms set by the EU and the government. We have placed environmental protection and better quality of life at

the top of our priority list. Effective projects that actually reduce emissions of nitrogen and sulphur oxides are the means by which all companies, particularly those in the energy, oil and gas sectors, can make a significant progress with regards to air quality and well-being of all citizens. For now, NIS is one of the very few companies in Southeast Europe which has made the extra effort to invest into sustainable development, improvement of environmental protection and the quality of life of both its employees and other citizens in the community in which it operates. Social agility and improvement of our health and quality of life require effort and considerable long-term investments. We are proud to be a pioneer in this area and we hope that more companies will decide to commit to these causes.



15

Life on Land

**Protect, restore and promote sustainable
use of terrestrial ecosystems, sustainably
manage forests, combat desertification,
and halt and reverse land degradation and
halt biodiversity loss**

NIS has implemented a considerable number of projects aimed at preserving biodiversity and raising environmental awareness of its employees and the entire community, and its business priorities include employee health care, workplace safety and dedication to environmental protection.





We consider it imperative to comply with the most stringent environmental standards, use available resources efficiently and responsibly, increase energy efficiency and use renewable energy sources.

NIS' business priorities include employee health care, workplace safety and dedication to environmental protection. The Company has implemented a considerable number of projects aimed at preserving biodiversity and raising environmental awareness of its employees and the entire community.

NIS' employees participated in volunteering campaigns traditionally organised on 5 June on the occasion of the World Environment Day. They collected litter on Fruška gora together with the employees of the Provincial Secretariat for Urban Planning and Environmental Protection, PE Fruška gora National Park and the Institute for Nature Conservation of Vojvodina Province. In line with

the slogan 'Fight the Plastic!', 1,500 canvas tote bags were handed out.

Our employees from the Volunteer Club, summer interns and children of our employees marked 15 September, the World Cleaning Day, by collecting litter on the upper section of the Petrovaradin Fortress during the campaign 'Fortress Without Litter'. HSE campaigns also marked the World Water Day (22 March) and the Danube Day (29 June).

During 2018, the Company continued to improve the skills of its employees and operators through training, workshops, audits and meetings with operators and laboratories. Jointly with the representatives of the Ministry of Environmental Protection, we organised 4 workshops on the topic of chemical management and 1 workshop on waste and chemical management, and we held the training course 'Criminal Law and Environmental Protection' in cooperation with the Law School in Novi Sad. Remediation of soil where exploration and drilling operations for oil and gas wells were performed and oil and gas produced removes health risks for the local population and employees in these facilities, and prevents soil, groundwater and air pollution.

In 2018, the Company continued its activities relating to remediation of historical pollution and restoration of agricultural land to its original state. NIS invested considerable funds in the remediation of historical pollution, and managed to remediate a record 190 primary mud pits with the total area of 134,196 m².

Owing to its commitment to sustainable development and regulatory compliance through best management practices, NIS has become a leader in environmental protection both in Serbia and among similar companies in the wider region. Projects which contribute to the reduction of emission of harmful substances into the atmosphere, water and soil, help remediate historical pollution and manage chemicals and waste confirm that the Company treats the environment responsibly.

NIS' activities and results with regards to environmental protection are continually improved with a view to raising environmental awareness of its employees and the entire community.



16

Peace, Justice and Strong Institutions

**Promote peaceful and inclusive societies,
provide access to justice for all and
build effective, accountable and inclusive
institutions at all levels**

NIS devotes sustained efforts aimed at improving the business environment in the country and at combating shadow economy, and shares best practices with its business partners.





NIS remains dedicated to the aim of improving the corporate legal framework.

With the aim of improving the corporate legal framework, NIS participated in public discussions and thus contributed to the adoption of a number of laws which regulate fiscal and tax issues, registration with the cadastre and legalization of buildings, as well as laws which further align local and the EU regulations, primarily in the areas such as the fight against corruption, personal data protection and environmental protection. In 2018, the Company paid special attention to the adoption of the very important Law on Charges for Usage of Public Goods. This law unifies all charges which are paid for using natural resources and public goods, i.e. goods used by the general public, and which had previously been regulated by separate non-tax laws.

Another area in which NIS has been active for several years now is the combat against illegal trading (shadow economy). It is important to note that the share of shadow economy in Serbia's gross domestic product in 2013 was approximately 30%, which earned Serbia a low rating with regards to its business climate. In its Global Competitiveness Index for 2013, the World Economic Forum ranked Serbia the 101st economy out of 148 analysed countries. In the same year, having identified negative effects of unfair competition on economy and public revenue, NIS and Serbian companies which produce excise goods presented a report on all negative aspects of this phenomenon to the

representatives of the Serbian Government, and proposed measures for reduction of illegal trading in the gas and oil sector. According to estimates, the state budget suffered a loss of over EUR 135 million due to unpaid excise duties and other taxes levied on petroleum products.

In its Fiscal Strategy for 2014, the Serbian Government listed the fight against illegal trading for the first time as one of its priorities in the area of raising public revenue. The Government implemented a number of activities aimed at eliminating identified issues in the oil sector: the sale of light fuel oil was forbidden on petrol stations, excise tax was levied on biofuels and inspection bodies carried out regular visits. Substantial progress was made in the fight against illegal trading owing to the introduction of the petroleum product marking scheme and quality controls, which were developed in cooperation with oil companies. We would like to emphasise NIS' active role in the preparation and presentation of proposals with regards to regulations from the field of marking and quality control of petroleum products, having in mind that this system was implemented in Serbia for the first time in 2014. The Government also intensified its field supervision of trading activities in other sectors as well, primarily in the sale of excise goods.

In 2014, the Law on Inspection Supervision was adopted with the aim of improving the operation of inspection bodies. In the ensuing period, the Government formulated bylaws which enabled the Law to gradually come into use and brought considerable improvements to the organisation and operation of inspection bodies.

However, it is impossible to eradicate all existing forms of shadow economy, and 2016 was marked by a considerable increase in imports of base oils which were then blended with diesel fuels, instead of being used in the production of lubricants. According to government data, imports of base oils in 2016 reached 80,000 tonnes, and 47,000 tonnes were used as a substitute. The estimated cost to the budget of the Republic of Serbia was EUR 30 million. As a result, NIS continuously directed attention to the new trend with base oils and proposed measures aimed at more stringent controls of imports and applications of this product.

When the Government imposed extraordinary measures, base oil imports dropped to approximately 49,000 tonnes in 2017, while the quantities used for blending with diesel fuels were reduced by 33,000 tonnes. In 2018, base oil imports were additionally reduced to 34,000 tonnes, which is the amount that corresponds to the economy's actual needs for the use of this product in the production of lubricants, and the trend of blending base oils with diesel fuels was curbed.

The results achieved are well supported by the data on the constant increase in revenue from excise taxes on petroleum products, presented in the government financial statements for the period between 2005–2018 of 28 February 2019, which are as follows (in millions of dinars):

2014	2015	2016	2017	2018
121,332	127,371	143,933	147,821	156,794

The control of trade in excise goods is a serious challenge, both for the government and market participants. NIS remains dedicated to reaching the common goal – a fair and free market with clear regulations for all participants.



Company Profile

Organizational profile

- GRI 102-1 Name of the organization
- GRI 102-2 Activities, brands, products, and services
- GRI 102-3 Location of headquarters
- GRI 102-4 Location of operations
- GRI 102-5 Ownership and legal form
- GRI 102-6 Markets served
- GRI 102-7 Scale of the organization
- GRI 102-8 Information on employees and other workers
- GRI 102-9 Supply chain
- GRI 102-10 Significant changes to the organization and its supply chain
- GRI 102-11 Precautionary Principle or approach
- GRI 102-12 External initiatives
- GRI 102-13 Membership of associations

Strategy

- GRI 102-14 Statement from senior decision-maker

Ethics and integrity

- GRI 102-16 Values, principles, standards, and norms of behaviour

Governance

- GRI 102-18 Governance structure

Stakeholder engagement

- GRI 102-40 List of stakeholder groups
- GRI 102-41 Collective bargaining agreements
- GRI 102-42 Identifying and selecting stakeholders
- GRI 102-43 Approach to stakeholder engagement
- GRI 102-44 Key topics and concerns raised

Reporting practice

- GRI 102-45 Entities included in the consolidated financial statements
- GRI 102-46 Defining report content and topic Boundaries
- GRI 102-47 List of material topics
- GRI 102-48 Restatements of information
- GRI 102-49 Changes in reporting
- GRI 102-50 Reporting period
- GRI 102-51 Date of most recent report
- GRI 102-52 Reporting cycle
- GRI 102-53 Contact point for questions regarding the report
- GRI 102-54 Claims of reporting in accordance with the GRI Standards
- GRI 102-55 GRI content index
- GRI 102-56 External assurance

Management Approach

- GRI 103-1 Explanation of the material topic and its Boundary
- GRI 103-2 The management approach and its components
- GRI 103-3 Evaluation of the management approach

GRI Topic-specific disclosures

GRI 201: Economic Performance

GRI 201-1 Direct economic value generated and distributed

Distributed economic value in thousand RSD	2017	2018
Directly generated value	236,087,804	282,165,889
Distributed economic value	211,600,427	261,211,206
Operating costs	179,931,250	223,589,944
Employee earnings and other remuneration	18,761,914	20,101,583
Interest on received loans	6,865,850	9,019,687
Taxes*	5,829,036	8,288,900
Investments in the community	212,377	211,092
Increase in the economic value of the Company	24,487,377	20,954,683

* Indirect taxes are not included in the given amount.

GRI 201-2 Financial implications and other risks and opportunities due to climate change

NIS helps fight climate change by producing low-sulphur fuel, building cogeneration power plants, injecting CO₂ and by commencing the construction of a wind farm.

The commissioning of the DCU - Delayed Coking Unit in the Pančevo Oil Refinery in 2019 will reduce the emission of sulphur oxides into the air in the entire Republic of Serbia by limiting the presence of high-sulphur fuels on the market, which will in turn prevent acid rains and their negative effect on the environment.

The Company has built 17 cogeneration power plants in 9 locations, with the total capacity of 14MW. This contributed to the reduction of gas flaring and enabled the production of electricity and thermal energy for own consumption, while

the remainder of electricity is transferred to the electricity system of Serbia.

In 2018, the Company continued with injection of CO₂ separated from gas in the Amine Plant in the Oil and Gas Preparation Plant in Elemir, into Rusanda reservoir. In this manner, emission of CO₂ into the atmosphere has been reduced, and injected CO₂ increases gas production in these wells by maintaining pressure in the reservoir.

Utilisation of wind and solar power, biogas and other alternative energy sources as well as modern technologies, contribute to climate change mitigation. By investing in wind power generators, the Company complemented its energy generation operations in line with principles of environmental protection.

In 2018, we joined the international Earth Hour initiative for the 10th year by turning off decorative lighting in the Business Centres in Belgrade and Novi Sad on 24 March. This way, NIS helps raise

awareness of the need for rational energy use and reduction of the impact of human activities on climate change.

GRI 201-3 Defined benefit plan obligations and other retirement plans

The Company calculates obligations related to severance and pension payments to the employees and for jubilee awards.

GRI 201-4 Financial assistance received from government

Financial assistance received from government	
Program	2018
Agreement on the establishment of mutual rights and obligations in the implementation of the NIS Chance project with the City of Zrenjanin for 2017.	1,914
Total in thousand RSD	1,914

GRI 202: Market Presence

GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage

The minimum monthly basic gross salary in NIS amounts is higher than the minimum gross salary in Serbia.

GRI 202-2 Proportion of senior management hired from the local community

Employees up to a level of department director - age structure, gender structure and nationality					
	Number/Level	CEO	CEO Advisers and Deputies	Function / Block Director	Function / Block Director Advisers and Deputies
	NIS j.s.c. Novi Sad	1	4	15	5
	<30	0	0	0	0
	30-50	1	1	10	4
	>50	0	3	5	1
	Representative offices and branches	0	0	0	0
Age	<30	0	0	0	0
	30-50	0	0	0	0
	>50	0	0	0	0
	Local subsidiaries	0	0	0	0
	<30	0	0	0	0
	30-50	0	0	0	0
	>50	0	0	0	0
	NIS j.s.c. Novi Sad	1	4	15	5
	Men	1	3	13	5
Gender	Women	0	1	2	0
	Representative offices and branches	0	0	0	0
	Men	0	0	0	0
	Women	0	0	0	0
	Local subsidiaries	0	0	0	0
	Men	0	0	0	0
	Women	0	0	0	0
	NIS j.s.c. Novi Sad	1	4	15	5
	Domestic	0	3	2	0
Nationality	Foreign	1	1	13	5
	Representative offices and branches	0	0	0	0
	Domestic	0	0	0	0
	Foreign	0	0	0	0
	Local subsidiaries	0	0	0	0
	Domestic	0	0	0	0
	Foreign	0	0	0	0
	Total	1	4	15	5

Subsidiary Director	Department Director	Department Director Advisers and Deputies	Representative Office Director
0	79	2	0
0	2	0	0
0	65	2	0
0	12	0	0
0	0	0	4
0	0	0	0
0	0	0	2
0	0	0	2
4	5	0	0
0	1	0	0
4	3	0	0
0	1	0	0
0	79	2	0
0	66	2	0
0	13	0	0
0	0	0	4
0	0	0	4
0	0	0	0
4	5	0	0
4	3	0	0
0	2	0	0
0	79	2	0
0	48	0	0
0	31	2	0
0	0	0	4
0	0	0	1
0	0	0	3
4	5	0	0
2	3	0	0
2	2	0	0
4	84	2	4

* The management category includes top management, senior management and middle management. Lower management (starting from section managers and lower levels) is not included in the management category.

GRI 203: Indirect Economic Impacts

GRI 203-1 Infrastructure investments and services supported

In addition to its business results, NIS also pays great attention to the development of all communities in which it operates. For these purposes, the Company has been allocating significant funds for socially responsible programmes throughout Serbia for several years now. In 2018, nearly RSD 408 million was allocated for these initiatives. NIS implements its socially responsible programmes under the slogan “Future at Work”, which symbolises the Company’s dedication to primarily invest

in the advancement of young people, improvement of quality of education in Serbia, and prevention of brain drain. Along with supporting the younger generations, the main directions of NIS’ socially responsible programmes include the improvement of education infrastructure, support of health and social institutions, partnerships with domestic and international scientific institutions, popularisation of culture and arts and development of sports infrastructure.

GRI 203-2 Significant indirect economic impacts

NIS is one of the leading companies in Serbia, not only in terms of its operating profit and net revenue, but also in terms of realised investments, business activities, number of employees, tax liabilities and other liabilities payable to the government. In 2018 only, NIS realised an investment programme worth RSD 41 billion, and these funds contributed to the development of economic activi-

ties in the entire country, since NIS hires a significant number of domestic companies as contractors and suppliers. Additionally, NIS strives to share its internal rules and best practices from the field of business ethics, occupational health and safety and environmental protection with its partners, and in that manner contribute to the development of the business community in Serbia.



GR 204: Procurement Practices

GRI 204-1 Proportion of spending on local suppliers

The main principles guiding the implementation of procurement processes are:

- Process cost-effectiveness and efficiency, and
- Bidder competitiveness and equality

These principles and business logic are always accompanied by the standardization of business processes through adopted documents: rulebooks, policies, standards and instructions. NIS prior-

itizes the competitive selection of suppliers and contractors. In cases where the business situation requires a non-competitive mode of selection, this must be explained by the procurement initiator. The competitive selection is based on the analysis of alternative offers and the selection of a supplier that submitted a technically acceptable and favourable offer in terms of price, delivery/completion time, warranty period, securities or additional benefits.

Procurement structure excluding Gazprom Neft						
Year	Total procurement value in thousand RSD	Number of suppliers of the Company	Total procurement value of local suppliers in thousand RSD	Total number of local suppliers	Percentage of procurements from local suppliers - value	Percentage of local suppliers in total number of suppliers
2017	158,194,863	2,629	70,642,989	2,151	45%	82%
2018	185,089,882	2,567	82,739,262	2,072	45%	81%

Procurement structure including Gazprom Neft						
Year	Total procurement value in thousand RSD	Number of suppliers of the Company	Total procurement value of local suppliers in thousand RSD	Total number of local suppliers	Percentage of procurements from local suppliers - value	Percentage of local suppliers in total number of suppliers
2017	195,818,326	2,629	70,642,989	2,151	36%	82%
2018	263,239,698	2,567	82,739,262	2,072	31%	81%

GRI 205: Anti-corruption

GRI 205-1 Operations assessed for risks related to corruption

The chief corruption related risks are continuously analysed in all organizational units of the Company. Indicators of corruption* are continuously monitored, particularly in the area of procurement of goods and services and customer relations, as well as through the verification of job applicants and candidates for managerial and other senior positions in the Company. Additionally, we screen business entities prior to forming contractual relationships with them and ensure that our agreements and normative-methodological documents are aligned.

The area of business activities that is especially exposed to the corruption-related risk is procurement of goods and services, considering the direct communication with the suppliers and significant cash flow, and the fact that corruption may be initiated either by bidders or clients. However, corruption is also present in the field of customer transactions – this is mostly reflected in preferential treatment of so-called “large” clients and by favouritism based on parity, mode of transportation or time of shipment. The most prevalent form of preferential treatment of customers happens by awarding contracts or delivery of large quantities of goods regardless of the outstanding financial obligations arising from previous contracts and deliveries.

In 2018, several indications were analysed in relation to possible corruption, particularly in procurement units. Risk assessment identified several potential corruption risks, including:

- Abuse of office by a responsible person, which may appear in the following forms: irresponsible use of company assets; insufficient protection of company assets; incompleteness or absence of internal control procedures; misconduct of line or functional managers; unlawful conduct of employees.
- Dereliction of duty
- Embezzlement

Goals for the future

1. Building and raising employee awareness and ability to recognise damaging forms of corruption.
2. Monitoring and preventive activities which would improve the work atmosphere and reduce the possibility of corruptive actions.
3. Training courses and professional workshops as a form of expert assistance to management in identifying corruption.
4. Participating in the development and approval of internal documents with the aim of implementing control mechanisms to minimize the possibilities of corruption.
5. Cooperating, improving and coordinating measures and anti-corruption activities with competent government authorities.

* The expression “corruption” implies the definition used for the analysis which is taken from the National Anti-Corruption Strategy: *Corruption is the practice of abuse of authority in the public and private sector with a view to acquiring personal benefit or enabling third parties to acquire such benefits. This involves a broader understanding of the concept of corruption, which cannot be reduced to a general accepted opinion that it involves giving or receiving a bribe, but it also implies any action that originates, partially or fully, from socially unacceptable motives.*

GRI 205-2 Communication and training about anti-corruption policies and procedures**Governing bodies**

Members of NIS' governing bodies have been instructed on anti-corruption rules and procedures in accordance with the Resolution of the CEO, which adopts the standard form of the Anti-Corruption Agreement. In addition, members of the governing bodies had an opportunity to familiarise themselves with the Company's policy in the fight against corruption and fraud, and particularly with the clause on compliance with pertinent legislation. All members of governing bodies, i.e. members of the Board of Directors, CEO's Advisory Board, the Board of Directors' committees (Audit Committee, Nomination Committee and Remuneration Committee) and of the Shareholders' Assembly Board tasked with business activity monitoring and reporting to shareholders are thoroughly familiar with current rules and procedures aimed at combating corruption.

New Employees

In 2018, instruction on anti-corruption policies and procedures has been continuously carried out, so that all new employees are included in the induction training that covers corruption issues.

Employees

In 2018, the Company organised direct training of employees on topics which dealt with anti-corruption issues, among other things. The topics dealt with classified administrative activities, information protection (protection of information against malicious emails and malware and personal information protection), encryption methods, classification of the Company's confidential documents and exchange of confidential data with government authorities. These trainings included 868 employees in total.

Additionally, within internal assessment of compliance of business operations with the Company's

normative documents, Corporate Security also proposes corrective measures and guides and educates its employees on the fight against corruption.

Ten employees attended a three-day training course on ISO 37001 Anti-Bribery Management Systems in the Economics Research Centre in Belgrade, which was organised for the purpose of developing their professional skills for the purpose of combating corruption.

Business Partners

The Company's operational procedures mandate the conclusion of the Anti-Corruption Agreement with all business partners with which it enters into a contractual relationship. The purpose of this agreement is to preserve and ensure a favourable business environment through preventive and specific actions against corruption and/or other illegal activities. The CEO's Resolution also outlines the procedure applied in cases where a business partner refuses to sign the Agreement. In these cases, the initiator of the Agreement within NIS informs the competent authorities, undertakes measures and actions to determine the actual reasons behind the refusal to sign the Agreement, and then adopts an approved decision on further action. Corporate Security is responsible for conducting control activities with the aim of combating corruption, reviewing the agreement approval process and verifying the existence of anti-corruption agreements.

Commitments and goals for the future

The Company will continue to implement systematic anti-corruption measures in order to protect its business operations. These measures will include continuous education, exchange of experience and good practices with the Company's management and employees, particularly in the organisational units tasked with procurement and sale of goods and services.

GRI 205-3 Confirmed incidents of corruption and actions taken

In 2018, responsible managers received 136 proposals to initiate disciplinary or misdemeanour proceedings against employees whose actions or omissions resulted in harmful consequences for the Company, and which were based on corruptive motives. In addition, the Company pressed charges against 41 persons (all third parties) for property crimes. Most charges against third parties (39) were for the criminal offence of theft — after filling up their tanks with petroleum products, the perpetrators left the retail sites of the Company without paying. The remaining two criminal charges against third parties refer to abuse of office (which resulted in harmful consequences for the Company amounting almost to RSD 2.5 million) and embezzlement. Having proven that they were involved in corruption, the Company terminated 57 employees (engineers, technicians and other operators) in total.

In 2018, there were 46 cases in which the Company terminated or decided not to renew the existing contracts with its business partners. The reasons were as follows:

- Unprofessional treatment of contractual obligations, failure to fulfil contractual obligations within set deadlines and low quality of performed works (8 cases);
- Failure to fulfil financial obligations / foreign currency debt (doubtful liabilities) towards the Company or its subsidiaries (36 cases);
- Failure to comply with and/or breach of rules/ responsibilities in the field of HSE (1 case);
- Cancellation and/or termination of an agreement with the Company, after having agreed to a procurement (1 case).



GRI 206: Anti-competitive Behavior

GRI 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

In 2018, there were no cases of initiated proceedings and there were no disputes against the Company due to anti-competitive and monopolistic behaviour.

GRI 301: Materials

GRI 301-1 Materials used by weight or volume

Materials used			
Raw materials/materials	UoM	Quantities used	
		2017	2018
Domestic crude oil	t	879,059	880,632
Imported crude oil	t	2,459,838	2,675,302
Natural gas *	t	84,475	95,830
Geothermal water **	m³	449,443	425,574
Raw water ***	m³	26,537	21,661

* For hydrogen production

** Water sold to external clients

*** Water used as a raw material for the production of drinking water

Overview of domestic and imported crude oil, listed by type

Raw materials/materials	UoM	Quantities used	
		2017	2018
Light waxy crude oil	t	478,264	491,798
Heavy waxy crude oil	t	146,306	132,227
Naphthenic crude oil	t	254,489	256,607
Crude oil – REB	t	709,878	488,919
CPC BLEND	t	186,868	0
Crude oil – Kirkuk	t	1,278,007	1,318,189
Crude oil – Novy Port	t	285,021	847,978
Crude oil – Timisoara	t	65	0
Crude oil – Iranian Heavy	t	0	20,216

Overview of Intermediates

Intermediate products/materials	UoM	Quantities used	
		2017	2018
Pyrolysis gasoline	t	106,714	113,263
MTBE	t	7,637	5,859
Isobutane and gasoline from Elemir Plant	t	4,810	2,394
Imported vacuum gas oil (VGO)	t	40,951	43,404
Imported heavy fuel oil	t	0	12,145
Additives and polymer mass	t	0	3
Slop (including degraded products)	t	6,080	2,059

The intermediate products that are presented in the table are external products used for refining and slop (produced in processes of refining and handling in refineries).

GRI 301-2 Recycled input materials used

Overview of packaging materials

Material	UoM	Quantities used	
		2017	2018
Paper and cardboard	t	118	144
Wood	t	154	98
Plastic	t	509	485
Metal packaging	t	86	141

Materials used in the production processes originate from non-renewable resources and can be found in the final product, petroleum products, energy sources and drinking water.

Due to the nature of its operations, the Company does not use recycled materials as raw materials for production.

GRI 301-3 Reclaimed products and their packaging materials

The Law on Packaging and Packaging Waste obligates the Jazak Drinking Water Plant and the Lubricants Department, as packers/fillers and sellers of packaging items, to manage packaging waste resulting from the use of their products, i.e. to ensure its recovery and collection, re-use, recycling or disposal.

Guided by pertinent legal provisions, the Company hired an operator responsible for the packaging

waste management system which holds appropriate licences for performing these activities.

For the purpose of meeting national objectives set for 2018, packaging waste collected during 2018 was re-used, recycled or disposed of during the current year by the contracted operator.

All larger facilities of the Company are equipped with labelled bins for paper, PET containers and cans.

Overview of packaging placed on the Serbian market

Material	UoM	2017		2018	
		Jazak	Lubricants Department	Jazak	Lubricants Department
Plastic	PET	249	46	204	40
	Other types of plastic	t	48	166	41
Metal	Iron	t	0	86	0
Paper and cardboard	Paper and cardboard	t	56	62	38
Wood	Pallets	t	51	103	48
Total		t	867		868

GRI 302: Energy

GRI 302-1 Energy consumption within the organization

Overview of energy consumption

Energy type	UoM	Consumed quantity		Consumed quantity in toe	
		2017	2018	2017	2018
Natural and associated gas	m ³	369,712,880	373,487,557	294,392	297,398
Fuel – own consumption (petrol, diesel)	t	3,569	4,182	3,742	4,385
Fuel – own consumption (light fuel oil, refinery gas, coke, torch oil, off-gas)	t	372,610	396,832	314,958	335,432
LPG	t	249	239	265	254
Steam (in the form of high pressure steam)	t	2,379,109	2,547,699	183,542	196,548
Electricity purchased from a supplier	MWh	328,195	331,580	28,220	28,511
Produced electric power	MWh	61,790	70,015	5,313	6,020
Thermal energy	MWh	9,649	8,083	830	695

Energy by					
Internally produced	Purchased from a supplier	Sold			
2017	2018	2017	2018	2017	2018
489,085,287	449,567,235	963,108	3,290,222	120,335,663	79,369,427
3.569	4,182	0	0	0	0
372.610	396.832	0	0	0	0
249	239	0	0	0	0
2,379.109	2,547.699	0	0	0	0
0	0	328.195	331.580	0	0
61.790	70.015	0	0	61.790	70.015
0	0	9.649	8.083	0	0

GRI 302-3 Energy intensity

The best indicator of continuous improvement of energy efficiency in the area of intense energy consumption is the EII – Energy Intensity Index, which represents the ratio between the actual energy consumption and standard energy consumption. The standard energy consumption is the consumption projection at HSB Solomon Associates LLC (the most widely used methodology of benchmarking of oil refineries in the world that covers over 85% of the refining capacity in over 70 countries around the world).

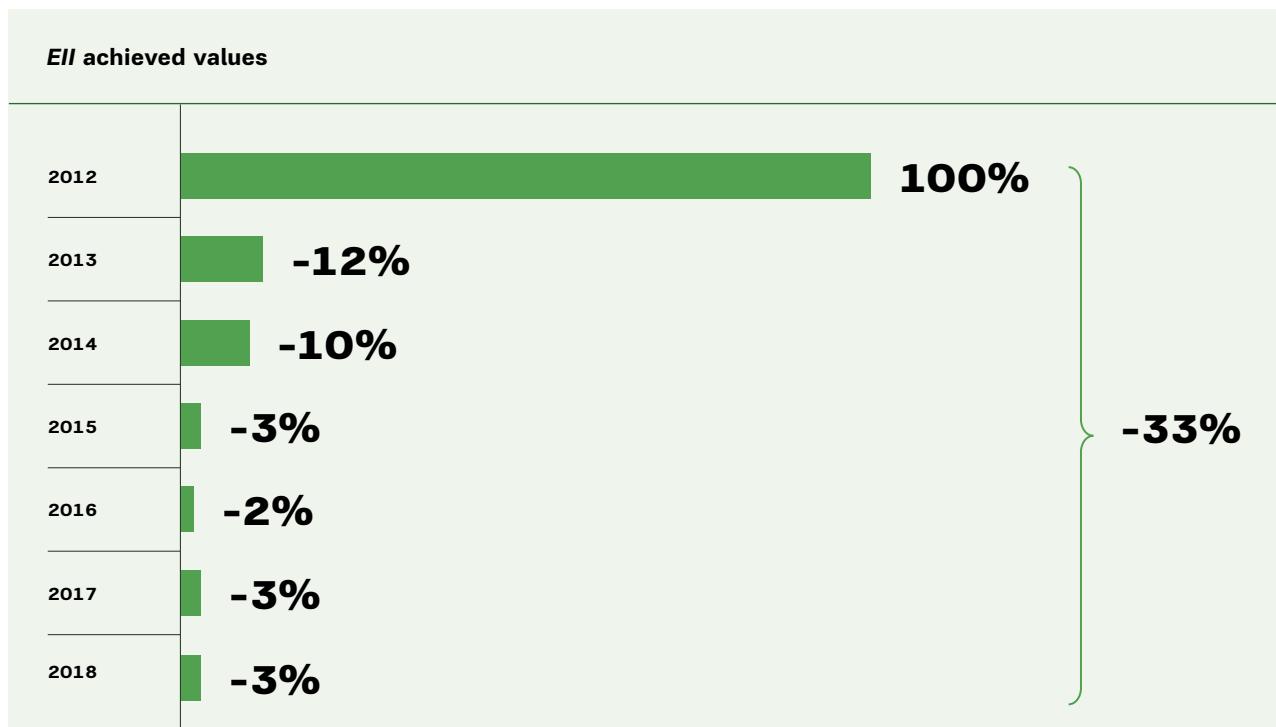
If we take 2012 as the reference year, in the period 2012–2018 the Company achieved the total increase in energy efficiency of 33%.

Associated gas which used to be burned in flare stacks is now used in the production of electrici-

ty and thermal energy in cogeneration plants built in the period from 2013 until today, and the share of electricity produced in these plants in the total energy consumption amounts to 25%. Owing to the electricity produced by the back-pressure turbo-generator, the share of electricity the Company generates on its own in its total consumption is 39%.

Cogeneration power plants reduce procurement costs of energy sources for infrastructure facilities. They also secure the Company's position on the market, on which it has been present since 2014. In 2018, the electricity sales increased by approximately 15% compared with 2017.

The Company now has its own electricity generation capacity (cogeneration plant and turbo-generator) that meets 39% of its needs.



GRI 302-4 Reduction of energy consumption

The most significant projects/measures which were realized or whose realization started in 2018:

- Installation of the system for reactive power compensation
- Modernisation of lighting (installation of LED lights)
- Calibration of submersible pumps on oilfields
- Installation of energy efficient low-loss transformers
- Modernisation of pumps for preparation and transport of oil (procurement of IE3 electric motors)
- Increase of efficacy of pumps for formation water disposal
- Abandonment of low-production oil wells that do not generate profit
- Reducing electricity consumption – Replacement of ESP pumps by submersible pumps on PCP systems
- Modernisation of compressors
- Installation of compressors with a higher EQ (efficiency quotient)
- Installation of heat exchangers for preheating feedstock by hot effluent at the outlet of the reactor DC-0251/0252
- Replacement of condensation turbines with electric motors
- Decentralisation of heat sources in the RNS
- Adaptation of condensate recovery systems in the RNS Power Plant
- Replacement of thermal insulation on steam and hot water lines in the RNP
- Optimization of steam lines and users in Movement
- Replacement of lift steam for risers with fuel gas
- Utilization of heat from alkylates on the bottom of DA-2601

Organisational and technical activities

- adjustment of starting temperature in the convector heating system, based on the outside temperature
- reduction of cooling water in circulation
- turning off heating during the day in the periods between seasons
- maintaining optimal temperature in drainage systems and associated equipment
- continuous chemical cleaning of furnaces

The implementation of projects and measures defined under 2018 Action Plan, and realisation of additional measures during that year resulted in energy savings of nearly 329 TJ.

Overview of planned and realized energy savings

Energy source	Planned savings in 2018 (GJ)	Realized savings in 2018 (GJ)	Realized savings in 2018 (%)
Electricity	12,296	12,323	0.21
Thermal energy	56,226	77,508	37.8
Fuels	169,156	183,931	8.7
Additional measures	46,155	55,076	19.3
Total	283,834	328,837	15.86

GRI 302-5 Reductions in energy requirements of products and services

In a time of major changes on the energy market, one energy source still manages to claim the title of the fuel of the future – compressed natural gas (CNG). CNG is natural gas compressed to a pressure of 220 to 250 bar. The main ingredient is methane, which has the lowest CO₂ emission quotient compared to other derivatives, and therefore contributes to the protection of the environment.

CNG is used both as an alternative fuel for all types of vehicles and as an energy source in the industry, and there are several reasons why experts still call it the fuel of the future. CNG is categorised as “alternative fuel” whose use is regulated by Directive 2014/94/EC.

In addition to its octane number, a criterion of fuel quality, the main advantage of CNG is its energy, i.e. calorific value, which is much higher than in the case of other engine fuels.

This petroleum product is favoured because it has the least harmful effect on the environment. In addition to the reduced emissions of harmful gases, CNG does not contain sulphur or toxic additives of organic lead or benzene. Using this ener-

gy source as engine fuel also significantly reduces noise by as much as 50% percent compared to diesel engines. In addition, practice has shown that CNG vehicles have greater agility and performance and a longer engine life.

In addition, savings from the use of CNG, depending on the type of a vehicle, may reach 50 percent. If an average vehicle travels 100 km using approximately 7.5 l of petrol, or about 6.0 l of diesel or 8.6 l of LPG, the same distance can be covered using around 4.4 kg of CNG. The environmental benefits of CNG are particularly important given that the European Commission's Directive from 2007 stipulates that new vehicles must reduce CO₂ emissions.

In 2018, the Company had two active CNG retail sites – in Novi Sad and Čačak. In the same year, a CNG plant was commissioned in the Ostrovo gas field, and its output was intended for the wholesale market, i.e. industrial consumption. In November, an additional CNG retail site was opened at Žarkovo 2 PS in Belgrade. The plans for 2019 include the recommissioning of a CNG plant on the Palić gas field for wholesale, and installation and start-up of a CNG retail site on Block 45 PS in Belgrade.



GRI 303: Water and Effluents

GRI 303-1 Water withdrawal

Quantity and share of water withdrawn by source					
Type of the water intake structure	2017 m ³	Relative share	2018 m ³	Relative share	Relative change 2018/2017
River water intake	3,019,488	76%	3,124,985	79%	+3.5%
Public water supply	565,321	14%	484,319	12%	-14%
Groundwater	401,175	10%	343,804	9%	-14%
Total water withdrawn	3,985,984	100 %	3,953,108	100%	-0.8 %

GRI 303-2 Water discharge

The volume of water withdrawn from the Danube for the needs of the Pančevo Oil Refinery increased on the previous year by approximately 4.5% (2,933,157 m³ in 2018), which was expected since the refining output also increased by 6.5%. However, water withdrawal rate of 93 l/s amounts to only 0.0018% of the average annual flow of the Danube.

The volume of water withdrawn from the Danube-Tisa-Danube Canal for the needs of Petroleum Products Warehouse in Novi Sad (at the location of

the former Oil Refinery in Novi Sad) decreased on 2017 by 11% (188,128 m³). The withdrawal rate was 6 l/s, which amounts to 0.01% of the flow of the DTD Canal in Novi Sad.

The withdrawal of these quantities of water from the Danube and the Danube-Tisa-Danube Canal does not threaten their potentials, considering that they are considerably lower than 5% of their average annual flow.

GRI 303-3 Water consumption

The withdrawal of water from the Danube was reduced significantly owing to multiple applications of condensate recovery in the RNP. In 2018, the amount of recycled water (condensate recovered from production processes) in the RNP amounted to

1,075,638 t. This way, the withdrawal of raw water from the Danube for the Refinery decreased by 37%, whereas the total water withdrawn for the needs of NIS was reduced by 27%.

GRI 304: Biodiversity

GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

Overview of protected areas adjacent to the Company's operational sites

Type of protected natural area	Name of protected natural area	Name of adjacent NIS facility	Status of NIS facility in 2018
Special nature reserve	Deliblato Sands	HTS Devojački bunar Db - 1/H	not in operation
	Deliblato Sands	GSS Tilva	not in operation
	Okanj Lake	Oil and gas preparation and transport plant, Elemir	in operation
	Okanj Lake	Eli-1 oil well	not in operation
Pastures of Great Bustard	GMS Mokrin zapad and KS-2 Mokrin zapad		in operation
Kovilj-Petrovaradin Marshes	PS Novi Sad 6		in operation
Nature park	Palić Lake	HTS Palić (1 Pj - 1/H, Pj - 2/H)	in operation
	Palić Lake	Pć-24	in operation
Natural monument	Junaković Forest	HTS Prigrevica – Junaković Spa (Pb - 1/H)	in operation
	County Park – Zrenjanin Town Gardens	Zrenjanin 1 PS	in operation
Đerdap National Park	Donji Milanovac PS		in operation

GRI 304-2 Significant impacts of activities, products, and services on biodiversity

NIS engages in exploration and production of oil, gas and thermal water, and sale of petroleum products in 11 facilities located in the vicinity of protected natural areas, including Đerdap National Park, special nature reserves (Deliblato Sands, Okanj Lake, Pastures of Great Bustard near Mokrin, Kovilj-Petrovaradin Marshes), Palić Nature Park and natural monuments (Junaković Forest and Zrenjanin Town Gardens), fully complying with the regulations of the competent authorities (Institute for

Nature Conservation of Serbia and Institute for Nature Conservation of Vojvodina Province).

In 2018, the Company carried out 3D reflection seismic surveys on the fields South Banat II and Turija IV, and 2D surveys in the areas Morović and Čoka; it also drilled a directional well Ve-001X on the Velebit Oil Field, all in line with the requirements of the Decision on Environmental Protection.

GRI 304-3 Habitats protected or restored

In 2018, the Company continued its activities relating to remediation of historic pollution, restoration of agricultural land to its original state and elimination of risks of pollution of land, groundwater and air. Four primary mud pits with the total area

of 3,091 m² were remediated. Remediation of the OS Kikinda suction pit is currently in progress. Thus far, the Company has remediated the total of 190 primary mud pits and one suction pit, and the total area of remediated land covers 134,196 m².

GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

In the Republic of Serbia, protected wild plant, animal and fungal species are protected under the Law on Environmental Protection, Rulebook on the categorisation and protection of highly protected and protected wild plant, animal and fungal species, and the Rulebook on the criteria for categorisation of habitat types; on habitat types: sensitive, endangered, rare and priority habitat types; and on protection measures for their preservation. Prior to undertaking any activities, the Company obtains

regulations for environmental protection from the competent authorities with relevant conservation measures, to which it scrupulously adheres.

According to the Company's records and the data on natural species listed on the IUCN Red List, there is a habitat of highly protected bird species – the great bustard (*Otis tarda*) in the Pastures of Great Bustard near Mokrin, in the vicinity of the sites where the Company conducts its operations.

GRI 305: Emissions

GRI 305-1 Direct (Scope 1) GHG emissions

In 2018, the Company measured CO₂ emissions for its plants which will participate in the EU ETS in line with the methodology outlined in the Regulation (EC) No. 601/2012 on monitoring and reporting, and determined that they stood at 1,088,386 t on the basis of the available quality of data. CO₂ emissions increased on the previous year, as the refining output of the RNP increased as well, intensifying fuel consumption and directly affecting CO₂ emission levels.

In 2018, the Company continued its EOR project which includes injection of CO₂ separated from gas in the Amine Plant in the Oil and Gas Preparation Plant in Elemir, into Rusanda reservoir, with the aim of maintaining its pressure and boosting production. The total amount of injected CO₂ is 44,459,696 m³.

In order to ensure full compliance with the legislation on managing greenhouse gas emissions and improving measurement of CO₂ emissions, the Company worked with an external expert firm to prepare the “Study on the identification of measures/activities for calculating emission units allocated free of charge, and definition of the benchmarking methodology for CO₂ emissions of NIS’ plants which will participate in the EU ETS”. The purpose of the study was to prepare the Company’s plants for participation in the EU greenhouse emissions trading system, and to implement a system for monitoring, reporting and verification of greenhouse emissions in accordance with the EU ETS Directive. These calculations confirm that the RNP falls in the same category as other refineries in Europe.

GRI 305-6 Emissions of ozone-depleting substances (ODS)

The Company does not produce, import or export ozone-depleting substances.

GRI 305-7 Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions

Air pollutant emissions (t/g)	2017	2018
SO ₂ emissions	4,720	3,454
NO _x emissions	959	995
Particulate matter (PM) emissions	148	280

Lower sulphur dioxide (SO₂) emissions were achieved by considerable investments in environmentally friendly projects realised towards the end of 2017 and during 2018. In 2018, the Company completed the project for amine scrubbing of ejector gas at the Vacuum Distillation Unit in the RNP, and its effects reflected directly in the reduction of SO₂ emissions.

The main cause of the increase in emissions of air pollutants in comparison to the previous year is the increase in the crude oil refining output (6.5%), and a greater number of operating hours of processing plants.

GRI 306: Effluents and Waste

GRI 306-1 Water discharge by quality and destination

As of the end of 2018, the Company owned 364 facilities for waste water treatment. Twenty-eight new separators for oily waste water treatment were installed at our petrol stations (4 separators were replaced, and the Company also bought 3 petrol stations with pre-installed separators). The Company also commissioned a waste water treatment plant – DNM. The quality of waste water and the efficiency of the treatment process is controlled via regular monitoring.

The most of waste water is generated in the RNP, and the quantity increased by 8% on the previous year. This increase was expected, as it was the result of the 6.5% increase in the Refinery's crude oil refining output. The quantity of discharged waste water per tonne of refined oil in the RNP remained at the same level as in the previous year ($0.53\text{ m}^3/\text{t}$). This increase in waste water quantities is explained by the fact that they also include treated waste water discharged into the public sewer system per water quantity taken from public sewers.

Overview of discharged waste water in m^3 , by treatment and recipients

Treatment type	Recipient	2017 m^3	2018 m^3	Relative change 2018/2017
External treatment	watercourse	1,350,966	1,424,965	+5%
Physical, physico-chemical	watercourse, public sewerage	714,373	937,692	+31%
Sanitary waste water	public sewer system	41,807	42,331	+1%
Total wastewater discharge		2,107,146	2,409,721	+14%

GRI 306-2 Waste by type and disposal method

Overview of generated and disposed waste in tonnes

Waste type	Generated waste in 2018	Waste disposed in 2018
Hazardous	10,466	10,240
Non-hazardous	6,220	6,261
Total	16,686	16,501

Overview of waste disposed by type in tonnes

Disposal method	2018	
	Non-hazardous	Hazardous
Bioremediation	0	487
Landfill disposal	212	33
Recycling	5,926	119
Re-refining	4	41
Storage	16	0
Solidification	73	1,440
Co-firing	31	8,121

Thirty-three operators authorized for waste management were tasked with waste disposal. Disposed hazardous waste mainly consisted of mud and sludge, as well as oily waste generated by maintenance and cleaning of tanks and separators. Of all types of non-hazardous waste disposed in 2018, 93% of the total disposed waste was metal waste.

Most waste, primarily metals and packaging items, was transferred for recycling, whereas hazardous waste (mud, sludge, and oily waste), depending on its concentration of hydrocarbons,

was disposed of by co-burning, solidification and bioremediation.

The Waste Recording Application was updated within the project for improvement of waste management. It ensured faster and simpler creation of daily and annual reports, as well as simpler recording of generated and disposed waste. The application enables the users to filter data by 29 criteria and create different reports for their needs, including reports the Company is required by law to submit to the Environmental Protection Agency and the Statistical Office of the Republic of Serbia.

GRI 306-3 Significant spills

Number of environmental accidents by type

Accident type	2017	2018
Oil/petroleum product spills on soil	22	11
Wastewater spills	0	0
Chemical spills	2	2
Gas emissions	1	0
Other	5	3
Total	30	16

The number of environmental accidents is significantly lower than in 2017 (by 47%). The Company recorded 16 environmental accidents in 2018. The decrease in the number of spills was achieved through the improvement of process control and adherence to technological discipline.

The significant improvements in this field also reflected in the reduction in the quantity of spilled

material. The total amount of material released or spilled in 2018 was 15.95 m³, which is a 26% decrease on the previous year (21.61 m³).

Of the total number of spills in 2018, 4 were results of ruptures in which the quantity of spilled material exceeded 1 barrel. According to NIS Incident Classifier, all environmental accidents in 2018 were categorised as minor.

Causes of environmental accidents (%)	2018
Work activity	50
Technological failure or breakdown – process	12.5
Pipeline rupture	25
Accompanying lines rupture	6.25
Other	6.25
Total	100%

GRI 306-4 Transport of hazardous waste

In 2018, the Company did not transport, import, export and/or treat any waste categorised as haz-

ardous by Annexes I, II, III and VIII to the Basel Convention.

GRI 306-5 Water bodies affected by water discharges and/or runoff

The Company does not withdraw nor discharge treated waste water into waterbodies whose biodiversity may be affected by these actions. Review of obtained documents on water management ascertained that the waterbodies into which treated waste water is discharged are not categorised as waterbodies under special protection or as waterbodies with valuable biodiversity.

The International Commission for the Protection of the Danube River (ICPDR) was established in 1998 with the purpose of protecting the Danube water and environment. Serbia is one of the member countries. The Danube is a watercourse that receives more than 90 percent of all Company's waste waters:

- treated atmospheric water from the Pančevo Oil Refinery is discharged into the Azotara's canal in the south industrial zone of Pančevo, which then flows into the Danube – 460,185 m³;
- industrial waste water from the Pančevo Oil Refinery is treated in a waste water treatment plant in HIP PHK, from which it is discharged into the Danube – 1,424,965 m³;
- treated wastewater is discharged from the Petroleum Products Warehouse in Novi Sad indirectly, through the public sewer system of Novi Sad, and then into the Danube – 173,328m³.

GRI 307: Environmental Compliance

GRI 307-1 Non-compliance with environmental laws and regulations

In 2018, the Company identified two cases of economic offence which resulted in a fine in the amount of RSD 1,000,000.

GRI 401: Employment

GRI 401-1 New employee hires and employee turnover

Overview of employee turnover

Organizational unit	31/12/2017		
	Direct	Leasing	Total
Exploration and Production Block	802	220	1,022
Services Block	88	24	112
Downstream Division*	0	0	0
Refining Block	836	32	868
Sales and Distribution Block	965	2,799	3,764
Energy Department	248	26	274
NIS – expert services	1,089	462	1,551
Representative Offices and Branches	60	0	60
NIS j.s.c. Novi Sad	4,088	3,563	7,651
Naftagas – Oilfield Services**	569	889	1,458
Naftagas – Technical Services	391	488	879
Naftagas – Transport	97	292	389
NTC NIS Naftagas	309	30	339
Subsidiaries in the country	1,366	1,699	3,065
Total:	5,454	5,262	10,716

* The total headcount of the Downstream Division is inclusive of 46 employees of the Energy Directorate (41 permanent, 5 leasing employees); the remaining part of the Downstream Division has 76 employees (66 permanent, 10 leasing employees).

** The total headcount of Oil Services includes 7 employees from the Services Block, remaining from the old structure.

31/12/2018		
Direct	Leasing	Total
858	216	1,074
0	0	0
2,062	2,944	5,006
956	30	986
999	2,899	3,898
0	0	0
1,094	434	1,528
45	0	45
4,059	3,594	7,653
991	1,267	2,258
174	126	300
81	338	419
325	36	361
1,571	1,767	3,338
5,630	5,361	10,991

Overview of employee qualification structure by contract type

Year		PhD	M.Sc./MA	BSc
2017	NIS j.s.c. Novi Sad	Direct	7	81
		Leasing	0	7
	Subsidiaries in the country	Direct	8	15
		Leasing	1	110
Total		16	104	3,000
2018	NIS j.s.c. Novi Sad	Direct	9	82
		Leasing	0	15
	Subsidiaries in the country	Direct	10	22
		Leasing	0	149
Total		19	121	3,133

Overview of employee gender structure by contract type

Year		Men	Women	Total
2017	NIS j.s.c. Novi Sad	Direct	2,876	1,152
		Leasing	2,178	1,385
	Subsidiaries in the country	Direct	1,187	179
		Leasing	1,647	52
Total		7,888	2,768	10,656
2018	NIS j.s.c. Novi Sad	Direct	2,857	1,202
		Leasing	2,171	1,423
	Subsidiaries in the country	Direct	1,354	217
		Leasing	1,709	58
Total		8,091	2,900	10,991

PSE	HS	El.S	HQ	Q	SQ	LQ	Total
286	1,187	2	131	391	0	0	4,028
335	1,842	16	79	787	4	0	3,563
55	391	3	112	328	0	0	1,366
50	515	89	43	871	14	5	1,699
726	3,935	110	365	2,377	18	5	10,656
290	1,181	2	123	377	0	0	4,059
308	1,910	11	75	830	1	0	3,594
65	437	5	112	374	1	0	1,571
54	542	89	45	869	12	5	1,767
717	4,070	107	355	2,450	14	5	10,991

Management-to-Staff Ratio

Year	Management		Employees		
	Number of managers	% share in the total number of managers	Number of employees	% share in the total number of employees	
2017	Men	239	73.54%	3,824	75.44%
	Women	86	26.46%	1,245	24.56%
	Total	325	100%	5,069	100%
2018	Men	228	73.08%	3,964	75.23%
	Women	84	26.92%	1,305	24.77%
	Total	312	100.00%	5,269	100.00%

* Representative offices, branches, subsidiaries abroad and other subsidiaries as well as leased employees are not shown in the table, to allow comparability with data for the previous year.

** Managers – this category includes top management, senior management and middle management. Lower management (department managers and lower) is not included in the Managers category.

Overview of employee age structure

	Year	under 20	20-29	30-39
2017	NIS j.s.c. Novi Sad	46	1,891	2,413
	Subsidiaries in the country	24	559	915
	Total	70	2,450	3,328
2018	NIS j.s.c. Novi Sad	51	1,750	2,468
	Subsidiaries in the country	27	570	1,007
	Total	78	2,320	3,475

* Representative offices, branches, subsidiaries abroad and other subsidiaries are not shown in the table.

Employee turnover	Men	
	2017	2018
Employment	264	323
Termination of employment	195	177
Total	459	500

* Data for subsidiaries abroad and other subsidiaries are not shown in the table.

** Ratio of new employees and employee headcount at the beginning of the observed period is 8.18%.

**** Ratio of employees who left the Company and employee headcount at the beginning of the period is 4.46%.

Employee turnover	under 19		20-29		30-39	
	2017	2018	2017	2018	2017	2018
Employment	11	4	191	189	97	189
Termination of employment	0	0	52	38	87	78
Total	11	4	243	227	184	267

* Data for subsidiaries abroad and other subsidiaries are not shown in the table.

40-49	50-59	over 60	Total
1,863	1,212	166	7,591
832	620	115	3,065
2,695	1,832	281	10,656
1,915	1,244	225	7,653
903	694	137	3,338
2,818	1,938	362	10,991

Women		Total	
2017	2018	2017	2018
90	123	354	446
61	66	256	243
151	189	610	689

40-49		50-59		over 60		Total	
2017	2018	2017	2018	2017	2018	2017	2018
44	43	11	18	0	3	354	446
58	57	32	32	27	38	256	243
102	100	43	50	27	41	610	689

GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

There are no differences between the benefits provided for full-time employees in comparison to benefits of temporary or part time contracts.

Some of the rights guaranteed in the Collective Agreements and other internal documents of the Company include: special protection of disabled employees and employees affected by a medical condition, preventive treatments for employees with high-risk jobs as well as other employees, for

the purpose of eliminating occupational diseases and preventing disabilities; solidarity allowance is provided to employees in a variety of situations (for employees with medical conditions or deceased workers; if an employee's home has been damaged; assistance for a new child for families with several children, etc.); scholarships/tuitons for children of deceased employees; group insurance and additional (optional) pension plans.

GRI 401-3 Parental leave**Dynamics of parental leave and returning to work in 2018**

Organizational unit	Employees whose leave began in 2017	Employees who returned to work from leave which began in 2017	Employees whose leave began in 2018
NIS j.s.c. Novi Sad	67	56	60
Leasing	108	119	114
Total	175	175	174

* Representative offices, branches, subsidiaries abroad and other subsidiaries are not shown in the table.

After the law which limits maternity pay was enacted in 2018, NIS adopted an internal regulation which stipulates that pregnant workers must receive maternity pay in the amount of their monthly

salary (the Company covers the difference if maternity pay is lower), where the maximum maternity pay is five average wages in the country.

GRI 402: Labour/Management Relations**GRI 402-1 Minimum notice periods regarding operational changes**

In the event of a need to transfer an employee to another post or amend other important elements of their Employment Contract, the Company is obliged to deliver them an offer for the conclusion of an annex to the Employment Contract in line with the

Labour Law, to which they must reply within eight business days from the date they received said offer. This offer clarifies and justifies the reasons for the transfer of the employee and the elements of the Employment Contract that are to be amended.

Employees who returned to work from leave which began in 2018	Employees who returned to work from parental leave by 31/12/2017 and 31/12/2018	Remaining number of employees expected to return from parental leave in 2019 and 2020	Employees who left the Company less than a year after parental leave	Employees who returned to work after leave and who are still employed in the Company 12 months after the end of their leave
69	127	64	7	121
74	152	118	117	118
143	279	182	124	239

GRI 403: Occupational Health and Safety

GRI 403-1 Percentage of employees whose interests are represented by a formally organised occupational safety and health committee

Pursuant to the provisions of the Collective Agreement, the occupational safety and health boards (OSHB) have been established in all organisational units:

- OSHB of NIS
- OSHB of Exploration and Production Block
- OSHB of Refining Block
- OSHB of Sales and Distribution Block
- OSHB of Services Block

Each occupational safety and health board is composed of seven members, specifically four employee representatives (trade union) and three employer representatives.

Instructions UP-09.01.00-001: Activity of the Occupational Safety and Health Board stipulate the method of work and other issues relevant for the preparation and holding of the Occupational Safety and Health Board meetings in the Company.

In 2018, in line with the previously adopted Schedule, 10 OSH Board meetings were held in total, on which the following issues were reviewed:

- Analysis of the occupational safety and health status
- Proposal of occupational safety and health improvement measures
- Procurement of PPE for employees
- Review of high-risk jobs and safety programme for the employees performing high-risk jobs
- Review of employees' health status, based on periodical medical examinations,
- Review of injuries at work and occupational diseases,
- Cooperation with Functions in the field of occupational safety and health
- Introduction of preventive employee safety measures

GRI 403-2 Hazard identification, risk assessment, and incident investigation

HSE indicators	2017	2018
Workplace injuries	119	119
Workplace injuries – with sick leave	27	43
Workplace injuries – fatal	3	0
Days of sick leave due to workplace injuries	2,332	2,981
Number of days of absence from work	265,524	336,958
Number of hours of regular work	18,861,531	19,377,049
Injury rate (IR)	6.31%	6.14%
Absence rate (AR)	14.08%	17.39%
Lost day rate (LDR)	0.12%	0.15%
Fires	27	22
Traffic accidents	8	8
Environmental accidents	30	16
Number of visits of inspection authorities	903	799
Number of measures undertaken by inspection authorities	159	155
Types of injuries	2017	2018
Falls	30	31
Thermal and chemical injuries	4	8
Mechanical injuries	32	30
Traffic	14	19
Falls from height	2	4
Other	37	27
Total	119	119

GRI 403-3 Positions entailing high risk of injury or occupational disease

The Risk Assessment Act for workplaces and work environment, which is revised on a regular basis, defines that, out of 5,140 in NIS, 1,114 are high-risk

positions. NIS seeks to introduce new technologies to reduce the identified risks.

GRI 403-4 Occupational safety and safety topics covered by the official agreements with the trade union

The occupational safety and health issues are regulated by a formal agreement with the trade union and the Collective Agreement. The Company management and employees, by their personal example and actions, improve HSE performances and demonstrate commitment to the HSE principals. The benefits provided to employees are not dependent on the contract validity period.

Specific areas regulated by the Collective Agreement:

- grant and protection of employee rights
- working hours, holiday leaves, and leaves
- redundancy
- education, professional training and development
- occupational safety and health
- compensation for damages
- housing issues
- grant of a right to strike

GRI 404: Training and Education

GRI 404-1 Average hours of training per year per employee

Training costs in million RSD	2017	2018
Training costs	192	224
Costs of professional training	189	220
Consultancy costs	0	0
Costs of membership in professional associations	3	4
Costs of organisation of training programmes	4	13
Total	196	237

Employee development statistics

	Hours of training by gender		Number of employees by gender		Hours of training by category	
	Male	Female	Male	Female	Managers	Employees
Direct	61,909	29,575	3,837	1,969	30,839	60,645
Leasing	17,248	4,912	1,069	414	368	21,792

In 2018, a total of 2,221 training courses with 7,288 participants were held in cooperation with external providers, whereas the internal training courses were attended by more than 4,000 participants. Our employees received support in expanding their professional skills from both global majors from the field of exploration and production (*NExT Schlumberger*), management (*Roscongress*, *Aspentech*, *Energy Institute*, *IFP trainings*, *Cotrugli Business School*, *PricewaterhouseCoopers*) and the best domestic companies: *Puzzle Software*, *Economic Research Centre Belgrade*, *Forum Media*, *Mokra Gora School of Management*, *Project Management Centre*, *GI group*, *Omega Consulting*, *DCT (Dale Carnagi)* and many other institutions. The training courses broadened both professional and personal skills and skills necessary for successful team management.

During 2018, NIS continuously worked on increasing its efficiency. For these purposes, the Company organised Lean Six Sigma training courses and programmes on equipment reliability in priority organizational units.

Within the Company's digitalisation project, more than 150 participants mastered the basics of Agile, and we awarded the first certificates for Scrum Master and Product Owner programmes.

The Foreign Language Learning Programme is aimed at improving English, Russian or Serbian language skills of our employees, and consequently improving their work performance. In 2018, more than 270 employees attended group and individual language classes.

Professional development of employees by organisational units

Exploration and Production Block:

The First NIS International Scientific and Technical Conference, one of the most significant gatherings in the field of oil and gas exploration and production in this year, was officially opened on 10 October in Novi Sad. The goal of this three-day conference organized in the Business Centre in Novi Sad was to facilitate the exchange knowledge and experience of scientific institutions and industry representatives in the application and development of new scientific methods in exploration and exploitation of oil and gas reservoirs.

The construction of a training centre in Elemir (which commenced in November 2018) is planned to be completed in May 2019.

The Company purchased a simulator for operators of oil and gas production which will be used for practical training in many operations performed on various types of wells in NIS (ESP, submersible pump, gas lift, gas). The training centre also possesses ESPs and wells equipped with submersible pumps.

Refining Block:

In September 2018, the 23 May Technical School in Pančevo established a new class, i.e. the educational profile for oil and gas refinery technicians. The curriculum was developed in association with the engineers from the Refining Block with the aim of preparing students adequately for both work in the

Number of employees by category		Training costs in thousand RSD		Number of training hours	
Managers	Employees	Total	Per employee	Total	Per employee
1,631	4,175	216,531	37.29	91,484	15.76
24	1,459	20,008	13.49	22,160	14.94

Refinery and studies in the field of oil and petrochemical engineering.

An e-learning training program for operators and engineers was launched. The implemented e-Learning Platform provides an integrated knowledge base from the refining field, and includes the features for identifying knowledge gaps, administering knowledge tests and generating reports.

E-learning programmes

This year as well, we continued with e-Learning trainings, i.e. cutting-edge online training courses for the Company's employees, in order to keep up with global trends. Modern and efficient technologies ensured that the training content was presented in an interesting and interactive way.

The advantages of e-Learning training were first observed in the field of occupational health and safety as well as in the case of the Company's new employees.

On-Boarding programme

To help our new colleagues easily and quickly integrate into their new work environment, we organise various on-boarding activities after they join our team. In November 2018, NIS launched a programme titled NIS Host. A team of employees from various parts of the Company (NIS hosts) was put together, and they were tasked with helping new employees integrate and learn about NIS' corporate culture and procedures. Induction training helps new employees learn about NIS' business processes, organizational units and business activities,

which will help them adjust quickly to their future duties and responsibilities.

Following modern global trends, the introductory training includes an educational film 'Welcome to NIS' which helps employees become familiar with the Company at their workspace through various educational films.

Talent development

The regular Annual Performance Review was realised during this year. The performance review was upgraded to include another step – assessment of employees who report both to a functional manager and a line manager. This change was systematically supported and was presented to our employees in a timely manner, along with the changes adopted by the Instruction.

In order to identify strengths and potential directions of employee development, the Company established Competency Assessment and Development Centres for 155 participants. These Centres were set up to provide support to the development and business needs of the Company's blocks and functions, and to identify and develop the leadership potential of its talents. Moreover, the Centres took part in recruiting for managerial positions. Moreover, the first international project aimed at the establishment of the Assessment and Development Centre was launched at the initiative of NIS' Representative Office in Bulgaria.

In the previous year, we conducted a detailed analysis of the processes and tools for integrated talent management in NIS. As a result, we launched

an initiative for the introduction of a unique digital platform for talent management in the company. Within this important initiative, we organised SAP SuccessFactors workshops for HR and IT teams, conducted a comprehensive analysis of business

needs and developed the Business Case: NIS HR Digital Transformation. In the coming period, this will be the base for the implementation of NIS' HR digitalisation project.

GRI 404-2 Programs for upgrading employee skills and transition assistance programs

In the modern business environment, employees may encounter various business challenges. In order to equip its employees with skills they need to address these challenges, NIS invests into their development and contributes to improvement of their potential, thus developing professional resources of the entire NIS Group.

The Company did not implement any redundancy schemes in 2018. In the past, the Company provided assistance to employees who were made redundant by organising workshops with representatives of the National Employment Service.

GRI 404-3 Percentage of employees receiving regular performance and career development reviews

The Company conducts regular annual assessments of performance of all its employees, who are classified in three main categories – managers,

specialists and operators. All employees receive high-quality and structured feedback on their assessment results.



GRI 405: Diversity and Equal Opportunity

GRI 405-1 Diversity of governance bodies and employees

In 2018, the Board of Directors consisted of 8 male and 2 female members, and 5 members belong to

the 30–50 age group, while the remaining 5 members are over 50 years of age.

GRI 405-2 Ratio of basic salary and remuneration of women to men

The Collective Agreement, which defines base salaries of employees by their pay grades, guarantees that the salaries in NIS are equal to the salaries in other leading companies in Serbia. Each grade has

a clearly defined range – from the minimum to the maximum amount of the base salary, regardless of gender.

GRI 406: Non-discrimination

GRI 406-1 Incidents of discrimination and corrective actions taken

During 2018, the Company did not identify a single case of discrimination.

GRI 407: Freedom of Association and Collective Bargaining

GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

NIS supports the freedom of association into labour unions and the freedom of collective bargaining, and we continued a close cooperation with the representative labour unions of our employees in

2018 as well (in NIS j.s.c. Novi Sad and its subsidiaries). There were no recorded cases in which the freedom of association and collective bargaining was threatened.

Number of employees in representative labour unions

Name of labour union	2017	2018
United Labour Union NIS j.s.c.	2,659	2,654
LU Oilfield Services	313	338
LU NTC NIS Naftagas	92	101
LU Special Works (Naftagas-Oilfield Services)	152	128
LU Technical Services	194	193
LU Transport	45	42
Total	3,455	3,456

GRI 408: Child Labour

GRI 408-1 Operations and suppliers at significant risk for incidents of child labour

The Company operates in accordance with applicable laws, other regulations and ratified interna-

al conventions in all fields of business operations, including the prohibition of child labour.

GRI 409: Forced or Compulsory Labour

GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour

The Company operates in accordance with the laws and other regulations and ratified interna-

tional conventions, in case of forced labour as well as in other fields of business operations.

GRI 411: Rights of Indigenous Peoples

GRI 411-1 Incidents of violations involving rights of indigenous peoples

In 2018, there were 2 new disputes initiated in the Company due to compensation for damage for unused land or due to remediation, in addition to 18 disputes from the previous period.

Six disputes from the previous period were resolved – the positive outcome for the Company was achieved in 3 and negative in other 3 instances.

Total value of the disputes which were settled at the Company's expense amounted to RSD 4,257,458.

GRI 414: Supplier Social Assessment

GRI 414-1 New suppliers that were screened using social criteria

By participating in the approval of procurements in the Company, the competent department examines in detail each business entity with which the Company might enter into a contractual relationship. Within this process, the department analyses the potential contractor's financial performance indicators, expertise and professional qualifications, manpower capacities, the number and purpose of any litigation processes (both in the capacity of the defendant and plaintiff), and possible acts that might be categorised as corruption.

In 2018, the Company verified 4,237 legal entities with which it planned to conduct business, while 76 (1.79%) of them were not approved for various reasons. The reasons for withholding approval for a certain legal entity do not include only a confirmed or reasonable doubt with regards to corruption, but also the contractor's business history, operational and technical capacities, and financial indicators. A non-approved contractor is a contractor deemed to pose a risk to the Company, should it enter into an agreement with it. There are various reasons why certain potential contractors may not be approved:

- If it is not possible to find records on a potential contractor in government agencies or institutions of its country of origin
- Unreliable data on the registration of a potential supplier
- Negative financial and economic performance indicators
- Insufficient resources/manpower for the performance of works outlined in the future agreement with NIS j.s.c.
- Relations of the potential supplier with other legal or natural persons (including relations that involve increased business risks)
- Unfavourable work history with the Company or its subsidiaries
- Unreliable potential supplier

In addition, the relevant sector participated in the approval of 6,263 contracts, of which 48 (0.76%) were not approved.

All 563 new suppliers were analysed in detail in 2018.

Prior to selecting its suppliers, the Company scrutinised potential contractors from the aspect of corporate security and potential negative impact on its business operations, thus eliminating even the possibility of signing an agreement with a non-approved contractor.

The Company also analysed the manner in which a business entity performs its contractual obligations, experiences from previous business cooperation, unfairness or abuse during cooperation – in accordance with the Law on Contracts and Torts and business practices, issuing invoices for services/works/goods which have not been provided/ performed/delivered, delivery of used or depreciated materials, etc.

NIS also inspected the connections between technical or commercial persons with the representatives of its contractors' in cases where there was a suspicion of a present or potential negative impact on the Company and its procurement activities.

GRI 414-2 Negative social impacts in the supply chain and actions taken

Having in mind that NIS works closely with a considerable number of companies in Serbia, its examples of good practice and zero tolerance for corruption in business have a positive influence on the business conditions and improvement of standards and motivate other companies to raise the quality of their services. This constitutes an important factor in the improvement of the overall business climate in the country.

In order to eliminate business risks, NIS uses the List of Unreliable Suppliers, Customers and Contractors, which includes business entities which

have failed to fulfil their contractual obligations during the previous cooperation with the Company (including low quality of performed works, unfairness or abuse during cooperation, etc.). In 2018, NIS added 46 new contractors to the List of Unreliable Suppliers, Customers and Contractors. After an assessment, the Company approved the requests of 7 contractors to be removed from the List, owing to the improvement of their business climate and elimination of instances of non-compliance. Therefore, these contractors have become eligible suppliers again.

GRI 415: Public Policy

GRI 415-1 Political contributions

According to the External Policy it adopted, the Company's official position is that it does not finance any political parties.

GRI 416: Customer Health and Safety

GRI 416-1 Assessment of the health and safety impacts of product and service categories

During 2018, all fuels in NIS were produced in accordance with the applicable SRPS EN standards. The Company ensures continuous compliance with these standards, but also exceeds them by supplying the market with fuels whose sulphur content is 5 times lower (2-3 ppm) than the amount allowed by the standards (10 ppm). In this manner, it significantly reduces emission of harmful gases into the atmosphere.

OPTI Petrol – Optimal Quality

OPTI 95 is a fuel with an octane rating of 95, enriched with additives which ensure optimal engine protection. This type of petrol may decrease fuel consumption. It complies with the Euro 5 emissions standard and with EN 228, European fuel quality standard.

Euro BMB 100 G-Drive 100 – Premium Quality

G-Drive 100 is a new generation fuel with a minimum octane rating of 100, enriched with an additive complex which ensures better engine performance and increased efficiency, in addition to professional engine protection. In terms of better engine performance, this fuel ensures an increase in engine power of up to 7%, torque increase of up to 5%, and better acceleration (up to 10%). Professional engine protection refers to active engine cleaning and degreasing, and guarantees A-class corrosion resistance and demulsification. It complies with EN 228, European fuel quality standard.

OPTI Diesel – Optimal Quality

OPTI DIESEL is additive-enriched Euro diesel which ensures more stable engine operation and optimal engine protection by keeping engines clean, protecting them from corrosion and reducing friction within the system. It fully complies with the Euro 5 emissions standard and with EN 590, European fuel quality standard.

G-Drive Diesel – Premium Quality

G-Drive diesel is a type of Euro diesel which contains an advanced additive produced by a leading global additive manufacturer. This fuel meets Euro 5 standards and is enriched with an additive complex which boosts engine power and protects the

fuel system. Owing to its cetane rating, this fuel ensures an increase in engine power and performance, as well as more efficient combustion and quicker starts. It efficiently degreases the engine and protects its metal components from corrosion. It has enhanced winter characteristics. G-Drive diesel is suitable for all diesel vehicles. It complies with EN 590, European fuel quality standard.

OPTI Auto Gas (LPG)

OPTI Auto Gas is produced in accordance with very strict manufacturing specifications, and its quality fully complies with European standard EN 589. Owing to the reformulated and controlled ingredients used in its production, OPTI Auto Gas ensures optimal protection and conservation of both engine and LPG device.

METHANE – Compressed natural gas (CNG), better known as methane, is natural gas compressed at a pressure of 220–250 bar, and is used as an industrial energy source, or as engine fuel.

Advantages of CNG:

- Cost-effectiveness. CNG is currently the most economical conventional fuel in comparison to petrol, diesel and liquid petroleum gas.
- Environmental protection. In addition to reduced emissions of harmful gases (primarily CO₂), CNG does not contain sulphur or toxic additives of organic lead or benzene. Moreover, this fuel lowers noise levels by up to 50%.
- Power. CNG is an engine fuel with the highest calorific value on the market, and the power loss of an LPG converted engine is nonexistent. In comparison to other engine fuels, CNG is characterised by a high calorific value (around 13 kWh/kg) and a high octane rating (120–130).
- Easier start. The gaseous state of this petroleum product ensures quicker and easier start and better control, even in extreme weather conditions.

In 2018, NIS launched a wide range of PL (private label) products, particularly food products. The Company complied with the relevant legislation of the Republic of Serbia and the EU during the se-

lection of ingredients used to make these products and their packaging. The ingredients of food products were selected on the basis on their beneficial effects on human health, and the materials for their packaging are natural, biodegradable and help protect the environment. The packaging of all products contains a detailed list of all ingredients and nutrition facts, ensuring that customers and end users are well-informed.

The further development of PL food products is focused on food items with low content of ingredients with adverse effects on human health (sugar, fat, additives, etc.). Plastic materials were replaced by paper or wood wherever it was possible (coffee cups, coffee mixing spoons, sandwich wrapping, etc.).

GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

In 2018, no sanctions were imposed on the Company due to non-compliance with regulations and voluntary codes concerning the impact of its prod-

In addition to food items, the PL has also been developing a sports equipment segment, creating G-Drive sports line with 7 fitness props designed to fit into modern lifestyles – they are easy to use, are not time-consuming and do not take up too much space. If users dedicate a few minutes a day to training, they will instantly feel their energy increase. The Company promotes exercises with G-Drive fitness equipment on its social media accounts so as to raise consumer awareness.

NIS offers biodegradable instead of plastic carrier bags to its customers.

ucts and services on consumers' health and safety during the entire life cycle of products and services.

GRI 417: Marketing and Labeling

GRI 417-1 Requirements for product and service information and labelling

In 2018, the Company continued to carry out analyses of its formulations of NISOTEC products as well as analyses of alternative raw materials for their production, in order to identify components which are less harmful (or completely safe) for human health and the environment. The purpose of these activities was to start the production and subsequently market products that are categorised as less hazardous under the legislation of the Republic of Serbia and the EU. These products are safer for handling, have reduced impact on the environment, and it is easier to dispose of/process them and their packaging.

Preparation of safety data sheets and labelling of each new product are regulated under the laws of the Republic of Serbia. Safety data sheets in English also comply with the laws of the EU (REACH), ensuring that customers and end users are well-informed.

In the 21st century, water has become the most important strategic natural resource. Therefore, our

primary goal is to preserve the remaining clean water and reduce pollution in the process of its exploitation, since humankind and all other living beings on our planet directly depend on the quantity and quality of water.

The Drinking Water Plant is located in a preserved and unpolluted ecosystem in Fruška gora National Park, and our main task is to ensure that our business activities do not impact environmental values. In addition to exercising balanced and rational use of water resources, the Drinking Water Plant also pays attention to the impact its activities may have on soil and air by conducting planned analyses of the effects of waste water on the local watercourse, Rovača Stream. Moreover, it analyses the effects of harmful emissions into the atmosphere and strives to reduce the presence of hazardous materials in waste water.

The following areas were reassessed and improved: rational use of energy sources, waste management,

and ways of collecting and maximising the percentage of recycled secondary raw materials – the emphasis was on the primary separation of waste and secondary raw materials.

In 2018, the Drinking Water Plant completed the brand modernisation project and reduced the weight of water bottles by ca 20%, which would in turn reduce their impact on the environment.

The last link in the supply chain for petroleum products is their distribution to end users, which is performed by means of road freight vehicles.

In order to increase the safety of its employees and other road users in Serbia and the region, and protect the environment, the Company is implementing a series of precautionary activities. In addition, NIS has established a coherent system of corporate and social responsibility and normative framework. The reduction of the negative impact of road freight vehicles on the environment was achieved by modernisation of NIS' fleet. The Company purchased freight vehicles with Euro 6 engines as well as hauler and box trucks, and disposed of old-generation vehicles, increasing the share of EURO 5 and EURO 6 vehicles in the total mileage in 2018 to 91%. Simultaneously, CO₂ emissions reduced by 13% on the previous year. Modernization of the fleet was followed by the procurement of vehicles powered by compressed natural gas (CNG), which reduced the emission of CO₂ and other gases.

Optimisation of the fleet structure has reduced road traffic noise levels generated by vehicle engines, air flow over the vehicle and interaction of the road surface and the tyre tread of motor vehicles and trailers.

All vehicles used for transport of dangerous goods hold ADR certificates. Therefore, the Company uses only vehicles fitted with equipment for preventing the release of cargo in the event of an accident. The Sales and Distribution Block also holds an energy management certificate which is the result of the implementation of measures for monitoring and management of electricity and fuel consumption in accord with the requirements of DIN EN ISO 50001.

Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

Currently, customer satisfaction is measured and monitored through a Tracker Study aimed at tracking drivers' habits and behaviour. It is a continuous study which monitors the indicators of customer loyalty and satisfaction. The study was first conducted in 2014, and since 2016 it has been implemented annually.

NIS, as an absolute leader in the market, enjoys stable and high customer satisfaction in 2018 as well, with 94% satisfied regular users, results for Gazprom petrol stations have shown.

The main factor of customer satisfaction of users of NIS Petrol PSs remains the well-developed network of petrol stations. Location, quality of service, design of petrol stations, range of products and quality fuel are some of the factors the Company evaluated in relation to NIS Petrol and Gazprom PS.

Sales of prohibited or disputed products

No sales of prohibited products or products which are the subject of a public debate on any markets were conducted in the Company in 2018.

GRI 417-2 Incidents of non-compliance concerning product and service information and labelling

In 2018, there was one case of economic offence, and it pertained to the failure to comply with regulations and voluntary codex requirements regard-

ing labelling of products and services, and it led to a RSD 600,000 fine.

GRI 417-3 Incidents of non-compliance concerning marketing communications

In 2018, no sanctions were imposed on the Company due to non-compliance with regulations and

voluntary codes concerning marketing communication, advertising, sponsorship and promotions.

GRI 418: Customer Privacy

GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

In 2018, no procedures were initiated due to the violation of customer data protection.

GRI 419: Socioeconomic Compliance

GRI 419-1 Non-compliance with laws and regulations in the social and economic area

Number of complaints about environmental impacts filed, addressed, and resolved through formal complaint mechanisms

The Company processes all complaints in relation to the environment responsibly and with due care, which is enabled by formal complaint mechanisms, as well as through the Call Centre.

During 2018, NIS received 8 complaints with regards to the environment through citizen action, and one complaint through the Call Centre.

In all 9 complaints from 2018, citizens were the interested party, and their complaints were concerned with allegations of soil pollution, unpleasant odours, water pollution in Azotara's Canal and increased noise levels. The Company carried out special inspections, which did not indicate any cases of non-compliance, except in one case, when special noise measuring was requested.

Number of filed, processed and resolved complaints related to the Labour Law

In 2018, 70 new labour disputes were initiated against the Company (excluding disputes initiated with regards to mobbing), while 483 labour disputes from the previous period remain open.

Out of the total number of labour disputes in 2018, resolution was reached for 129 disputes from the previous period (77 with a positive and 52 with a negative outcome for the Company, where the latter

had a negative financial effect of RSD 49,717,683), and for 2 disputes from the ongoing period (1 with a positive and 1 with a negative outcome for the Company, where the latter had a negative financial effect of RSD 3,670,000).

The total cost of the labour disputes which were resolved with a negative outcome for the Company was RSD 53,387,683.

Number of complaints which refer to violation of human rights, processed and settled through official mechanisms for complaints

During 2018, 2 new disputes were initiated in the Company with regards to mobbing, while it was determined that 21 disputes remained from the previous period.

Out of total number of disputes in 2018, 3 from the previous period were resolved, 1 with a positive and 2 with a negative outcome for the Company.

The total cost of the disputes resolved with a negative outcome for the Company amounted to RSD 295,000.

Monetary value of significant fines and the total number of the non-cash penalties due to incompliance with the laws and regulations

In 2018, there were no large penalties or financial fines for the Company due to non-compliance with laws and regulations.

Number of filed, processed and resolved complaints related to the Company

In 2018, there were 5 cases of violation of ethics and business conduct in the Company reported through the SOS line.

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

In 2018, there were no penalties for non-compliance with laws and regulations concerning the provision of services and use of the Company's products.

GRI OG: Sector addition – oil and gas industry

OG 1 Volume and type of estimated proved reserves and production

Under the laws of the Republic of Serbia, the Company is not in a position to report on the estimated quantity and value of oil and gas reserves.

OG 3 Total amount of renewable energy generated by source

The Serbian economy largely depends on fossil, non-renewable sources of energy (oil, coal), which represent a potential threat to the environment. An analysis of potentials showed that the Sector for the development of renewable energy sources is one of the main actors in the plan for the development of environmental protection, power generation and energy efficiency at the global level, which are all considerable challenges for the future.

NIS pays special attention to the development of renewable sources of energy, primarily geothermal energy. NIS develops renewable energy sources and utilizes geothermal resources by implementing projects aimed at expanding geothermal capacities. In recent years, the industry has significantly increased the use of geothermal energy to heat buildings, sanitary water, indoor and outdoor

pools, greenhouses, etc. The use of geothermal energy makes it possible to reduce the costs of energy products used for heating the infrastructure, and also secures the position of NIS in the energy market of Serbia. The projects in the field of renewable energy sources and geothermal energy have a significant impact on increasing energy efficiency. The objective of these programmes is to introduce practices of rational energy use and increased energy efficiency, as well as to implement new technologies for reducing energy consumption.

It is particularly significant that NIS participates in the development of a wind power generation project. NIS and its partners jointly finance and implement the Plandište Wind Farm project, where they plan to build wind generators with a power of nearly 100 MW which will produce up to 290 GWh per year.

OG 5 Volume and disposal of formation or produced water

Formation water, separated from crude oil during the production of oil and gas and mining operations in wells, is processed (treated to remove hydrocarbons, suspended and dissolved matter), and

then injected at certain depth in abandoned wells (selected orphaned wells), in which case it has no impact on the quality of groundwater.

Produced and disposed formation water (m ³)	2017 m ³	2018 m ³	Relative change 2018/2017
Produced formation water	4,782,849	4,773,434	0.2%
Disposed formation water	4,782,849	4,773,434	0.2%

All produced formation water is injected.

OG 6**Volume of flared and vented hydrocarbon**

The Company continued to implement measures aimed at the reduction of CO₂ emissions by producing thermal energy and electricity in cogeneration power plants which use associated gas which used to be burned in flare stacks.

In 2018, the quantity of free and solution gas burned in flare stacks in the Exploration and Production Block was 16,142,142 m³ (a decrease from 18,669,746 m³), and the estimated quantity of gases released into the atmosphere was 62,020 m³, which is a 31% decrease on the previous year.

OG 7**Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal**

Drilling waste is non-hazardous waste which consists of a mix of materials from drilled rocks (sandstone, marl, limestone, etc.) and drilling mud, a viscous liquid used for flushing out cuttings during well drilling.

In 2018, as part of regular activities on drilling of new oil wells, a total of about 32,000 t of waste drilling material was generated. This was disposed of

immediately after generation. All waste generated during drilling was disposed of at the Novo Miloševac Waste Mud Landfill.

All plants used for drilling in 2018 were equipped with metal mud collection tanks. During works, all locations are covered with PVC film which prevents contamination of soil, even in case of accidents.

OG 8**Benzene, lead and sulphur content in fuels**

The quality of fuels the Company produces meets all the requirements of the national legislation.

OG 12**Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process**

In 2018, there were no involuntary resettlements and no proceedings and disputes were initiated and conducted against the Company.

OG 13**Number of process safety events, by business activity****Industrial safety**

The industrial safety management system includes key processes of hazard identification, risk assessment and risk management related to processes and process equipment. Supported by the modernization of production, implementation of advanced technological solutions and employee development, this system provides adequate prevention, monitoring, and timely and effective response in emergencies.

Process safety

Process safety is a disciplined framework for managing the integrity of operating system and processes that handle hazardous substances. It relies on good design and engineering principles and operating and maintenance practices. It deals with the prevention and control of events that have the potential to release hazardous materials and energy. These events may lead to toxic exposure, fires and explosions, which in turn may cause more dangerous incidents, including death, injuries, property damage, loss in production and environmental damage.

In order to improve process safety, the Company implemented the following activities:

- Workshops for employees from process plants and production units were organised with the aim of introducing them to processes such as: technical and technological change management, equipment integrity and reliability (risk-based equipment inspection/testing), safety instrumentation systems, HSE risk management using tools for qualitative and quantitative hazard identification and risk assessment.
- The further plan for the continuation of process safety training/workshops for employees in production units was developed.
- During 2018, external trainings were organised for process safety engineers by TUV Rheinland. Sixty-three percent of the total number of participants passed the exam and were awarded certificates.
- The Company continued to implement safe work practices – Lockout and Tagout Procedures during equipment maintenance.
- The Company recorded a positive trend of indicators of process safety: the number of major and medium incidents was reduced by 55% in relation to the plan.

Additionally, transparency of minor incidents was improved – activation of security systems and loss of primary content by more than 5%, which enables prompt response and adequate technical measures for prevention of escalation and prevents re-occurrence of similar events.

Within the international SmartResilience project, the Company organised a workshop on the creation of a critical scenario by using the Bowtie risk evaluation method, and identification of critical indicators. As a final product of the workshop, the participants created a dynamic list of critical indicators and collected comments/suggestions provided by the competent ministry of environmental protection and participants from other European countries.

Fire Protection

Radio connection system

- All fire brigades transferred from VHF to UHF frequency, thus achieving a more reliable and

better-quality connection between members of the fire brigades.

- The radio connection system in all fire brigades was integrated into a single radio connection system.
- The radio connection system was upgraded through the procurement of a system for radio connection via a mobile device (via GSM network), i.e. mobile application.

Fleet renewal

- Fire trucks with a hydraulic boom and platform were serviced by an authorized service centre in Austria, in line with a ten-year maintenance interval.
- Two fire trucks and three SUVs were purchased for quick interventions.
- A new ambulance vehicle was purchased for the needs of the Pančevo Fire Brigade.

Improving the skill set, equipment and resources of fire brigades

- The Department for Emergency Management was provided office space for the needs of its Training Centre for members of fire brigades at the location of the Novi Sad Complex. The project is planned to be implemented in 2019.
- Members of the Pančevo Fire Brigade participated in the competition of industrial fire brigades in Omsk.
- All planned exercises, including evacuation exercises in the Novi Sad and Belgrade Business Centres, were carried out in line with HSE exercise plan.
- The Company outlined the plan for the modernization of its FP system through the replacement of fire alarm switchboards in the Novi Sad and Belgrade Business Centres.
- The funding was provided for the purchase of respiratory protection equipment, and the project will be fully implemented in 2019.
- Members of fire brigades were equipped with thermal imaging cameras.

Emergency situations

NIS revised its documents on emergency situations in accordance with the experience obtained in emergency situations, and with systematic solutions

of the emergency response centres in the Republic of Serbia. Procedures for specific hazards which occur in difficult working conditions were defined.

Cooperation with the representatives of local governments and competent government authorities was improved with regards to natural disasters and other emergencies. In 2018, the Company realised an agreement with the National Training Centre for Emergency Situations of the Ministry of Interior of the Republic of Serbia.

All eight command simulation exercises for emergency responses were realised with the participation of the Emergency Preparedness and Response Teams in the key locations in the Company's infrastructure:

- six exercises at the sites of the Sales and Distribution Block;
- one exercise at the site of the Refining Block;
- one exercise at the site of the Exploration and Production Block;

Training and re-training of new and old members of the Disaster and Crisis Management Team of NIS j.s.c. Novi Sad (the Company's Crisis Management Team, CMT) was completed.

A command simulation drill was realised with the guidance of Mettle Crisis Leaders, a consulting firm from Australia. The Disaster and Crisis Management Team, Support Group and Emergency Preparedness and Response Teams of the Refining and Sales and Distribution Blocks were challenged through demanding scenarios to respond to technical and technological incidents and cyber attacks on the IT infrastructure. In the report prepared by the consulting firm, the level of the Company's readiness to respond to emergencies is rated as high.

The offices of the Support Group for the Crisis Management Team in NIS j.s.c. are equipped with cutting-edge communications technology.

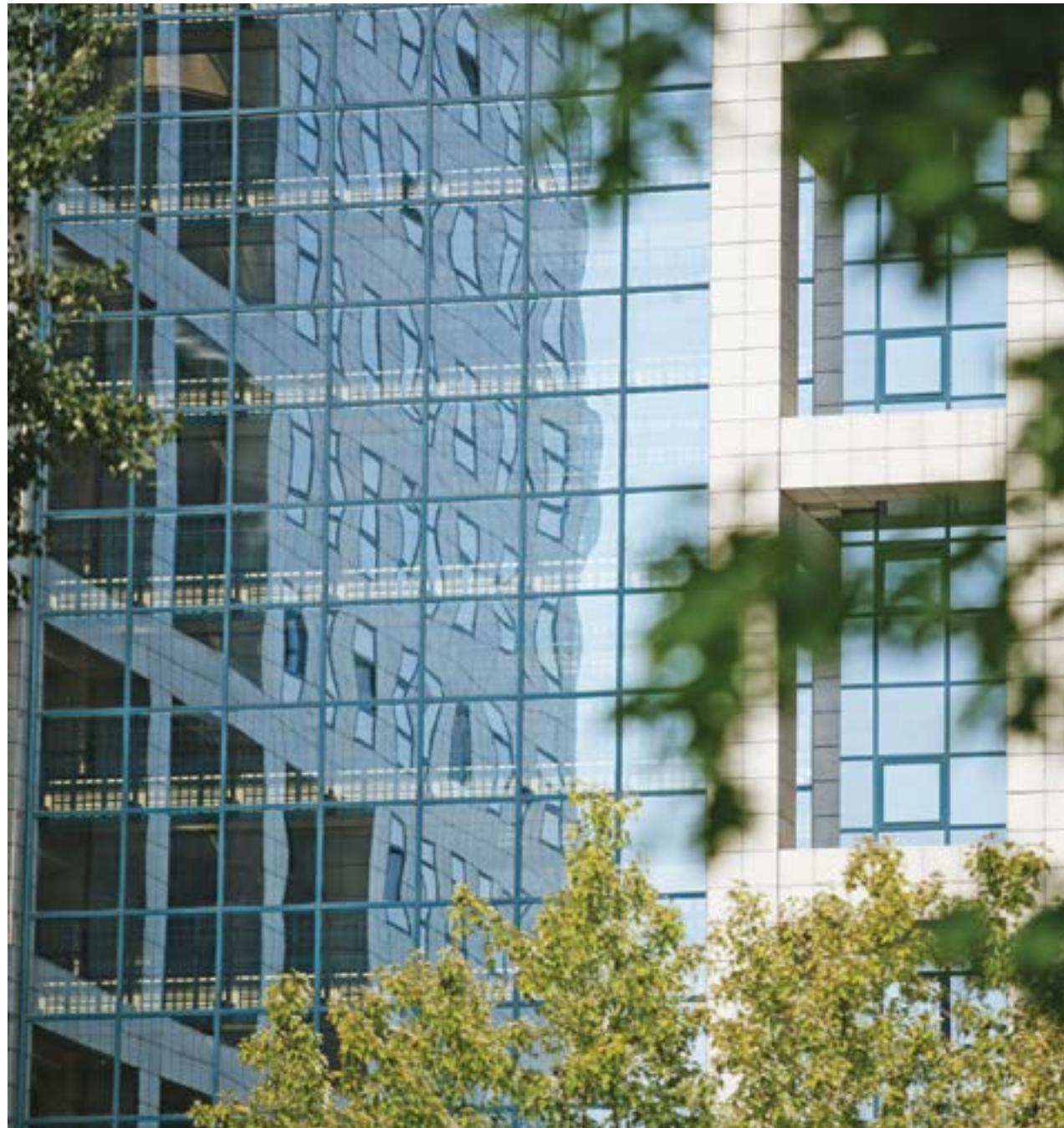
Rooms for operations with confidential information are equipped with a security cabinet, safe, security locks and a surveillance system.

OG 14**Volume of biofuels produced and purchased meeting sustainability criteria**

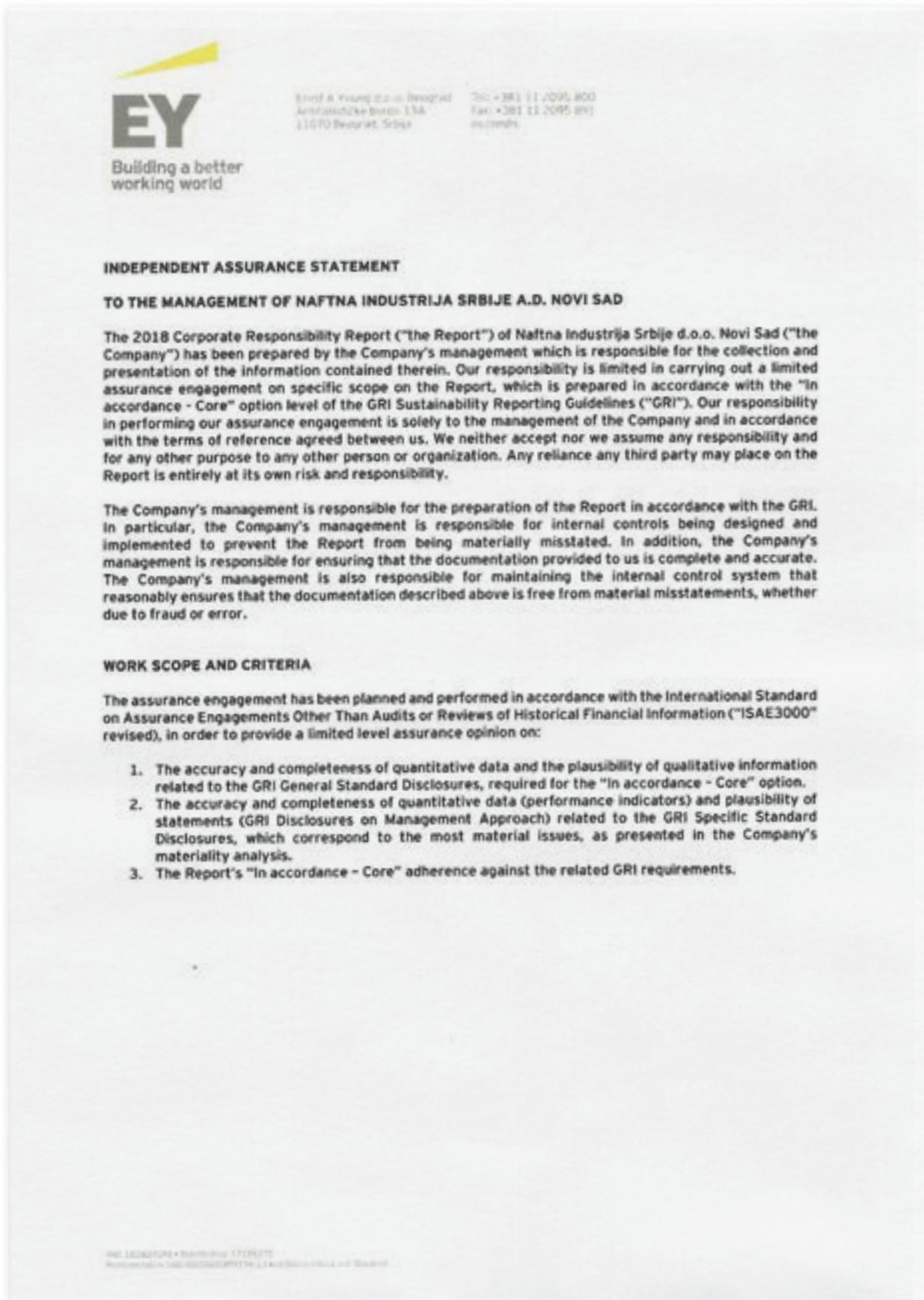
Member states of the Energy Community, as well as European Union member states are obliged to meet the conditions of the Renewable Energy Directive 2009/28/EC. The completion of the project ‘Bio Component and Diesel Blending in the Pančevo Oil Refinery’ will enable NIS to fully meet all expected requirements relating to diesel fuel in the transport sector, when the planned RS biofuel regulations come into force.

The Company continued with the realisation of projects which will enable it to blend bio com-

ponents with diesel fuels. Due to characteristics of certain bio components of fuels, the Company has considered creating fuel blends in Pančevo Oil Refinery and in certain warehouses of petroleum products. In 2018, the Company did not procure bio components or blend them with diesel fuels or Euro diesel for the market in the Republic of Serbia. For the petrol and diesel markets in Romania and Bulgaria, the Company blends ethanol with petrol and biodiesel with Euro diesel in Kostinbrod Warehouse in Bulgaria.



Auditor's Report





Building a better
working world

WHAT WE DID TO FORM OUR CONCLUSIONS

In order to form our conclusions we performed (but were not limited to) the steps outlined below:

- Performed interviews with Management executives in order to understand the Company's corporate responsibility processes, policies and activities during the reporting period.
- Reviewed information in order to substantiate data and statements regarding the Company's sustainability performance in 2018, as these are presented in the Report.
- Reviewed the Company's processes for determining material issues to be included in the Report, as well as the coverage of these material issues within the Report, material issues covered by media, and sustainability reports of selected peers.
- Interviewed specialists responsible for managing, collating and reviewing data related to the GRI General and Specific Disclosures under the scope of our engagement, for internal and public reporting purposes.
- Reviewed relevant documentation and reporting systems, including collation tools, templates used, and guidance documents.
- Reviewed the Report for the appropriate presentation of the GRI General and Specific Standard Disclosures under the scope of our engagement, which included discussions of limitations and assumptions relating to the way data are presented.
- Reviewed the GRI Content Index and the references included therein, against the GRI Standards' requirements for the "in accordance - Core" option.

LEVEL OF ASSURANCE

Our procedures were designed in order to obtain a limited level of assurance (as set out in ISAE 3000-revised) on which we formed our conclusions. The extent of these procedures is less than those designed to obtain a reasonable level of assurance and therefore a lower level of assurance is obtained.

LIMITATIONS OF OUR REVIEW

- Our review was limited to the Serbian version of the Report. In the event of any inconsistency in translation between the English, Russian and Serbian versions, as far as our conclusions are concerned, the Serbian version of the Report prevails.
- We do not provide any assurance relating to future information such as estimates, expectations or targets, or their achievability.
- The scope of our work did not include any review of third party activities or performance, nor attending any stakeholder engagement activities.
- Our review did not include testing of the Information Technology systems used or upon which the collection and aggregation of data was based by the Company.



Building a better
working world

CONCLUSIONS

Based on our review and according to the terms of reference and the limitations of our work, we report the following conclusions. Our conclusions are based on the appropriate application of the selected criteria and should be read in conjunction with the "What we did to form our conclusions" section above.

1. How complete and accurate are the quantitative data and how plausible is the qualitative information related to the GRI General Standard Disclosures under the scope of our engagement?
 - Nothing has come to our attention that causes us to believe that any reporting unit, according to the set boundary and time period stated in the Report, is not included in the quantitative data of the Report related to the GRI General Standard Disclosures under the scope of our engagement.
 - Nothing has come to our attention that causes us to believe that errors or inaccuracies exist in the collation of the qualitative data related to the GRI General Standard Disclosures under the scope of our engagement, or in the transposition of these data to the Report, that would materially affect the way they are presented.
 - We have reviewed information and explanations on selected Management statements (qualitative information) related to the GRI General Standard Disclosures, as these are presented in the Report and no material misstatements came to our attention.
 - Nothing has come to our attention that causes us to believe that materiality analysis is inaccurately presented based on the procedures followed by the Company.
2. How complete and accurate are the quantitative data (performance indicators) and how plausible are the statements (GRI Disclosures on Management Approach) related to the GRI Specific Standard Disclosures under the scope of our engagement?
 - Nothing has come to our attention that causes us to believe that any reporting, according to the set boundary per material issue and the time period stated in the Report, is not included into the quantitative data (performance indicators) of the Report related to the GRI Specific Standard Disclosures under the scope of our engagement.
 - Nothing has come to our attention that causes us to believe that errors or inaccuracies exist in the collation of the data related to the GRI Specific Standard Disclosures under the scope of our engagement, or in the transposition of these data to the Report that would materially affect the way they are presented.
 - We have reviewed information and explanations on selected Management statements (GRI Disclosures on Management Approach) related to the GRI Specific Standard Disclosures, as presented in the Report and no material misstatements came to our attention.
3. Does the Report meet the GRI requirements of the "in accordance - Core" option?
 - Based on our review, nothing has come to our attention that causes us to believe that the Report does not meet the requirements of the "in accordance - Core" option, as presented in the GRI Content Index.



Building a better
working world

INDEPENDENCE

We conducted our assurance engagement in accordance with International Assurance Standards, particularly ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the specific scope explained above.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IFAC Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Belgrade, 29 May 2019


Danijela Mirković
Authorized Auditor
for Ernst & Young d.o.o. Beograd

Glossary

Abbreviation	Meaning
GDP	Gross Domestic Product
Grade	Level that is defined for certain positions as a result of their assessment. Positions in the same grade have the same relative value in the Company, regardless of the function or organisational unit they belong to
ELV	Emission Limit Value
DNM	Waste Mud Landfill in Novo Miloševac
Directly generated value	sales revenue + financial revenue + lease revenue + interest revenue + net gain on the sale of fixed assets.
Interested parties	All legal or natural persons interested in the business activities of the Company who have influence on Company's business results or are under its influence
Drilling mud	multi-purpose drilling fluid in the wellbore during drilling operations (brings drill cuttings to the surface, maintains the formation pressure, prevents formation fluids from entering the wellbore, prevents sloughing or erosion of formation in an open hole).
MAC	maximum allowable concentration
Drill cuttings	broken bits of drilled rocks removed from the bottom of the borehole by drilling mud
NIS j.s.c. Novi Sad	NIS or the Company
Waste drilling mud	used drilling mud, generated during drilling operations
Operating costs	cost of goods sold + material cost + other operating expenses – various kinds of taxes.
RNP	Pančevo Oil Refinery
Remediation	a term generally used for cleaning and renewal-restoration (recultivation, revitalization, regeneration) of locations or areas which were polluted or otherwise damaged by human activity.

Abbreviation	Meaning
HIP PHK	Pančevo Chemical Industry – Petrochemical Complex
GSS	Gas supply station
GMS	Gathering and measuring station
Association	a voluntary and NG organization, based on freedom of association of several legal or natural persons, founded with a view to achieving or improving certain mutual or common goals and interests, which is not prohibited under the Constitution or any laws.
HTS	Hydro-thermal system
CO₂	carbon-dioxide
CCS	the process of injection of carbon dioxide and formation gas for the purpose of increasing formation utilisation and preventing carbon dioxide from entering the atmosphere
DCU	Delayed Coking Unit
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ECHA	European Chemicals Agency
FCC	Fluid Catalytic Cracking Unit in the RNP
GRI	Global Reporting Initiative GRI is an international non-profit organization founded in 1997 with the aim of achieving the highest quality of corporate reporting on sustainable development.
H₂S	hydrogen sulphide
ICPDR	International Commission for the Protection of the Danube River
IUCN	International Union for Conservation of Nature (IUCN), creator of the Red List of Threatened Species at the global level. This list provides an overview and criteria of vulnerability for around 49,000 species, sub-species, varieties and sub-populations, which serve as a base for classification of threatened species into IUCN categories.
NO₂	nitrogen oxides, in the form of NO ₂
PCB	polychlorinated biphenyls
PVC	polyvinyl chloride
REACH	Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals
SO₂	sulphur (IV) oxide

Contact Information

NIS j.s.c. Novi Sad

e-mail: office@nis.eu

Narodnog fronta 12
21000 Novi Sad
(+381 21) 481 1111

Milentija Popovića 1
11000 Belgrade
(+381 11) 311 3311

Investor Relations

e-mail: Investor.Relations@nis.eu

Narodnog fronta 12
21000 Novi Sad, Serbia

**CSector for Transactions with
Minority Shareholders**

e-mail: servis.accionara@nis.eu

Narodnog fronta 12
21000 Novi Sad, Serbia
Info Service: (+381 11) 22 000 55

