

Sustainable Development Report for 2019

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10

YEARS OF THE REPORT ON SUSTAINABLE DEVELOPMENT

The 10th-anniversary issue of the NIS Sustainable Development Report presents the company's performance in 2019. Despite the challenging circumstances, we stay committed to our goals of ensuring stable and safe energy supply, protecting the health of our employees, partners, and clients, and creating value for our shareholders, employees, and the communities we work in.

The Report has been prepared in compliance with the international standards of the Global Reporting Initiative 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 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.

2010



2011



2012



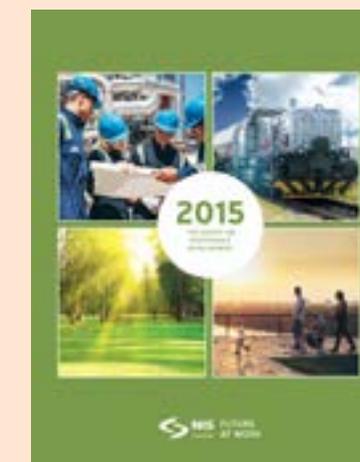
2013



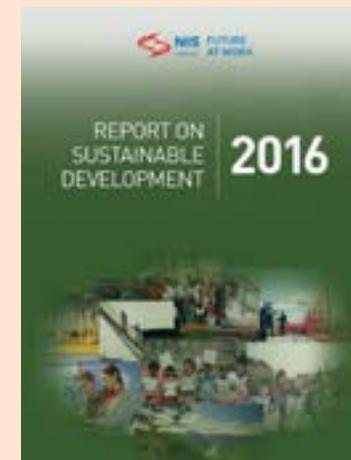
2014



2015



2016



2017



2018



CEO's Foreword

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



Dear friends,

We live in a time of constant and rapid changes. The energy industry is no exception. On the contrary, we face many challenges - new technology, increasingly complex market demands and increased competition - are just a few of them.

NIS is determined to face contemporary challenges. In addition to internal organizational transformation that aims to make our business blocks even more efficient, we are determined to implement many other changes - from the introduction of new technology and innovative products to a new HR strategy that will allow our employees to be leaders in their areas of expertise, while being motivated and satisfied in the workplace.

Despite the dynamic transformation we have been implementing in recent years, there is a constant in

our business that we will not give up on. It is a commitment to the principles of sustainable development, and we will follow this idea at moments when we face a situation unprecedented in recent history. The dramatic fall in oil prices coupled with the sharp slowdown in the global economy due to efforts to halt the spread of the new virus will surely have significant consequences not only for the energy industry but also for the global economy. In these circumstances, maintaining the health of our employees, external associates and customers, as well as maintaining the steady petroleum products market in Serbia and the countries in the region where NIS operates, remain our priorities. Also, we remain committed to maximizing business efficiency to maintain financial and operational performance at a level that will allow us to continue developing our company.

This year we are presenting the tenth NIS Sustainable Development Report, which continues to set and improve reporting standards in this realm in our country. Each year, we strive to make our business as transparent as possible and our economic progress and efforts to facilitate human resources development clear to all stakeholders, while at the same time being committed to protecting the environment, occupational safety and health and contributing to the development of the social community in Serbia.

Sustainable development for NIS means, above all, progress and responsibility. When we talk about progress, we mean ambitious investment that, in line with our 2025 Strategy, will lay the foundations for further company development and provide new values for our shareholders, employees and the communities in which we operate. In 2019 alone, our investment port-

folio was 42.2 billion dinars worth, which is the largest investment volume of NIS since 2013. At the same time, we remain among the leading domestic investors and one of the drivers of the Serbian economy.

For us, progress also means continuing to carry out the company's digital transformation with the goal of strengthening our competitiveness, improving communication with customers, doing our job more efficiently and safely, and improving employee training. In 2020, NIS will continue the digitalization at all levels and invest in the portfolio of digital projects, thus expecting long-term positive effects on EBITDA margin. An important stage of progress for us is to strengthen the competencies of our employees, because people at NIS they are at the heart of every long-term process, as the pillars of our future development. In 2019, in collaboration with external providers, 2,180 training

courses were organized, attended by more than 4,000 employees. We allocated 257 million dinars for these purposes. The goal of NIS is to contribute simultaneously to the development of professional training of the wider community. That is why we have opened the doors of our Training Center in Elemir, one of the most up-to-date petroleum training institutions in the region, for high school students who can do hands-on learning there. We have also allowed 60 students of the final years of basic and master studies to spend 320 hours of professional practice in our company.

When it comes to responsibility, we first express it through a commitment that, in addition to economic viability, all of our business projects bring long-term environmental benefits and benefits for a wider community. In this way, the Bottom-of-the-Barrel project, which is being implemented at the Panče-

vo Oil Refinery, will provide larger quantities of the most valuable petroleum products and expand the product range, as well as improve the environmental protection, first of all, through the cessation of production of high-sulphur fuel oil. When we finish the construction of the thermal power plant in Pančevo, we will start generating electricity in a more environmentally friendly way - from gas.

In addition, we carry out a significant number of environmental projects each year. In 2019, we allocated 534 million dinars for them, and among the realized projects is the installation of Low NOx burners on process furnaces of unit series at the Pančevo refinery in order to contribute to the reduction of air emissions. We have continued to improve occupational safety of our employees and external contractors. Our efforts to improve HSE culture at all levels have yielded re-

The principles of sustainable development will contribute to underpin all NIS business processes. Ten sustainable development reports that lie behind are not only a significant success of our company, but also an obligation to persist and further raise our standards in this area.

markable results, reducing the LTIF (Lost Time Injury Frequency) ratio by as much as 25 percent compared to 2018. In order to use resources rationally, we have implemented a program of measures to reduce energy consumption and increase energy efficiency in NIS, which resulted in savings in energy of 7,997 toe in 2019, and the value of savings is 336 million dinars.

We have also remained a trusted partner with the community and continued to make a strong contribution to its development. We have invested over 371 million dinars in socially responsible projects in 2019. We are especially proud of our project of cooperation with the local communities "Together for the Community", where through our joint efforts we have contributed to the procurement of modern equipment and devices for 20 healthcare institutions across Serbia. Knowing

that the future of each community is based on children, the focus of our social responsibility will continue to be on contributing to the development of young people and encouraging them to engage themselves in creating positive change and the overall well-being of the country in which we live.

The principles of sustainable development will continue to underpin all NIS business processes. Ten sustainable development reports that lie behind are not only a significant success of our company, but also an obligation to persist and further raise our standards in this area. Only in this way can we ensure the continued advancement of NIS, with a responsible attitude towards our shareholders, employees, the environment and the community whose development we want to make a decisive contribution to.

Key Projects



Between 2009 and 2019, more than €

3 billion

was invested in the development of NIS.



The NIS development strategy plans to invest around

2 billion

euros in 2017-2025.



Since the start of dividend payment in 2013, more than RSD

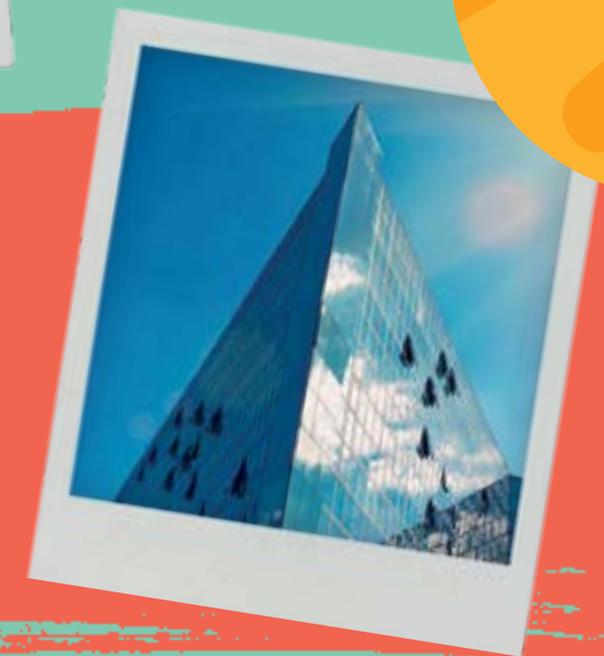
54.6 billion

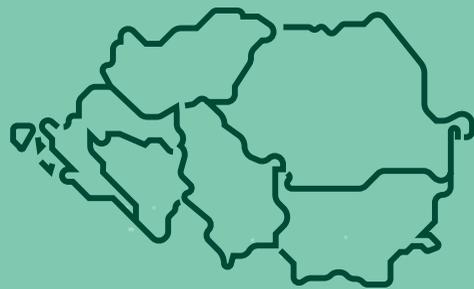
has been paid to shareholders.

From 2009 to 2019, NIS paid almost €

12 billion

into the budget of the Republic of Serbia for taxes and other public revenues.





Since the time, when Gasprom Neft became the majority shareholder, NIS has made a leap

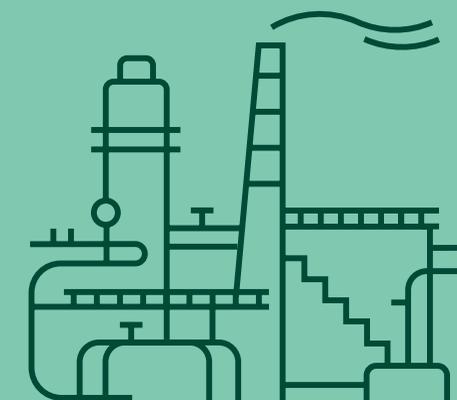
into the region

and is developing business in Bosnia-Herzegovina, Romania and Bulgaria.

In 2012, the first phase of the RNP modernization was completed, worth over EUR

500 million

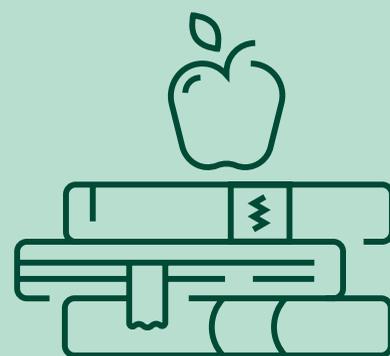
and a key project was the construction of the MHC/DHT complex.



NIS is the first company in Serbia to publish a verified Sustainable Development

Report

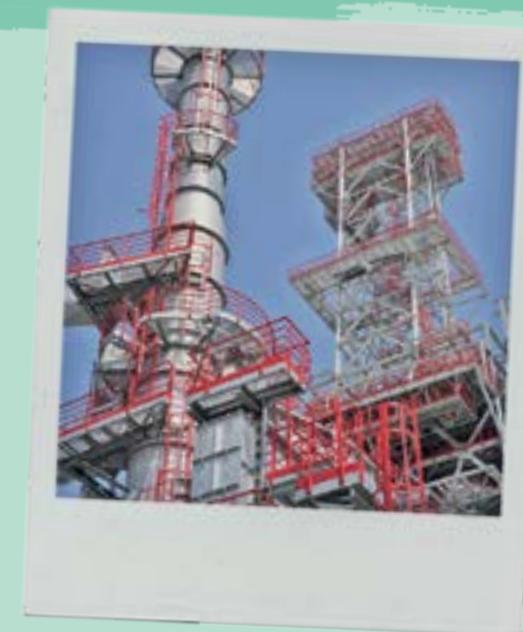
and continues to set standards in this area in Serbia.



Commissioning of the Bottom of the Barrel Plant at the Pancevo Oil Refinery will

reduce the emission

of sulfur oxides into the air at the level of the Republic of Serbia.



Over the past 10 years, RSD

3.8 billion

were invested in local community development

We supported the construction, renovation and equipping of 37 children's hospitals and health centers, 77 playgrounds and parks, 12 laboratories, 4 museums, 4 theaters and 14 maternity hospitals.



More than EUR

20 million

has been invested since 2013 in the construction of 14 small cogeneration plants in the oil and gas fields in Serbia.



More than EUR

320 million

has been invested in the modernization of the retail network.



In cooperation with Gazprom energoholding, NIS is carrying out the combined-power plant (TE-TO) construction project at Pančevo Oil Refinery, with the installed power of up to

200 MWe,

worth around 180 million EUR.



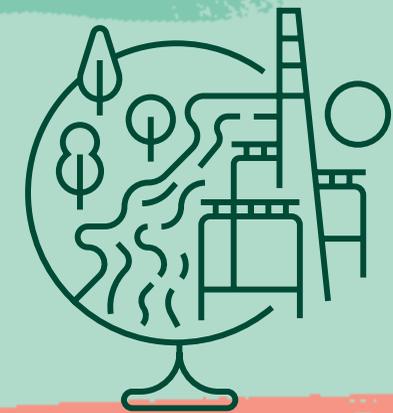
Since 2009, more than RSD

13 billion

has been invested in environmental projects in all business areas.

Since 2013, a condensate return polishing plant has been operational, reducing water abstraction from the Danube into the Oil Refinery in Pancevo by about

40%.



When drilling all its wells, NIS uses a

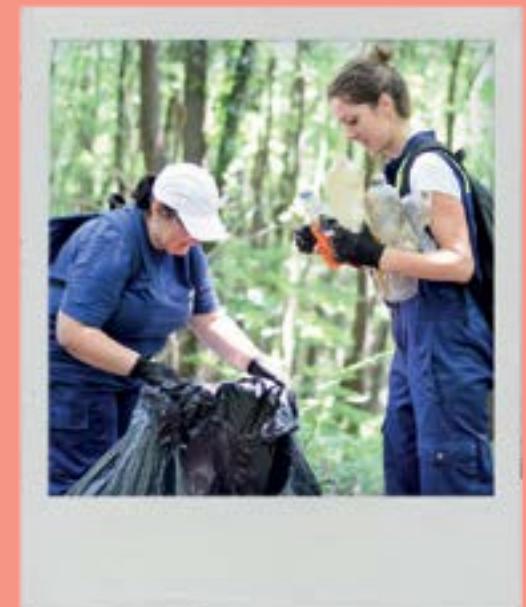
"pitless drilling"

system one of the most advanced technologies that meets the most stringent environmental standards.

In 2018, the Volunteer Club was established, with more than 500 members and having reached over

1,700 volunteer hours

in 2019 alone.



NIS Group

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

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 petrochemical and energy projects. Most production capacities 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 recognition

Award for socially responsible activity from the Serbian Chamber of Commerce



National award for health and safety from the Health and Safety Office of the Ministry of Labor, Employment, Veterans and Social Affairs



Top Serbian Brands award for the best corporate brand in the energy business

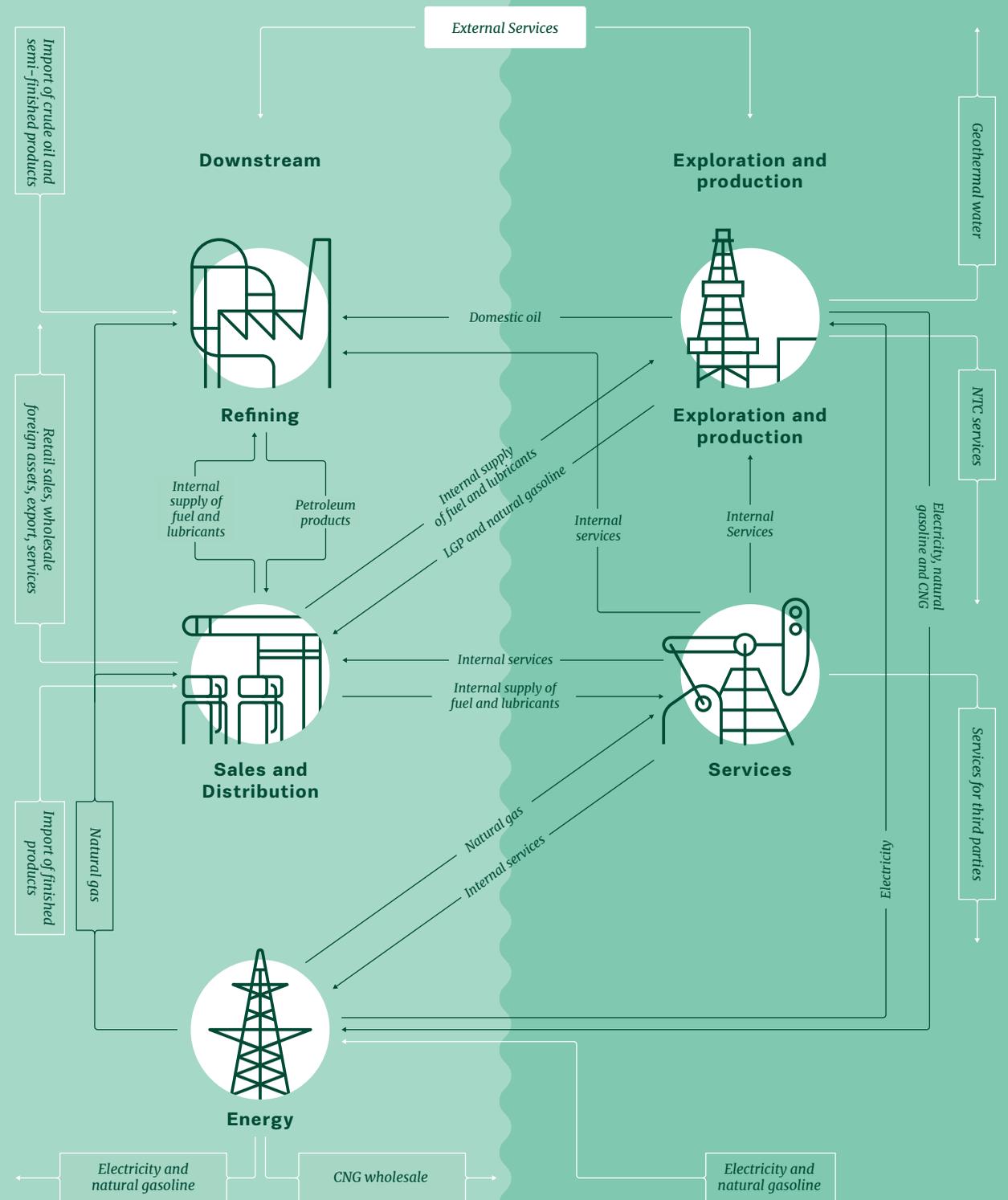


Best of Serbia award for the best corporate brand in goods and services production



National award in the Breakthrough of the Year category for volunteering

Business Model



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

Owing to its active sustainable development and efficiency increase NIS will be a recognizable leader in the Balkan region in its field, showing a great level of social and environmental responsibility as well as the highest standards of service.



Values

Responsibility

A responsible company and employees who use resources effectively for the common good

Transparency

Only through open and fair communication, can we create a transparent working environment

Innovativeness

We find and support new and consistently better solutions to continually improve ourselves and remain the industry leaders

Expertise

Everything we create is based on our expertise that inspires change throughout the community



On the Report and reporting principles

Materiality Matrix

The Company is committed to maintaining open communication with all stakeholders and regularly reviewing issues crucial to both parties. This Report includes additional indicators that are relevant for the operations of both the Company and interested parties, which exceeds the basic requirements of the GRI reporting standards.

The Materiality Matrix is updated every two years in a structured process involving key stakeholders. This is done to define topics that are of primary importance for the Company’s performance and future.

This report focuses on the challenges and main events of 2019 from the viewpoint of the Company and of the key stakeholders listed in the Materiality Matrix.

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

Materiality

The Report covers the topics that may materially affect the assessments and decisions of governing bodies and stakeholders. The Materiality Matrix is based on the results of the interviews conducted with all stakeholders and includes topics from sustainable development reports of other international oil and gas companies and topics that are relevant for all interested parties (as recommended by the GRI guidelines).

Inclusion

One of the aims of reporting on sustainable development is to establish effective communication with the stakeholders, better the relationships, and improve the overall level of satisfaction with the Company’s performance. Stakeholder communications are part of our day-to-day work and are better described in the section titled “Dialogue with stakeholders”.



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 Cooperation with educational institutions	4
4 Occupational safety and protection	3, 8	15 Investment and impact on the Local Community	9, 11
5 Land protection and remediation	15	16 Water management	6, 12
6 Product quality	12	17 Waste management	6, 12
7 Used materials	8	18 Energy consumption management	7
8 Renewable energy sources	7	19 Technical management	3
9 Relations with employees	5, 8	20 Transport management	
10 Supplier relation management	12, 16	21 Impact on biodiversity and ecosystems	15
11 Customer relation management	16		

* Sustainable Development Goal

Sustainability

The Report contains data on the activities of NIS on the territory of the Republic of Serbia. The Report presents the plans reflecting the Company’s commitment to sustainable development.

Completeness

The data presented in the Report refer to 2019. Where possible, comparable data for 2018 are included. Financial and economic indicators are derived from the consolidated financial statement (source: Annual report 2019, 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 2019 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 following 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 Serbian 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 the NIS’ Annual Report 2019.

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 has been assessed and verified by Ernst & Young, an independent auditing company.

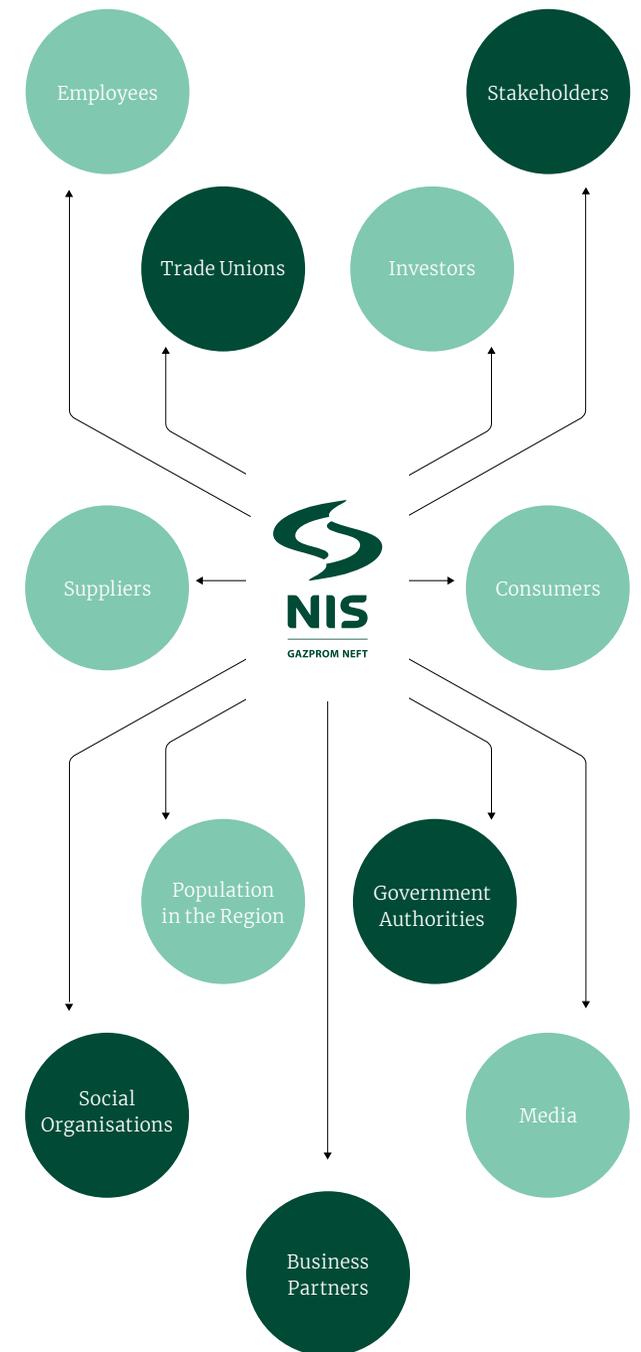
Dialogue with Stakeholders

NIS builds its relations with shareholders, investors, and all other interested parties on mutual trust and two-way communication. NIS informs the public of its performance in an accurate and timely manner, with the yearly and quarterly performance report receiving a lot of interest from the investors and financial experts.

One of the company’s goals is to share its best practices with its partners and contractors, thus contributing to the development of the Serbian business community. This commitment has been publicly awarded, with the company winning seven Gold Plaques from the Belgrade Stock Exchange for investor relations over the years.

The company’s community relations take shape in the numerous social responsibility projects under the slogan “Future at Work”. These projects aim to foster the development of local communities and support younger generations by giving them more opportunities to get an education and develop professionally. NIS is also committed to following the principles of sustainability, responsible use of resources, environmental protection, and health and safety, so environmental projects in all areas of our business are always a priority.

The compliance with the Business Ethics Code and transparency in business 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.



Memberships

NIS has been a member of several business 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
- 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 strives to establish, maintain, and develop long-term relations with the investor community. We apply the highest standards in the area of information sharing, making sure that all users of such information are treated equally and delivering it to all interested parties as soon and as simply as possible.

Investors and shareholders all have easy access to the same relevant information on the company's performance, shareholder rights, and other essential topics. The following organizational units are responsible for communication with this group of interested parties:

- Sector for Relations with Minority Shareholders, servis.akcionara@nis.eu
- Special Call Centre for minority shareholders, telephone number (011) 22 000 55
- Section for Investor Relations, Investor.Relations@nis.eu
- 'Investors' segment on the corporate website <http://ir.nis.eu>; we regularly update it with new

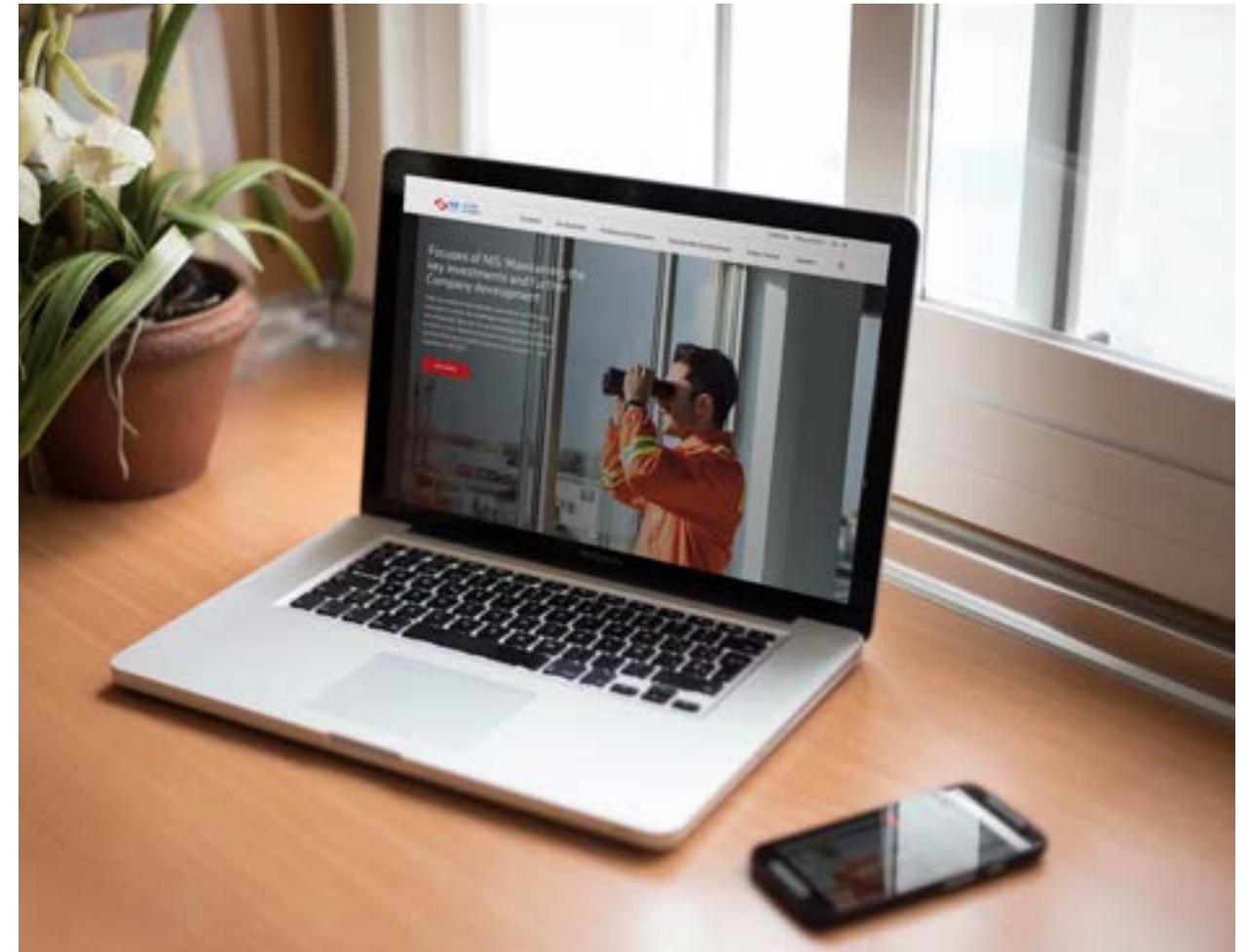
presentations on the latest results, financial reports, audit reports, fiscal calendars, and other content.

When it comes to reporting, NIS goes a step further than prescribed by applicable standards. After the end of each quarter, the company organizes presentations of its results, where representatives of the top management and investors work closely together to carefully analyse business activities and their effects. Moreover, NIS participates in investor conferences and is always willing to accommodate those who wish to obtain more information at face-to-face meetings. Each year, the company holds an Investor's Day to present its most important and impactful projects.

This year NIS again managed to win the Gold Plaque from the Belgrade Stock Exchange for best investor relations. The jury consisting of distinguished finance analysts and a university professor made the decision based on 35 criteria used to evaluate transparency in investor relations. This valuable recognition was won in the competition of 15 domestic and regional companies.

Corporate Website

NIS corporate website (www.nis.eu) is an essential communication tool that allows us to inform the public of our performance and activities in an accurate and timely manner. In line with the latest digital communication trends, our well-designed website is compatible with all platforms and devices. It contains investor information, updates on the critical development projects, career opportunities, and information on ongoing tenders and procurement procedures. For transparency and information accessibility, there are yearly performance reports and sustainable development reports available for download. Apart from the information on the company's business, the website contains a lifestyle platform Magazine with the con-



tent on culture, education, environmental protection, and sustainability. We also use this platform to introduce our employees, their achievements and personal stories, and to interview renowned scientists, artists, and athletes. In 2019, we started developing a new version of the corporate website so that we can create a better user experience for the visitors.

Consumer websites

In the retail markets in Serbia and the region, NIS operates under two brands – NIS Petrol and GAZPROM.

We maintain the websites www.nispetrol.rs, www.gazprom-petrol.rs and www.sanamanaputu.rs that contain relevant information on the services we offer, locations of our petrol stations, as well as the products, services, and promos in the largest Serbia petrol station network.

Apart from Serbia, GAZPROM petrol stations work in Bosnia and Herzegovina, Bulgaria, and Romania. The brand's website contains all information regarding the benefits of using the premium G-Drive fuel and is available in the languages of these countries, as well as in English.

Constant improvement of product quality and implementation of innovations made it possible for the NISOTEC brand to take the leading position in the Serbian market and to expand across the region significantly. On the brand's website (www.nisotec.rs), clients can see the entire NISOTEC product range, detailed information about oils, lubricants and technical fluids, and tips on how to prepare the vehicle for the winter.

NIS shows its appreciation for customer loyalty through its *On the Road with Us* loyalty program, active in Serbia and other countries. The website www.sanamanaputu.rs contains information on how to join this program, collect and use bonus points, and lists the benefits of this loyalty card and the current offers. Clients can also use the *On the Road with Us* mobile app, which they can use anytime to check their bonus points. Together with Sberbank, the company created the *On the Road with Us* debit card, which offers clients payment deferral of up to 45 days.

In 2019, the company released a Drive Cafe augmented reality app that offers many fun features like writing messages for your loved ones in latte foam or collecting stamps to get a free cup of coffee.

Jazak water is mineral spring water from a well-known Jazak spring on Fruška Gora Mountain. The company owns the Jazak water plant, and Jazak products are available on all NIS Petrol and Gazprom petrol stations and in stores across Serbia. Clients can find more information about the products on www.jazakvoda.rs.

In 2018, NIS also started social media accounts for its consumer brands. Our Instagram and Facebook pages *On the Road with Us* include information on the products and offers on the NIS Petrol and Gazprom petrol station, as well as tips and news for drivers. In March 2019, NIS registered an Instagram account G-Drive Serbia for its premium fuel brand, as well

as two YouTube channels: G-Drive Serbia and *On the Road with Us*.

Social Networks

Moving with the times, in 2019, NIS has communicated with the broader public more and more through social media. We use these platforms to give our clients and stakeholders the latest information on the company's performance and try to show our daily work from different perspectives. Social media presence is valuable to us as it fosters two-way communication and continuous contact with our stakeholders, and we strive to answer all inquiries as soon as possible.

Internal Communications

Well-informed employees are essential for meeting business objectives and improving business operations. NIS allocates significant resources to keep its employees up-to-date on all relevant topics, such as the performance results, changes and development plans, occupational safety activities, personnel development and education, social packages, and employee benefits. To that end, we use a wide array of tools from printed to digital media. Internal communications are incomplete without quality feedback, so in addition to the day-to-day interactions with colleagues and management, NIS employees can ask their questions and share comments using the "Questions to Management" section on the corporate portal or during events like the Corporate Forum.

A crucial feedback channel for our employees is the SOS hotline, where they can get advice on ethical dilemmas or report illegal or unethical actions, such as actions violating the Corporate Code of Conduct. The hotline can be reached at the number 021/481 5005

or via email at soslinija@nis.eu. In 2019, NIS processed and acted on one hotline report.

To improve employee communications, develop the corporate culture and promote the company's values, we dedicate much effort to organizing corporate events and communications campaigns and holding opinion surveys on the key topics relevant for our employees.

Corporate Responsibility

One of the fundamental sustainable development principles NIS follows is that all business projects have a positive impact on the communities the company works in and on future generations. This is why, since 2009, NIS has invested over 13 billion dinars into environmental protection projects in all business segments, including 534 million in 2019.

In 2019, we continued working on improving the environmental standards of the Pancevo Refinery. First, we implemented a series of projects aimed at bringing the refinery units in compliance with the Directive 2010/75/ EZ on industrial emissions and tightened limits on atmospheric emissions of pollutants. To limit the impact on wastewater quality, NIS continued the program of installing separators on fuel stations. In upstream, the company uses the latest technologies to minimize environmental impact and use the natural resources sustainably, while continuing to work on the remediation of historical contamination. Since 2009, the company has cleaned up the total area of 150.612 square meters. To contribute to the development of the petroleum industry in the country, in September 2019, NIS opened a modern training center for oil and gas professionals in the town of Elemir. This state-of-the-art facility can accommodate about 150 students per year. It will offer both NIS employees and personnel from other companies in the region the best conditions to develop their professional knowledge and skills. This will not only improve the expertise level in the industry but will also contribute to better health and safety performance.

NIS keeps working on its cogeneration program, which means that the associated gas produced together with oil is no longer flared off, but instead used to produce heat and electricity. Apart from the economic benefits, this also helps reduce CO2 emissions into the air. The company continues its work on improving the HSE

culture to ensure the safety of all employees, contractors, and visitors on NIS facilities. During the HSE Forum, we presented a new Stairs safety program that offers a transparent approach to the distribution of authority and responsibilities in the contractor management process and helps improve safety.

NIS remains a reliable partner to its shareholders and investors. In 2019, for the seventh year in a row, our shareholders received 6.5 billion dinars in dividends, which is 25% from the company's net profit. It means that since 2013, which was the first year NIS paid dividends; our shareholders received over 54.6 billion dinars. The company's best practices and a transparent approach to business also contributed to the development of the business community in the country, which was confirmed by the fact NIS was awarded the Gold Plaque from the Belgrade Stock Exchange for the best investor relations.

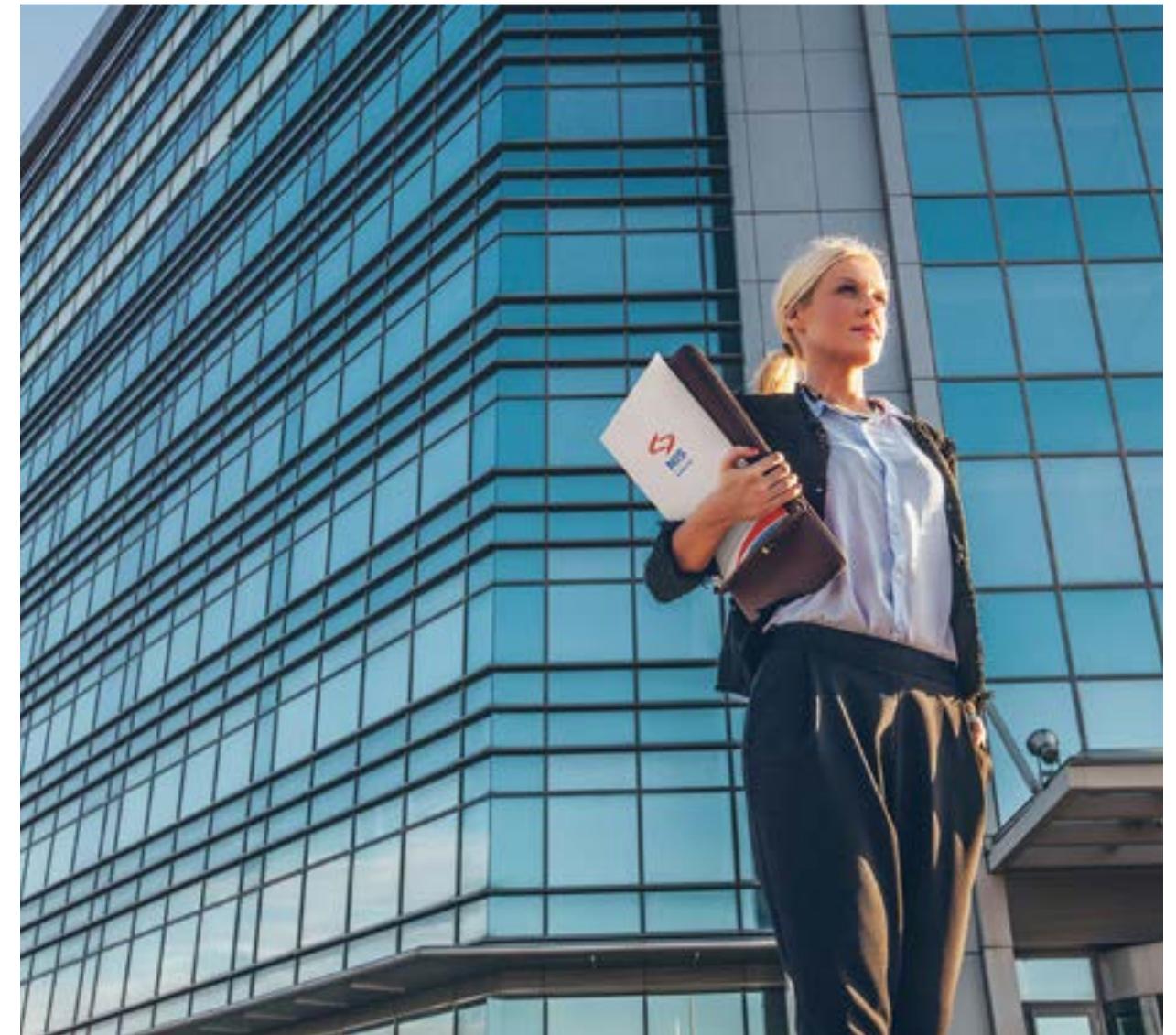
NIS cares about the well-being of its employees and focuses on their professional growth. This is why in 2019, the company invested 257 million dinars into training courses and seminars with over 4,000 people attending. We have developed a new HR strategy, which focuses on improving the work climate for the people to be happier and more successful. Health of employees has always been a priority, so in 2019, the company traditionally organized medical checkups as well as free access to sports activities, that was used by a third of all employees.

Committed to contribute to the development of education in the country, NIS keeps hosting college students for internships. We started a new program titled NIS Calling, where we offer 320 hours of intern engagement students can use in the course of three months along with their college activities. This program is aimed at college students in their third, fourth, or fifth year on one of Serbia's universities or Serbian students studying abroad. It offers internships in almost

all sectors of the company. In 2019 year, 60 qualified to participate. NIS is also actively working on attracting Serbian expats back into the country. Convincing the best professionals to return to Serbia and continue their careers in NIS we contribute to the further development of the country.

We stay committed to supporting local communities, fostering young talent and promoting scientific, ed-

ucational, and cultural events. In 2019, NIS invested over 371 million dinars into various social responsibility projects, donating 116.5 million out of that amount to healthcare institutions across the country under our Together for the Community program. Our employees involved with the NIS Volunteer Club do their part by organizing numerous events to support vulnerable social groups, children, and young people, and help protect the environment.



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.

In addition to the previously set priorities, the new Agenda 2030 includes such areas as combatting climate change and economic inequality, supporting innovation, sustainable consumption, peace, and justice. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another.

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 and tackle some of the pressing challenges facing our world such as poverty, climate change and conflict.

03 Good Health



04 Quality Education



05 Gender Equality



06 Clean Water and Sanitation



07 Affordable and Clean Energy



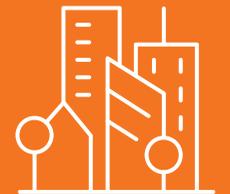
08 Decent Work and Economic Growth



09 Industry, Innovation and Infrastructure



11 Sustainable Cities and Communities



12 Responsible Production and Consumption



13 Climate Action



15 Life on Earth



16 Peace, Justice and strong Institutions



3

Good Health

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

Health is a priority for every person and for every family, and this is why the health and wellbeing of all is of primary importance in the NIS family of

11,000 employees



By taking care of employees, who are the company's most important asset, NIS lays the foundations for the further development and highlights the importance of preventive health protection and a healthy lifestyle

As a socially responsible company, NIS organizes a wide range for medical checkups for its employees to help prevent or detect any problems. Apart from the regular medical examinations, in 2019 we held mini-checkups, including blood sugar testing, blood pressure measurement and BMI calculation, as well as specialized testing for smokers. To promote healthy lifestyle among employees, NIS held a series of campaigns:

- Lectures on the prevention of metabolic diseases, diabetes, and obesity
- Lectures on the importance of water and issues caused by chronic dehydration
- Series of lectures on the protection of mental health
- Series of lectures on the prevention of cancer and the importance of healthy diet
- Lectures on the prevention of cardiovascular diseases
- Lectures on the prevention of diseases caused by sedentary lifestyle

Bearing in mind that good health and teamwork of employees are essential for the company's performance, NIS has been committed to developing corporate sports for the last 8 years. In the coming period, we are planning to add sporting events and joint participation in competitions to our long-standing cooperation with Gazprom Neft.

In 2019, NIS employees had the opportunity to join their colleagues from Gazprom Neft in the Belgrade and St. Petersburg marathons and to compete in over five sporting events, marking 10 years of Gazprom Neft's presence in Serbia. More than 1,000 employees participated in corporate, local and regional sporting events and competitions, where they won more than 140 awards and prizes in 15 different disciplines. NIS also provides corporate fitness programs for employees to enjoy in over 20 cities and towns across Serbia.

We show we care by organizing health screening for our employees, promoting healthy lifestyle, and continuously developing our corporate sports program.



4

Quality Education

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

As we strive to better the quality of education and to create the best conditions for school and college students, we have invested over

5 million EUR

into the development of the Serbian education system



By investing in education, we invest in the future, as young people are the driving force of the country's development.

As we strive to better the quality of education and to create the best conditions for school and college students, we have invested over five million euro into the development of the Serbian education system.

In 2019, the company signed memorandums of cooperation with several leading Russian universities – the Gubkin State University of Oil and Gas, St. Petersburg Mining University, and the Moscow State Institute of International Relations. New memorandums of cooperation were signed with the Belgrade and Novi Sad Universities. We also established a partnership with the faculties for mechanical engineering and electronic engineering of the Nis University.

Working together with the Ministry for Education, NIS has helped the Nikola Tesla School of Electrical Engineering in Pancevo upgrade its curriculum and equip new classrooms for mechatronic engineering and automatics, to prepare the school's graduates for prospective employment with the Pancevo Refinery.

Continuing its six-year cooperation with the Serbian Chemical Society, Physical Society, and Mathematical Society, NIS has again supported the national students' competitions in mathematics, physics, and chemistry. The winners got a chance to represent Serbia in international competitions, and in 2019 achieved outstanding results.

In 2019, NIS hosted its scholarship students from colleges across Serbia and the Russian Federation for intern programs and organized over 250 field visits and internships for students from its partner universities. NIS experts held over 30 guest lectures in partner universities in Serbia.

For over eight years, NIS has been fostering young talent by providing student scholarships and cooperating with educational and scientific institutions in Serbia and abroad.

As part of its efforts to promote the Russian language, NIS held the seventh annual language competition. The company continued to support bilingual education programs in Jovan Popović Primary

School in Novi Sad, Aleksinac Grammar School, and Jovan Jovanović Zmaj Grammar School in Novi Sad, as well as the training course for future teachers of Russian at the Sombor Pedagogical Faculty. The company opened NIS classrooms for the Russian language in Titel, Smederevska Palanka, Brekovo, Blac, Bajina Basta, and Vrbas, as well as on the Philology Faculty of the Belgrade University. NIS also helped refurbish language classrooms in various schools that teach Russian. The company continued supporting the Serbian language course it had launched with the help of the Faculty of Philology in the school of the Russian Federation Embassy in Belgrade.

In 2019, NIS again supported and sponsored the Eighth Annual PEXIM Foundation Cambridge Dinner.

Having granted scholarships to over 100 students of various universities across Serbia and the Russian Federation, NIS already employs some of them, with this young talent helping the company's further development. Besides our ongoing programs to support science and education, we are now starting a new project where we plan to invest nearly a million euros in developing security systems in schools and digitizing learning. This is our way to help the Serbian educational system transform technological advances into growth opportunities.



5

Gender Equality

Achieve gender equality and empower all women and girls.
Promote gender equality and the position of women and men in the Republic of Serbia; contribute to strengthening the role of women in business decision-making and society in general.

We believe in equal opportunities for all and strive to create for all

11,000

of our employees an environment where everyone can fulfill their potential

Our employees come from over

20 countries

across the world, and we see this diversity as a chance for all to grow and exchange ideas and experiences



NIS is committed to following and promoting the highest standards of corporate responsibility and business ethics, legal compliance, and human rights protection.

worldwide to have ratified the United Nations' seven Women's Empowerment Principles. In 2019, the company established an Association for Gender Equality, made up of the Supervisory and the Executive Board's members, and headed by the CEO.

We believe in equal opportunities for all and strive to create for all 11 thousand of our employees an environment where everyone can fulfill their potential. Our employees come from over 20 countries across the world, and we see this diversity as a chance for all to grow and exchange ideas and experiences.

In 2019, NIS signed a Partnership for Equality Agreement with the Equal Rights Commissioner of the Republic of Serbia, thus joining the national movement to promote equal opportunities and prevent discrimination.

In 2019, we held two workshops titled Living Room Talks on Gender Equality in Belgrade and Novi Sad, where NIS employees and local public figures could discuss prejudice, stereotypes, and gender equality awareness.

We are happy to accommodate our employees, offering them special benefits:

- Days off for parents of first-graders on the first day of school
- Flexible working time for women returning to work after maternity leave – possibility to work 4-hour days for the first two weeks
- Full pay during maternity leave up to five times national average pay
- Encouraging women to choose jobs traditionally perceived as male-dominated. In 2019, NIS employees 366 engineers, 96 of whom were female.

We focus on creating a fair and safe working environment for all employees and stakeholders. Our priority is an absolute protection of human rights, zero-tolerance approach to discrimination, promotion of equality, and protection of rights guaranteed by the Labor Law, Collective Agreement, and NIS internal policies.

To prevent discrimination, we pay particular attention to the protection of women's rights and the principles of gender equality. NIS is one of the 1,800 companies

Our policy in this area will continue to be based on care, respect for diversity, and promotion of equal opportunities for all.



6

Clean Water and Sanitation

Ensure availability and sustainable management of water and sanitation for all

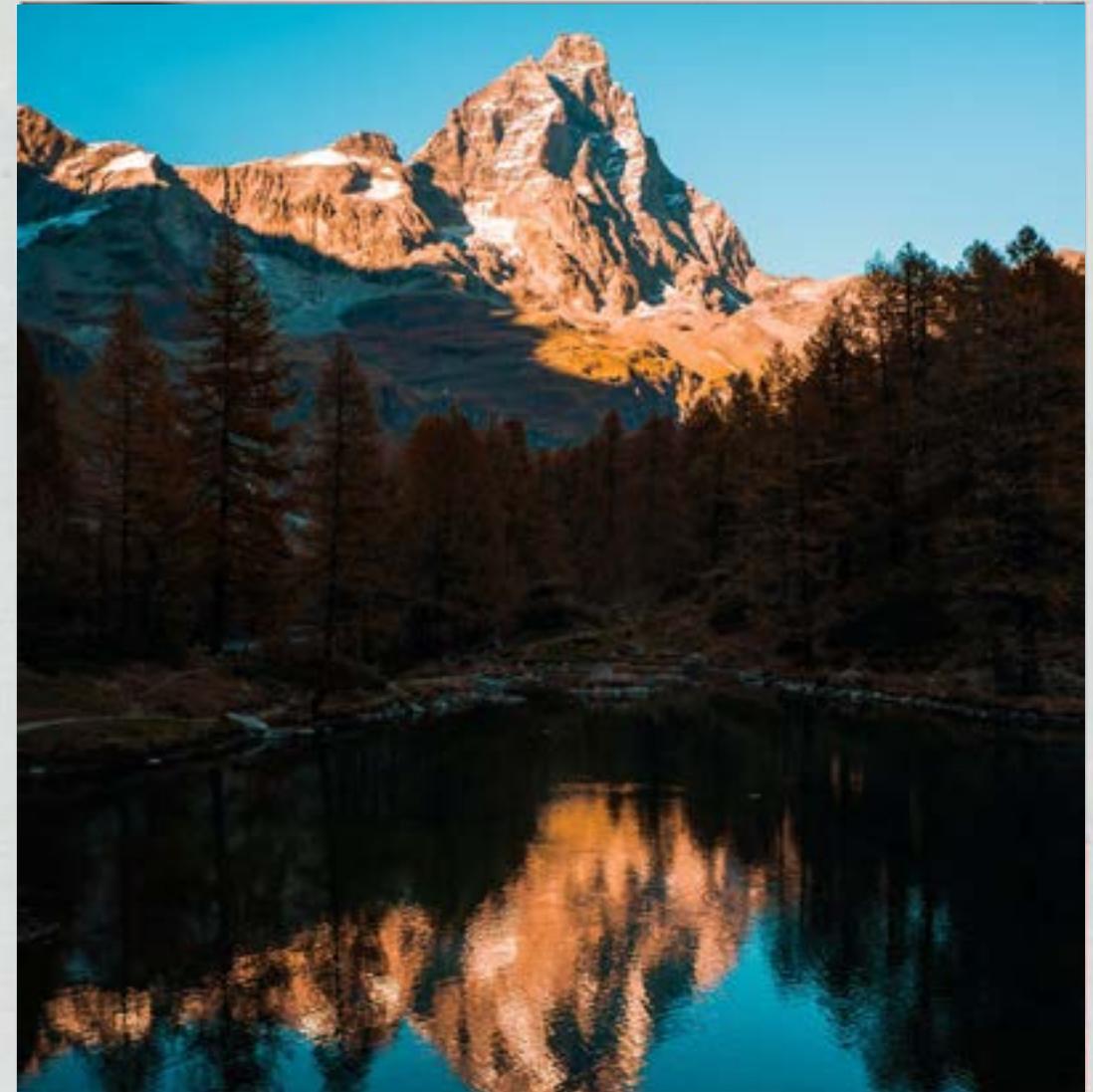
Aware of the crucial importance of clean water in the modern world, we remain

greatly
responsible

in our treatment of water

By recycling
the water

used by the Pancevo refinery over the period of three year, we save the amount of water equal to the entire Sava Lake in Belgrade



Continuous care for the environment is one of our strong priorities, so we take every effort to use water responsibly and wisely, focusing on improving our wastewater treatment process.

The use of water resources is necessary for production processes; we use it for steam production, cooling systems, fire protection, and leak testing. To be as environmentally conscious as possible, we draw 78% of all water we use from the least sensitive sources.

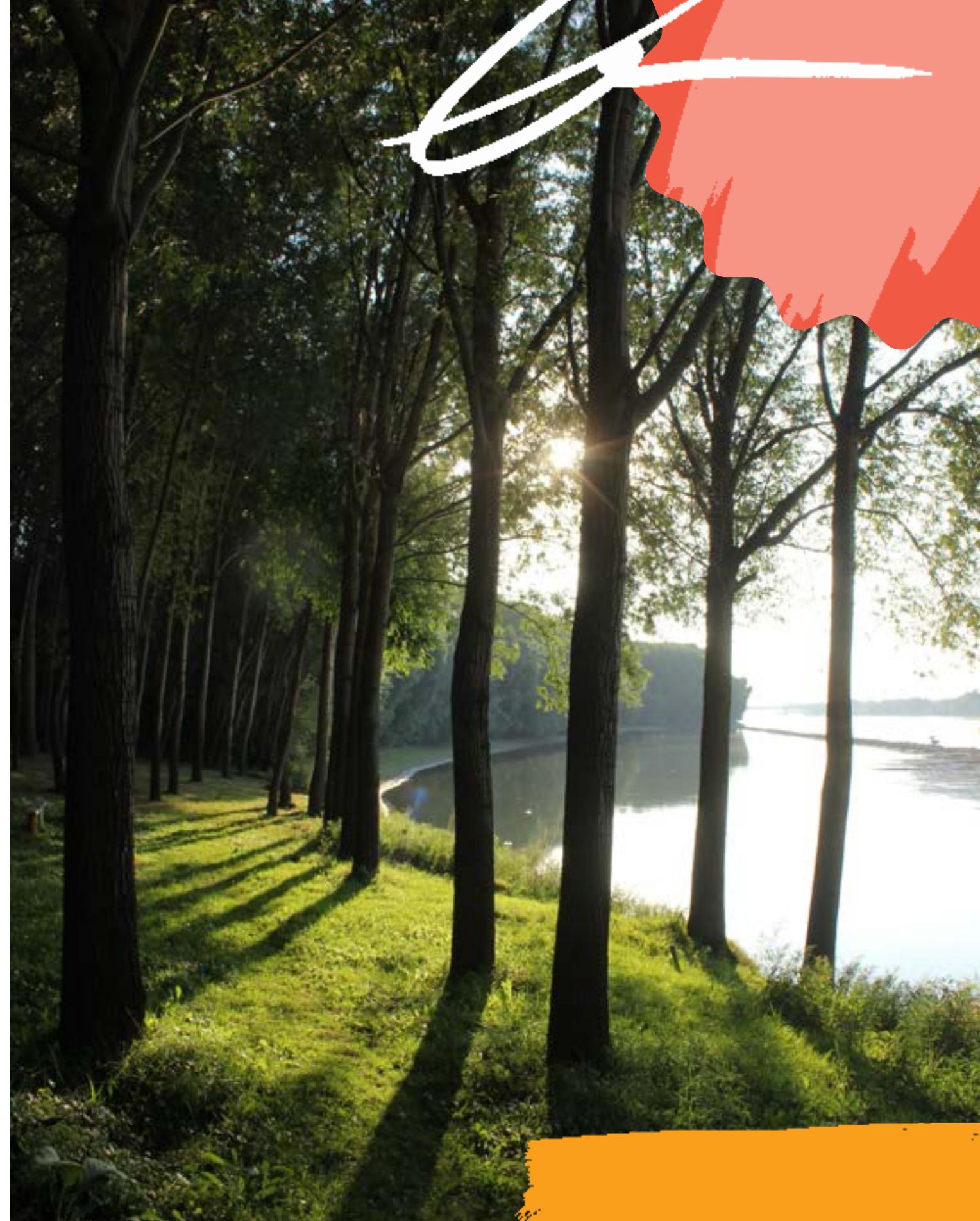
By recycling the water used by the Pancevo refinery over a period of three years, we save the amount of water equal to the entire Sava Lake in Belgrade. In doing this, we preserve the water intended for public water supply, food industries, and agricultural irrigation.

NIS pays special attention to wastewater treatment, as we protect the public sewage systems and final consumers by bringing the water up to the legally required quality level. In 2019, we continued the construction of water treatment facilities and upgrading the existing ones, so now the company uses 355 water treatment units.

To ensure the wastewater quality and the efficiency of the treatment process, we monitor all potential pollutant sources and check the groundwater quality to control the impact of the company's production activities on soil and groundwater.

One of NIS' secondary activities for more than 14 years is the production and sale of Jazak drinking water. The high-quality mineral-rich spring water originates from one of the purest natural water springs on Fruška Gora, located near Jazak Monastery in Vojvodina. It is produced according to the most stringent technological, industrial, and safety standards in this segment.

Aware of the crucial importance of clean water in the modern world, we remain greatly responsible in our treatment of water.



7

Affordable and Clean Energy

Ensure access to affordable, reliable, sustainable, and innovative energy for all

Apart from financial benefits, all our projects are designed to contribute to the

well-being
of the
community

we are part of today and the generations to come

Since 2013, we have invested over

20 million

EUR into the construction of mini power plants in our oilfields in Serbia



Conscious attitude towards resources is one of the foundations of the sustainable development of our company. We responsibly produce the energy we sell in the market and strive to further our environmental protection efforts with each year.

Given the global efforts to slow down climate change, decarbonize the power industry, and bring CO₂ emissions to zero by 2050, it is clear that renewable energy sources are the only opportunity for sustainable energy in the future. According to the International Renewable Energy Agency (IRENA) forecasts, by the middle of the 21st century, 86% of all generated and consumed energy worldwide will come from renewable sources. Experts expect a four-fold increase in the number of wind power plants in the world and a three-fold increase in solar power capacity.

We are fully aware of the global and local potential of wind energy — the Wind Power Monthly magazine named Serbia the fifth most promising country in the world for wind industry development. The implementation of the wind park project and the potential development of new renewables projects will be the opportunity for NIS to contribute to global sustainability. In 2019, the 50% share in the wind park was acquired by the MET Group.

Since 2013, NIS has invested over 20 million EUR into the construction of small power plants in its oil and gas fields in Serbia. Now, instead of flaring off the associated petroleum gas, we use it to produce heat and electricity and sell it in the open market. This helps the company create new values for its employees and shareholders and reduce its greenhouse gas emissions.

NIS is also the first large fuel retailer in Serbia to start selling compressed natural gas. Because of its economic and environmental benefits, CNG is often referred to as the energy source of the future. Apart from selling CNG on its petrol stations, NIS also produces it for industrial consumption in a specialized unit in the Ostrovo gas field. In this way, we provide new energy for the local industry's development while staying responsible towards the environment.

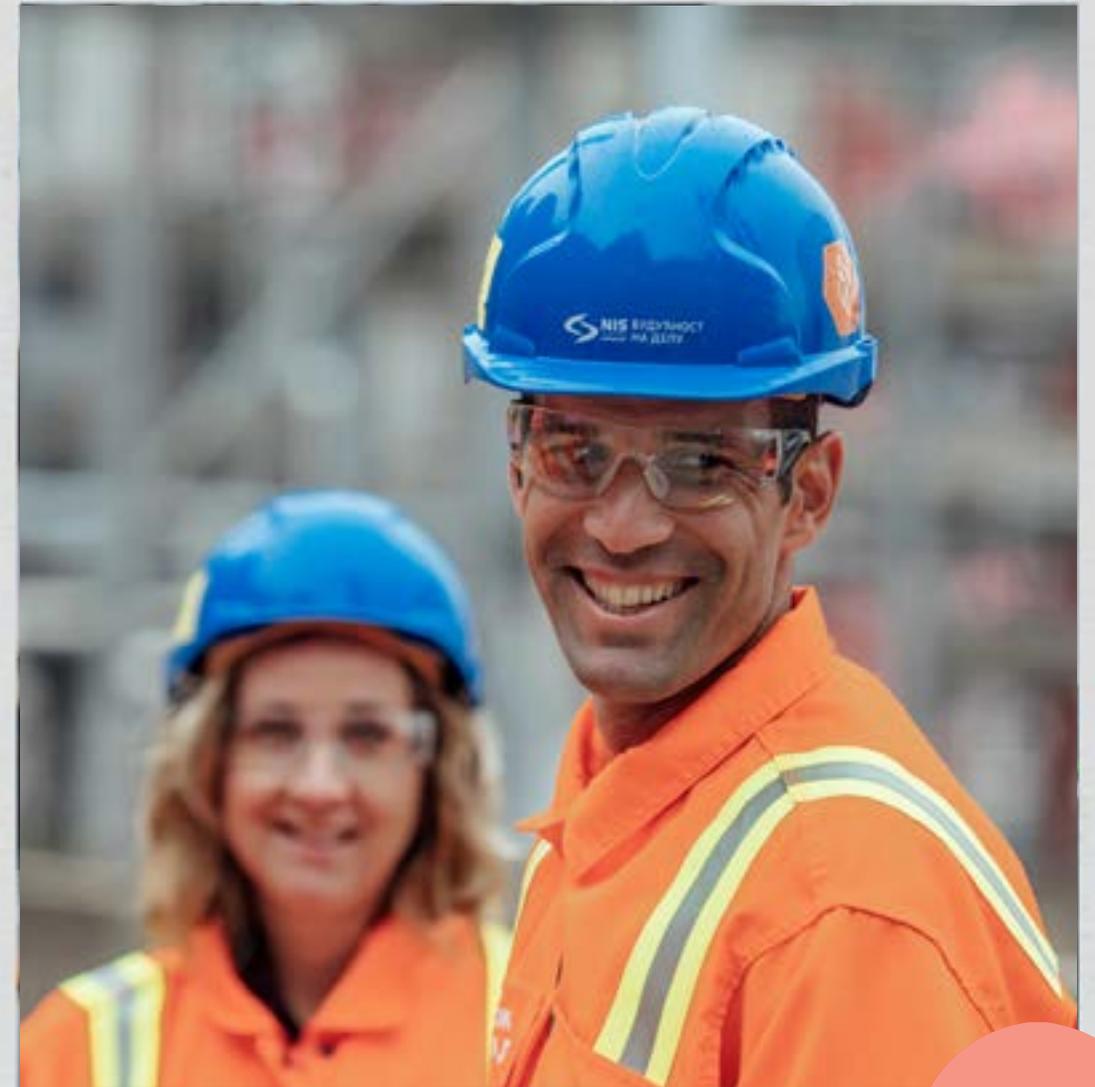
Affordable and renewable energy is one of the United Nations' sustainable development goals, as renewable energy protects the environment and ensures energy security and independence.



8

Decent Work and Economic Growth

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



In 2019, with help from external providers, we held over

2,180
training
courses

which over 4,000 of the company's employees attended

NIS allocated

257
million

dinars for these activities helping its employees to achieve excellence

Handwritten signature

According to the 2019 study by the global student association, NIS is one of the most desired employers in the country.

Aware of the responsibility that comes with our status of Serbia's largest employer, we focus on developing our employees and supporting them in achieving excellence in the modern business environment. In 2019, with help from external providers, we held over 2,180 training courses, which over 4,000 of the company's employees attended. NIS allocated 257 million dinars for these activities

The past year was the year of new initiatives and projects to develop the employer brand of NIS and transform the corporate culture. The company has adopted a new HR strategy and corporate values and has continued improving its employer brand. We have also

outlined the vision and the strategy to attain the desired corporate culture, which will help the company achieve its goals quickly and efficiently and will create a working environment that will fully satisfy the expectations of our employees.

According to the 2019 study by the global student association, NIS is one of the most desired employers in the country. This motivates us to keep working on positive changes in HR management and improving our corporate environment. We work on developing the corporate culture that will promote our values of transparency, professionalism, innovations, and responsibility.



The company held a series of events promoting the sense of community and lifting the working atmosphere. Ice-cream days, Musical Fridays, workshops for employees' kids, and theater performances are some examples of the events we organized to brighten up the days in the company.

In recruitment and selection of candidates, NIS offers equal opportunities independent of gender, political beliefs, nationality, or social background, excluding any chance for discrimination. All employment decisions are objective and merit-based.

NIS supports trade union freedom, and the collective agreements the company offers to its employees is one of the best in Serbia and the region in terms of the social benefits provided.

We also tried to make our contribution to making Serbia a desired place for employment and bring back the professionals who moved abroad to work. To this end, we started the Return to Serbia program, attracting qualified specialists ready to apply their knowledge and skills in our company. Through this program, NIS employed over 20 people.

9

Industry, Innovation and Infrastructure

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

Modern infrastructure,

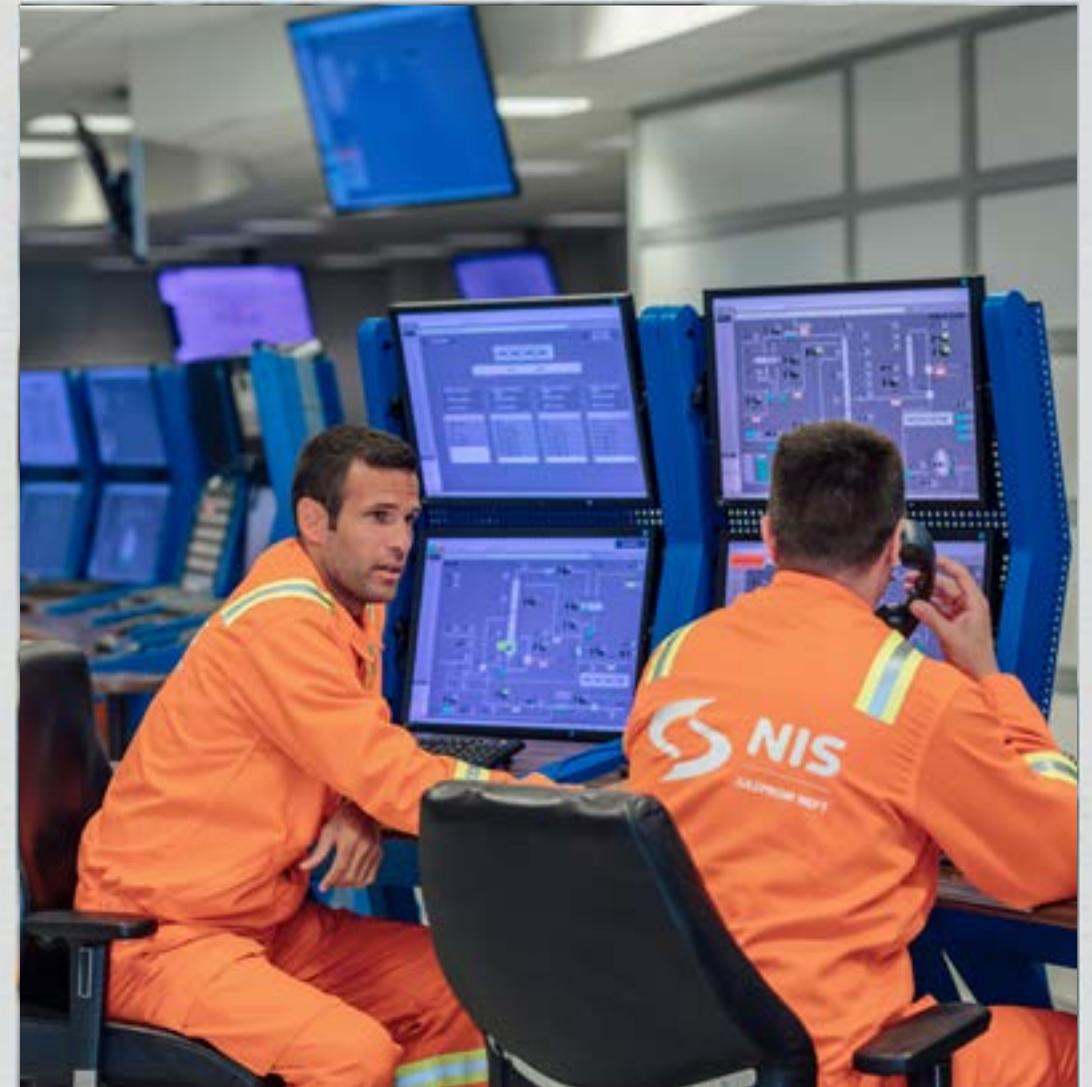
advanced technologies

and innovation in all business areas are the foundation for our growth during the Fourth Industrial Revolution

We have started the

digital transformation

process with projects based on artificial intelligence, machine learning, and big data



In our retail business, we focus on creating the best consumer experience for our clients by offering them high-quality products and excellent service.

NIS supplements its efforts to retain leadership in Serbia, contribute to the competitive environment in the regional market, and drive the company forward with the application of innovative technologies and state-of-the-art equipment. New technological opportunities help the company meet the ever-growing needs of its clients, streamline processes, and increase product quality.

Aware of the challenges of the digital age, NIS made significant progress in its digital transformation program. This process is crucial for companies in the petroleum industry, as only those able to adapt and use innovative technologies will remain in the market. NIS sees digitalization as an opportunity to improve efficiency in all areas of business, upgrade the employee training system, and integrate big data and other new technologies

in the decision-making process. This way, we will improve the environmental protection and safety of our employees.

The digital transformation program is a chance to create new value for the shareholders, improve the user experience for the clients, and offer innovative services in the market. Technological development programs and unique business challenges help the company attract young motivated professionals to drive further growth.

In the upstream segment, the company is working on projects based on virtual reality and 3D modeling to improve the quality of engineer and operator training. NIS also uses machine learning for the needs of its upstream business as a tool for recognition of formations that make up reservoirs.



In our refining business, digital transformation projects mostly aim to improve operational efficiency and process reliability. We work on technologies that will help us provide quicker and more effective training to our employees and ensure reliable operations of the Pancevo refinery. We use virtual reality to train operators proactively to work with the new process facilities that are still under construction. We are also working on a predictive maintenance project that will help us minimize the refinery downtime.

In our retail business, we focus on creating the best consumer experience for our clients by offering them high-quality products and excellent service. We are implementing tools that will make it easier for our clients to buy fuel and pay for it online.

NIS opened a digital laboratory in its Science and Technology Centre to research and plan the application of new digital technologies in its business.

Digital transformation in NIS is not limited to the application of innovative technologies and equipment. One of our priorities in this process is to change the way of thinking and the culture within the company. This is why it is important for us to employ motivated young professionals, who understand the change coming with the Fourth Industrial Revolution and will be able to use this change as a growth opportunity.

During the previous year, the company started a pilot project to implement a new compact petrol station format – small modular facilities to be used in smaller markets. In 2020, we want to introduce similar modular petrol stations that will have solar panels built into the roofs.

11

Sustainable Cities and Communities

Make cities and villages inclusive, safe, resilient and sustainable
Turn business success into general prosperity, support community
development

The development of local communities
is the priority of all our social
responsibility programs. We prioritize

helping the
younger
generations

and creating conditions for them to
fulfill their potential in this country

Since 2009, we have invested over

3.8
billion

dinars in helping communities build
parks and playgrounds, reconstruct
kindergartens and schools, refurbish
clinics and hospitals, and create better
conditions for education, culture, arts,
and sports



We are proud to have helped construct, refurbish, and equip 37 children's hospitals, 77 parks and playgrounds, 12 Laboratories, 4 museums, 4 theatres, and 14 maternity hospitals.

In all its operations, NIS strives to follow sustainable development principles. The company implements its social responsibility programs under the slogan Future at Work. These programs contribute to the development of the communities the company works in and motivate people to engage in the creation of a better future for all. In 2019, NIS invested over 371 million dinars in social responsibility programs. We prioritize helping the younger generations and creating conditions for them to fulfill their potential in this country. This is why we help communities build parks, playgrounds, reconstruct kindergartens, and schools, refurbish clinics and hospitals, and create better conditions for education, culture, arts, and sports.

Through our Together for the Community program since 2009, we have invested over 10 million EUR. We have implemented over 950 projects in 12 towns and

villages in Serbia. We are proud to have helped construct, refurbish, and equip 37 children's hospitals, 77 parks and playgrounds, 12 Laboratories, 4 museums, 4 theatres, and 14 maternity hospitals.

Together for the Community program is not just a project for us. It is a chance to make a meaningful contribution to our compatriots' wellbeing and meet the growing needs of the community. Children's smiles we see across Serbia are the most valuable award and motivation to continue this journey we started 12 years ago.

We believe that responsibility towards the community and future generations is crucial for establishing mutual trust and friendship. In 2019, we focused our investments on supporting healthcare facilities, specifically those for children. Through 20 projects implemented in 13 towns and villages across Serbia,



we invested 116.5 million dinars in buying state-of-the-art medical equipment and refurbishing healthcare facilities.

In 2019, NIS kept supporting the development of children's and amateur sports, promoting health and fitness, and contributing to the growth of new generations of champions in our country. At the same time, we supported important cultural events, including the Joy of Europe Dance Festival, Belgrade Dance Festival, and the Autumn Theatre Festival in Mokra Gora. Committed to promoting young talent, in 2019, NIS, together with the EXIT Foundation, organized the fourth annual Youth Heroes Awards, attracting attention to inspiring young people in Serbia and turning them into an example and a source of motivation for others.

The NIS Volunteer Club in 2019 came up with and implemented a whole series of volunteer events. In

the course of the corporate competition "Improve! Teach! Surprise!" the volunteers organized five events to support children and young people from socially vulnerable groups. NIS volunteers participated in the cleaning and landscaping of the Belgrade Botanical Garden. They also gifted the Aleksinac College library over 100 books in Russian. Over 300 NIS employees across Serbia, joined by the company's top management, came to support the activists of NURDOR, childhood cancer parent association. Together they walked across Belgrade in a volunteer march to collect funds for the construction of the third parent hostel in Belgrade. Active volunteer work of the company's employees shows their motivation to support the wellbeing of the local communities. The efforts of the NIS Volunteer Club were recognized as they received the Breakthrough of the Year award from the Social Responsibility Forum and the SMART Collective.

12

Responsible Consumption and Production

Ensuring sustainable production and consumption

Apart from financial benefits,
our projects support

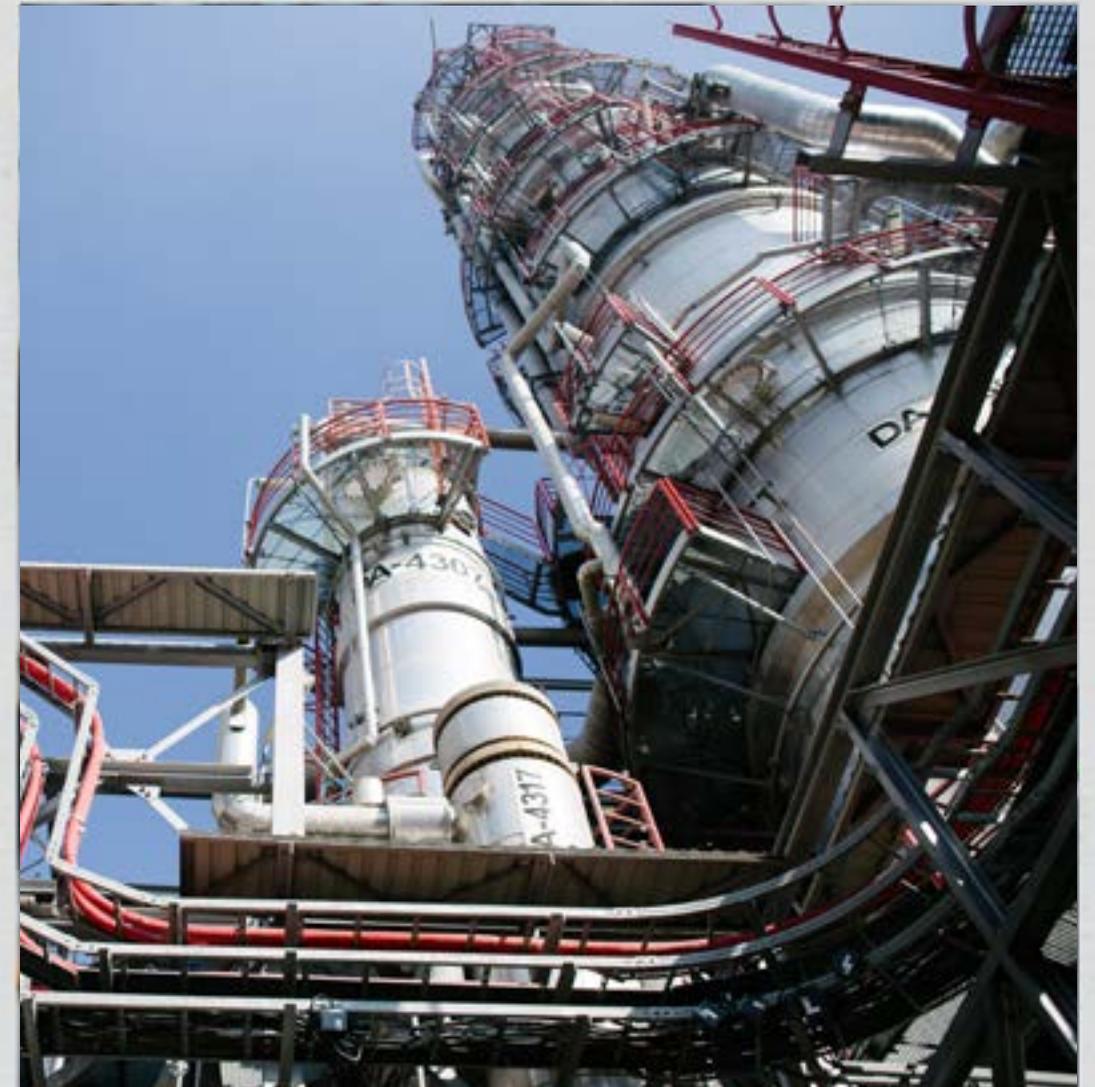
**responsible
use**

of resources, environmentally
conscious production, and the
creation of benefits for future
generations

We strive towards the ambitious
goal of doing business with

**zero
injuries**

and zero negative impact on the
environment



Despite numerous changes over the years, we stay committed to doing business in line with sustainable development principles.

Since 2009, we have invested over 3 billion euros in the development of the company. This helped transform NIS from a local petroleum company into one of the largest energy conglomerates in Southeastern Europe. Apart from financial benefits, our projects support responsible use of resources, environmentally conscious production, and the creation of benefits for future generations. We strive towards the ambitious goal of doing business with zero injuries and zero negative impact on the environment.

This is why our capital development projects are all aimed at modernization with the improvement of environmental protection facilities. One such example is the Bottom of the Barrel project in the refinery worth over 300 million euros. The construction of

new refining facilities will mean that we will be able to produce more quality fuel as well as a new product – petroleum coke. This will be another contribution to Serbia's energy stability, as before this product could only be imported.

The Bottom of the Barrel project will also mean that we will stop producing high-sulfur oil fuel, which will improve the country's environmental situation. This will also let Serbia meet its international obligations related to reducing the amount of sulfur in liquid fuels.

In 2019, we also implemented the project of installation of low NOx burners in the process furnaces of the hydrodesulfurization unit, atmospheric distillation



unit, and the fluid catalytic cracking (FCC) unit of the refinery to bring its operations in compliance with the Directive 2010/75/ EZ on industrial emissions.

In 2019, NIS started the construction of the Pancevo thermal power plant in partnership with Gazprom Energoholding. The new power plant will produce heat and electricity in an environmentally safe way, using gas as a fuel. The combined heat and power generation technology used in the Pancevo TPP is currently the most environmentally friendly and energy-efficient way of thermal generation. It is also the most feasible economically, as it uses natural gas as a fuel. The new power plant will improve the country's energy stability, as part of the produced electricity will be supplied into the Serbian national grid.

At the end of 2019, NIS signed an agreement with a renowned international company Lummus Technology for partnership in the further development of the refinery. The agreement stipulates the introduction of the innovative INDMAX technology and the basic design of the project for the modernization of the FCC unit. Due to these improvements, the refinery will be able to produce more propylene and ETBE (high-octane gasoline additive), which will further improve the value of the NIS product portfolio. The project, which will be completed in the second quarter of 2024, will let us reduce the emissions of solid particles and produce gasoline with bio-components.

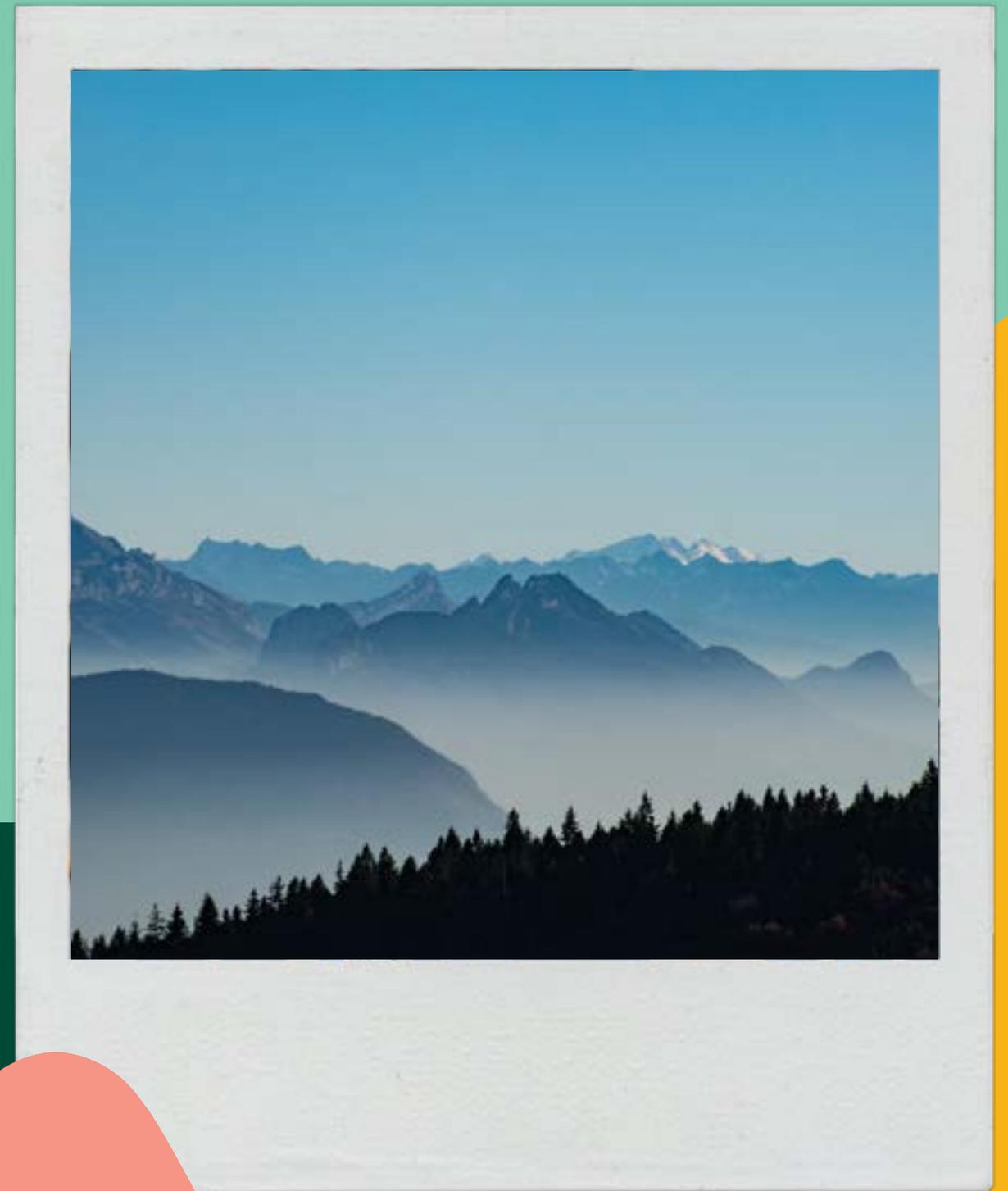
13

Climate Action

Take urgent action against climate change and its consequences

We live and work

according to the belief that the Earth was not inherited, but borrowed from the generations to come



We are aware that the energy sector we are part of bears significant responsibility for protecting the environment. We try to do our best to minimize greenhouse gas emissions and combat climate change.

finery by over 10%. Benzene emissions are lower than the values stipulated by the EU standard. The evaporation of pollutants during the filling of tank trucks has reached zero. NIS has expanded and upgraded the unit for gasoline, diesel, and gas production, and the loading dock on the Danube River.

We take a systemic approach to our environmental activities to ensure a safe and healthy environment for our employees and follow all HSE regulations. After a detailed study to identify all emission sources, we set up a system for monitoring and reporting on pollutant emissions that provides us with the necessary data to plan and implement technical and process measures to minimize them.

To maintain compliance with emission control regulations, improve measurements of CO₂ emissions, and transparently report on the environmental impact of the company's activities, at the end of 2019, we hired an external consultant to study and recommend measures needed for quality metering and reporting of greenhouse gas emission. The recommendations will include a methodology for the calculation of total emissions to estimate the company's yearly carbon footprint and a framework for the inventory of all greenhouse gases produced, which will allow for better management. Report on greenhouse gas emissions will be prepared according to the global GHG Protocol and other applicable industry regulations.

We are proud to point out that our refinery is the first Serbian energy facility to receive an integrated IPPC certificate for the prevention and control of environmental pollution. This certificate confirms that the production process in the refinery fully complies with the highest Serbian and European environmental standards. We work hard to set an example and inspire other companies to include environmental protection in the list of their priorities.

As an environmentally conscious company, NIS uses the best available technology in all areas of our business. We have invested heavily in installing state-of-the-art equipment in the Pancevo refinery to reduce atmospheric emissions. Over recent years, we have managed to reduce pollutant emissions from the re-



15

Life on Earth

Protecting, restoring and promoting the sustainable use of Earth's ecosystems, protect forests, combat desertification, reverse land degradation, and stop the loss of biodiversity

The Earth is all we have, so every day we work on making it a

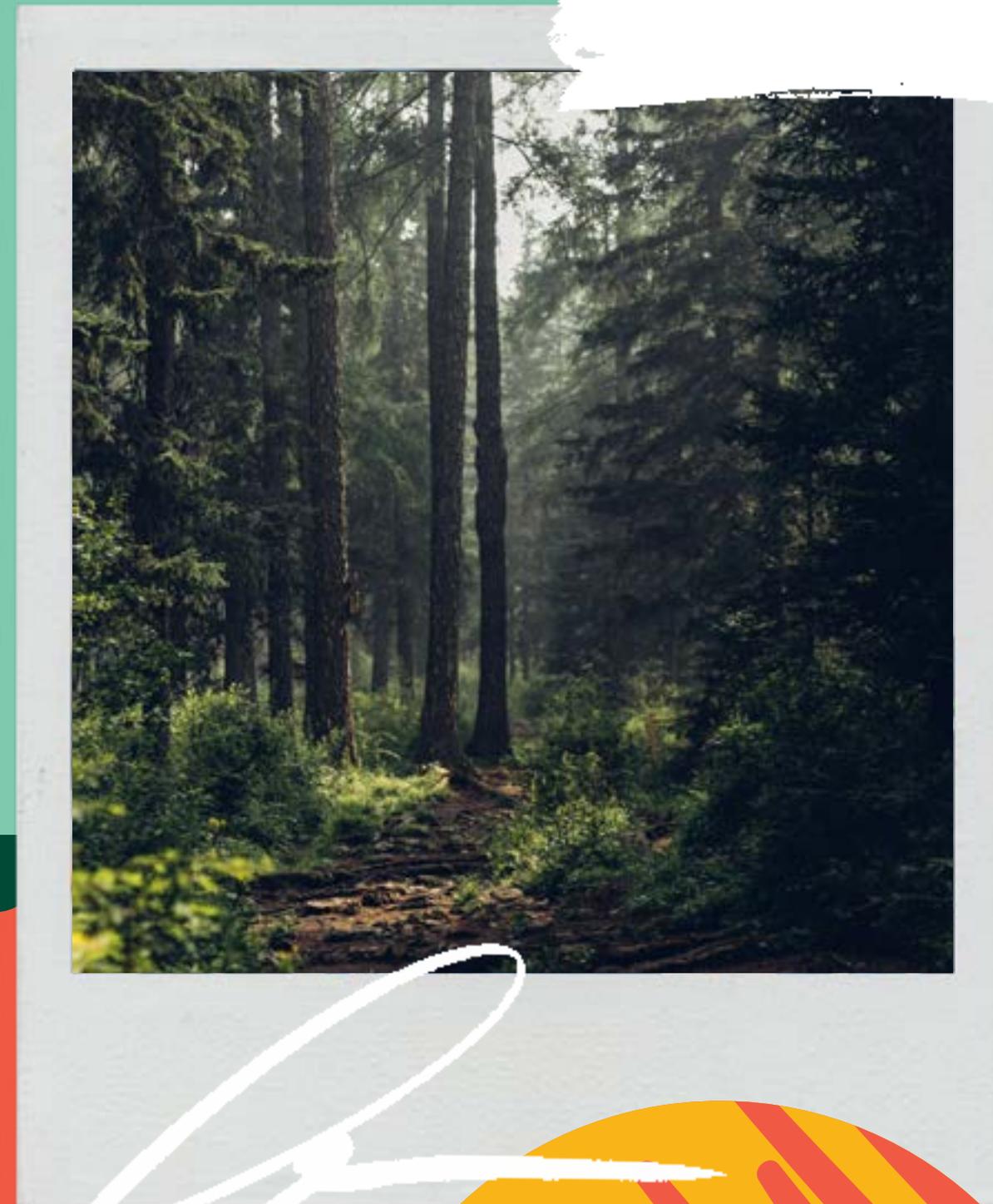
**better
place**

to live

The company implements extensive

**environmental
protection**

programs according to the recommendations of the relevant authorities – the Institute for Nature Conservation of the Vojvodina Province and the Institute for Nature Conservation of Serbia



Our commitment to sustainable development and strict compliance with legal requirements through best management practices have helped us become a leader in environmental protection in Serbia and the region.

The company held

- Four seminars on chemical management
- Seminars on the scope and the content of environmental impact studies, IPPC certificates, and chemical management with the representatives of the Ministry for Environmental Protection, Provincial Secretariat for Construction and Environmental Protection, Belgrade Machine Engineering Faculty, and the Novi Sad Process Engineering Faculty
- Eights audits of authorized laboratories
- A round-table meeting on the improvement of environmental monitoring methods and the application of new standards on soil monitoring with the representatives of several laboratories, the Provincial Secretariat for Construction and Environmental Protection, the Institute of Field and Vegetable Crops and the Department for Chemistry, Biochemistry, and Environmental Protection of the Science Faculty
- Six waste management audits

In 2019, NIS sponsored the tenth yearly program For Cleaner and Greener Schools in Vojvodina, traditionally held by the Provincial Secretariat for Construction and Environmental Protection. As part of the project, NIS environmental experts held presentations for the students of the Kikinda College on waste management and the NIS ecological projects.

The company held HSE events to mark the Earth Hour on March 25, Danube Day on June 29, and Ozone Layer Protection Day on September 16. We also joined a charity march Step for Health on October 31 dedicated to the Breast Cancer Awareness Month.

Our commitment to sustainable development and strict compliance with legal requirements through best management practices have helped us become a leader in environmental protection in Serbia and the region.

We remediate the land, where we did geological exploration, drilling, or production of oil and gas, to eliminate any risk to the health of the local population and our employees.

During 2019, we kept working on cleaning up historically polluted land. We cleaned eight mud pits with a total area of 5,140 m², and an 11,276 m² settling pond in Kikinda. From 2009 to 2019, the company cleaned up 98% of the existing mud pits and settling ponds and returned 150,612 m² of land into agricultural use.

The company kept working on streamlining processes and developing the employees' competencies through workshops, lectures, training sessions, and meetings.



16

Peace, Justice and Strong Institutions

Promote peaceful and inclusive communities for sustainable development, ensure access to justice for all, and build efficient stable and inclusive institutions at all levels

We believe that our clients deserve

the best products

and that all market participants have the right to fair and just competition



We actively participate in the changes related to fuel labeling and quality monitoring of petroleum products, as we believe that our clients deserve the best products and that all market participants have the right to fair and just competition.

tions, and economic activity, as well as regulations for the harmonization of the Serbian legal system with that of the EU, specifically in the area of environmental protection. In 2019, we dedicated special efforts to promoting a new and important Law on Agency Employment, which is the law regulating employment through professional employment organizations, or employee leasing. Its implementation has brought the Serbian legislation in compliance with the convention 181 of the International Labor Organization, Recommendation 188, and the EU Directive 2008/104.

In 2019, NIS was working with professional associations to promote continuous improvement of the business environment in Serbia. Such cooperation lets us exchange knowledge and experience with other members of the business community in Serbia and focus on best practices.

We kept cooperating with the Steering Committee for the Development of Supervisory Control and with the dedicated supervisory bodies to ensure efficient control. NIS supports the implementation of the National Program against Grey Economy and the associated Action Plan for 2020 aimed at combating grey economy in Serbia.

We actively participate in the changes related to fuel labeling and quality monitoring of petroleum products, as we believe that our clients deserve the best products and that all market participants have the right to fair and just competition.

We believe that our effort contribute to the common goal of having an open market that would be an equal playing field for all. We will keep working to contribute to regulating the petroleum sector not only in Serbia, but also in other countries where we operate. We are happy to share our best practices with partners, as the development of the business environment will foster further growth of the company.

To promote a clear legal framework for business, NIS participates in public hearings and contributes to the implementation of laws on employment, market rela-



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
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Ethics and Integrity

GRI 102-16	Values, principles, standards, and norms of behavior
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Governance

GRI 102-18	Governance structure
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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	2018	2019
Directly generated value	282,165,889	272,692,711
Distributed economic value	261,211,206	250,856,152
Operating costs	223,589,944	214,026,588
Employee earnings and other remuneration	20,101,583	21,364,042
Interest on received loans	9,019,687	8,222,679
Taxes*	8,288,900	7,059,302
Investments in the community	211,092	183,540
Increase in the economic value of the Company	20,954,683	21,836,559

* 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.

In 2019, the Company continued with injection of the CO₂ separated from the natural gas in the amine unit of the oil and gas preparation plant in Elemir, into the Rusanda reservoir. In doing so, we reduced the atmospheric emission of CO₂ and instead used it to increas-

es natural gas production by maintaining pressure in the reservoir.

Utilization 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.

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

The Company allocates funds for the fulfillment of obligations related to severance and retirement payments to employees and for work anniversary bonuses.

GRI 201-4 Financial assistance received from government

In 2019, the company did not use any financial assistance from the government of the Republic of Serbia.

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 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	Subsidiary Director	Department Director	Department Director Advisers and Deputies	Representative Office Director	
Age	NIS j.s.c. Novi Sad	1	2	13	5	0	70	0	0	
	<30	0	0	0	0	0	0	0	0	
	30-50	1	0	8	4	0	61	0	0	
	>50	0	2	5	1	0	9	0	0	
	Representative offices and branches	0	0	0	0	0	0	0	3	
	<30	0	0	0	0	0	0	0	0	
	30-50	0	0	0	0	0	0	0	2	
	>50	0	0	0	0	0	0	0	1	
	Local subsidiaries	0	0	0	0	0	4	12	0	0
	<30	0	0	0	0	0	0	1	0	0
30-50	0	0	0	0	0	3	9	0	0	
>50	0	0	0	0	0	1	2	0	0	
Gender	NIS j.s.c. Novi Sad	1	2	13	5	0	70	0	0	
	Men	1	2	10	5	0	59	0	0	
	Women	0	0	3	0	0	11	0	0	
	Representative offices and branches	0	0	0	0	0	0	0	3	
	Men	0	0	0	0	0	0	0	3	
	Women	0	0	0	0	0	0	0	0	
	Local subsidiaries	0	0	0	0	0	4	12	0	0
	Men	0	0	0	0	0	4	8	0	0
	Women	0	0	0	0	0	0	4	0	0
	Nationality	NIS j.s.c. Novi Sad	1	2	13	5	0	70	0	0
Domestic		0	2	4	0	0	44	0	0	
Foreign		1	0	9	5	0	26	0	0	
Representative offices and branches		0	0	0	0	0	0	0	3	
Domestic		0	0	0	0	0	0	0	2	
Foreign		0	0	0	0	0	0	0	1	
Local subsidiaries		0	0	0	0	0	4	12	0	0
Domestic		0	0	0	0	0	1	8	0	0
Foreign		0	0	0	0	0	3	4	0	0
Total		1	2	13	5	4	82	0	3	

* 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

We have always insisted on sharing our success with the communities, in which we work. Through our Together for the Community program since 2009, we have invested over 3.8 billion dinars. We are proud to have helped construct, refurbish, and equip 37 children's hospitals, 77 parks and playgrounds, 12 Lab-

oratories, 4 museums, 4 theatres, and 14 maternity hospitals. In 2019, NIS invested over 371 million dinars into social support projects. We focused on the improvement of healthcare facilities for children, investing over 116.5 million dinars.

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 realized investments, business activities, number of employees, tax liabilities and other liabilities payable to the government.

The company's 2019 investment portfolio was worth RSD 4.2 billion, which is the highest investment since 2013. Large investment will continue in the future with the focus on exploration and production of oil and gas, modernization of the Pancevo Refinery and the development of the retail network.

GRI 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 prioritizes the com-

petitive 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 favorable 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
2018	185,089,882	2,567	82,739,262	2,072	45%	81%
2019	193,466,370	2,604	93,746,609	2,075	48%	80%

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
2018	263,239,698	2,567	82,739,262	2,072	31%	81%
2019	237,955,403	2,604	93,746,609	2,075	39%	80%

GRI 205: Anti-corruption

GRI 205-1 Operations assessed for risks related to corruption

The chief corruption related risks are continuously analyzed 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 by 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 favoritism 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 2019, several indications were analyzed 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 recognize 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 familiarize 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 2019, 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 2019, the Company organized direct training of employees on topics, which dealt with anti-corruption issues, among other things. The topics dealt with information security, with a focus on personal information protection, protection against malicious emails and malware, and the important of the human factor in cybersecurity – the use of Deep and Dark Web. These trainings included 183 employees in total. Additionally, within internal assessment of compli-

ance 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.

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 favorable 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 organizational units tasked with procurement and sale of goods and services.

GRI 205-3 Confirmed incidents of corruption and actions taken

In 2019, responsible managers received 134 proposals to initiate disciplinary or misdemeanor 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 64 persons – 3 employees and 61 third party. Most charges against third parties (56) were for the criminal offence of theft. Another 4 charges are related to the damage to the installed seismic equipment and one is related to unauthorized use of the company’s name. Out of the three charges against employees, two are for theft of corporate property provided for temporary use, and one is for violation of the Data Security Law. Theft charges against third persons are related to cases where after filling up their tanks with fuel, perpetrators left the retail sites of the Company without pay-

ing. All cases above resulted in harmful consequences for the Company of over RSD 5.8 million. Having proven that they were involved in corruption, the Company terminated 52 employees (51 engineers, technicians and other operators and 1 middle manager).

In 2019, there were 33 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;
- Failure to fulfil financial obligations / foreign currency debt (doubtful liabilities) towards the Company or its subsidiaries.

GRI 206: Anti-competitive Behavior

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

In 2019, there were no cases of initiated proceedings and there were no disputes against the Company due to anti-competitive and monopolistic behavior.

GRI 301: Materials

GRI 301-1 Materials used by weight or volume

Materials used			
Raw materials/materials	UOM	Quantities used	
		2018	2019
Domestic crude oil	t	880,632	834,627
Imported crude oil	t	2,675,302	2,302,103
Natural gas*	t	95,830	96,917
Geothermal water**	m ³	425,574	416,281
Raw water***	m ³	21,661	22,132

* 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	
		2018	2019
Light waxy crude oil	t	491,798	480,416
Heavy waxy crude oil	t	132,227	108,662
Naphthenic crude oil	t	256,607	245,549
Crude oil – REB	t	488,919	375,445
CPC BLEND	t	0	704
Crude oil – Kirkuk	t	1,318,189	1,118,915
Crude oil – Novy Port	t	847,978	802,075
Crude oil – Timisoara	t	0	4,964
Crude oil – Iranian Heavy	t	20,216	0

Overview of Intermediates				
Intermediate products/materials	UOM	Quantities used		
		2018	2019	
		Pyrolysis gasoline	t	
MTBE	t	5,859	6,285	
Isobutane and gasoline from Elemir Plant	t	2,394	2,024	
Imported vacuum gas oil (VGO)	t	43,404	18,817	
Imported heavy fuel oil	t	12,145	0	
Additives and polymer mass	t	3	1,413	
Slop (including degraded products)	t	2,059	2,937	

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				
Intermediate products/materials	UOM	Quantities used		
		2018	2019	
		Paper and cardboard	t	
Wood	t	98	98	
Plastic	t	485	438	
Metal packaging	t	141	132	

GRI 301-3 Reclaimed products and their packaging materials

Guided by the Law on Packaging and Packaging Waste, the Company hired an operator responsible for the packaging waste management system which holds appropriate licenses for performing of these activities.

The company's operations include bottling of mineral water in the Jazak Drinking Water Plant and production of oils and lubricants under several brands in the Lubricants Department in Novi Sad.

For the purpose of meeting national objectives set for 2019, packaging waste collected during 2019 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	JM	2018		2019	
		Jazak	Lubricants Department	Jazak	Lubricants Department
		Plastic	PET	204	40
	Other types of plastic	41	200	47	159
Metal	Iron	0	141	0	132
Paper and cardboard	Paper and cardboard	38	106	34	84
Wood	Pallets	48	50	55	42
Total			868		786

GRI 302: Energy

GRI 302-1 Energy consumption within the organization

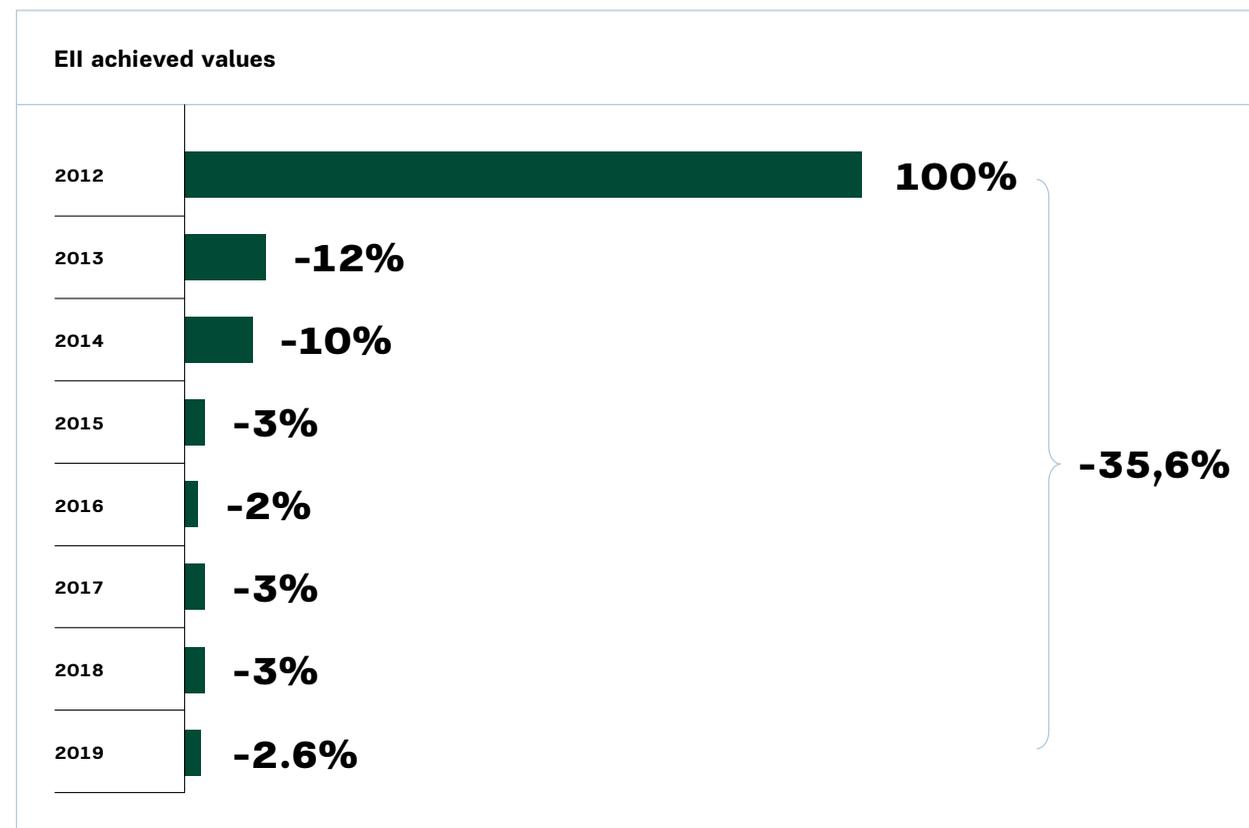
Overview of energy consumption											
Energy type	UOM	Consumed quantity				Energy by source					
		Consumed quantity		Consumed quantity in toe		Produced		Purchased		Sold	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Natural and associated gas	m ³	373,487,557	285,059,769	297,368	226,985	449,567,235	293,105,123	3,290,222	43,728,449	69,377,705	51,773,803
Fuel – own consumption (petrol, diesel)	t	4,182	4,113	4,385	4,322	4,182	4,113	0	0	0	0
Fuel – own consumption (light fuel oil, refinery gas, coke, torch oil, offgas)	t	396,832	325,040	335,432	167,295	396,832	325,040	0	0	0	0
LPG	t	239	168	254	176	239	62,363	0	62,216	0	124,411
Steam (in the form of high pressure steam)	t	2,547,699	970,377	196,548	64,027	2,547,699	970,377	0	0	0	0
Electricity purchased from a supplier	MWh	331,580	329,803	28,511	28,358	0	0	331,580	329,803	0	0
Produced electric power	MWh	70,015	59,274	6,020	5,097	70,015	135,745	0	0	70,015	76,471
Thermal energy	MWh	8,083	8,378	695	720	0	0	8,083	8,378	0	0

Energy consumption in 2019 was 15% lower than the business plan while compared to 2018 it is lower by 17% due to lower consumption of natural and associated gas in Upstream, delays during the overhaul and reduced steam consumption in the Pancevo refinery.

GRI 302-3 Energy efficiency

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 2012-2019 the Company achieved the total increase in energy efficiency of 35.6 %.

Associated gas, which used to be flared off, is now used in the production of electricity and thermal energy in cogeneration plants built in the period from 2013 until today.

The share of electricity produced in these plants in the total energy consumption amounts to 27%. Owing to the electricity produced by the backpressure turbo generator, the share of electricity the Company generates on its own in its total consumption is 40%.

GRI 302-4 Reduction of energy consumption

The most significant projects completed and launched in 2019:

- Abandonment of low-production oil wells
- Optimization of pumping equipment
- Replacement of induction motors with brushless DC electric motors
- Continuous adjustments of furnace parameters according to the changes in the plant performance
- Use of the energy from the heating steam plant to heat up crude oil at S-2200
- Change of the compressor drive on GB-2301/2501/2601 from steam to electric
- Use of heat from diesel after EA-2425 for steam production at S-2400
- Procurement of new tank cars

- Modernization of lighting (installation of LED lights at gas gathering stations)
- Decentralization of heat sources at the Pancevo Refinery
- Installation of a CSNU in the Belgrade corporate center
- Adjustment of the water temperature in the heating system of the NIS corporate building depending on the air temperature

The implementation of projects and measures defined under 2019 Action Plan, and realization of additional measures during that year resulted in energy savings of nearly 390 TJ or RSD 336 million.

Overview of planned and realized energy savings			
Energy source	Planned savings in 2019 (GJ)	Realized savings in 2019 (GJ)	Realized savings in 2019 (%)
Electricity	229	-52	- 23%
Thermal energy	186,987	185,057	99%
Fuels	117,513	149,826	127%
Additional measures	0	55,000	
Total	304,729	389,831	128%

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

Compressed Natural Gas (CNG), otherwise known as "methane", is a natural gas compressed at the pressure ranging between 220 and 250 bar. It serves as the power source in industry, as well as car fuel. The consumption of this particular fuel brings about major financial savings, which, depending on the vehicle type, can reach up to 50%. The CNG consumption advantages include the following:

- **Economy.** The excise duties-exempt CNG is currently the most cost-effective conventional fuel compared to petrol, diesel and liquefied petroleum gas. By the same token, the savings generated by CNG fuel consumption are up to 50 percent.
- **Environment Protection.** Compared to all conventional energy sources in use the CNG environmental benefits are practically immeasurable, as it reduces harmful gases emissions, notably CO₂. It is not toxic and corrosive, evaporates into the atmosphere, and does not settle on the ground, as it is lighter than air. Due to the high temperature of the methane flash point (5800C) in the vehicle engine, CNG is not easily flammable, which is a significant factor in road safety. Other than that, the consumption of this type of fuel reduces the noise level by up to 50%.
- **Power.** CNG is one of the most caloric fuels available on our market. It is characterized by high

caloric value (about 13 kWh / Kg) and high octane number (120-130).

- Moreover, when it comes to acceleration and power, CNG-powered vehicles demonstrate quite similar performance to vehicles consuming other, conventional motor fuels.
- Easier start. The gaseous state of this product results in better starting and steering performance, even under extremely adverse weather conditions

The environmental and economic benefits of compressed natural gas are supported by the dynamics of growth in the number of natural gas vehicles in the world - since 2002, the number of these vehicles has increased by more than ten times globally, along with the CNG market noticeable emergence on the European continent. In addition to driving all types of vehicles, CNG is also serves as an energy source in zones without gas supply infrastructure.

At this juncture, the Company is actively selling CNG in both the wholesale and retail markets of Serbia. For the wholesale purposes, CNG is currently produced on the Ostrovo gas field, while in retail, CNG is sold as a fuel for vehicles at three refuelling stations in Novi Sad, Belgrade and Čačak.

GRI 303: Water and Effluents

GRI 303-1 Water withdrawal

Quantity and share of water withdrawn by source					
Type of the water intake structure	2018		2019		Relative change 2019/2018
	m ³	Relative share	m ³	Relative share	
River water intake	3,124,985	79%	2,809,950	78%	-10,0%
Public water supply	484,319	12%	461,067	12%	-4,8%
Groundwater	343,804	9%	348,939	10%	+1,5%
Total water withdrawn	3,953,108	100%	3,619,956	100%	-8,5%

The total volume of water withdrawn in 2019 is 8.5% lower YoY, which is expected in view of the reduced oil refining and reduction of the number of active retail facilities in the Sales Block (313 petrol stations in 2019 vs. 333 in 2018).

The company uses the same water sources as before: 78% comes from surface reservoirs, 13% from the public water supply system, and 10% from wells (groundwater).

GRI 303-2 Sources most affected by withdrawal

The volume of water withdrawn from the Danube for the needs of the Pančevo Oil Refinery reduced 9% YoY, which was expected since the refining output also reduced by 12%. However, water withdrawal rate of 84 l/s amounts to only 0.0016% of the average annual flow of the Danube.

Oil Refinery in Novi Sad) decreased by 33% YoY. The withdrawal rate was 4 l/s, which amounts to 0.007% of the flow of the DTD Canal in Novi Sad.

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

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 Recycled water

The withdrawal of water from the Danube was reduced significantly by recycling condensed water in the RNP. In 2019, the amount of recycled water (condensate recovered from production processes) in the

RNP amounted to 938,397 t. This way, the withdrawal of raw water from the Danube for the Refinery decreased by 35%.

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 2019
Special nature reserve	Deliblato Sands	HTS Devojački bunar Db - 1/H	out of operation
	Deliblato Sands	GSS Tilva	out of operation
	Okanj Lake	Elemir oil and gas preparation and transport plant	in operation
	Okanj Lake	Eli-1 oil well	out of operation
	Meadows 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
National Park	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 8 facilities located in the vicinity of protected natural areas, including Đerdap National Park, special nature reserves (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 2019, Regulations on environmental protection in course of the oil and gas production activities were issued for the Mokrin, Rusanda, Melenci duboko, Lokve, Jermenovci, Itebej, and Centavir oilfields and the Begejci gas field.

The company carried out seismic exploration in the Severna Backa exploration area according to the project for reflective 3D seismic exploration in the Ada exploration block.

GRI 304-3 Habitats protected or restored

In 2019, 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. Eight primary mud pits with the total area of 5,140

m² were remediated. Thus far, the Company has remediated the 198 primary mud pits and two suction pits, with the total area of remediated over 15 hectares (150,126 m²).

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

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

In the Republic of Serbia, wild plant, animal and fungal species are protected under the Law on Environmental Protection, Rulebook on the categorization

and protection of highly protected and protected wild plant, animal and fungal species, and the Rulebook on the criteria for categorization of habitat types; sensitive, endangered, rare and priority habitat types; and on protection measures for their preservation. Prior to any activities, the Company obtains regulations for environmental protection from the competent authorities with relevant conservation measures, to which it scrupulously adheres.

GRI 305: Emissions

GRI 305-1 Direct (Scope 1) GHG emissions

In 2019, the Company measured CO₂ emissions for its plants covered by the 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 968,941 t on the basis of the available quality of data. This is a YoY reduction of 11% caused by the refinery downtime during the major overhaul and a reduced auxiliary consumption of fuel oil.

In 2019, the Company continued its EOR project, which includes the injection of CO₂ separated from natural gas in the amine unit of the Oil and Gas Preparation Plant in Elemir into the Rusanda reservoir, with the aim of maintaining its pressure and boosting production. The total amount of injected CO₂ is 51,136,704 m³.

GRI 305-2 Energy indirect (Scope 2) GHG emissions

NIS daily operations rely on supplier-provided power and heat. According to GHG Protocol (GHG Protocol Corporate Accounting and Reporting Standard), the Scope 2 reporting identifies these greenhouse gas emissions as indirect, their source being owned by other companies.

In 2019, greenhouse gas emissions from the imported power and heat, consumed by the Company and its subsidiaries in the Republic of Serbia, amounted to 273.579,23 t CO₂ eq.

GRI 305-6 Emissions of ozone-depleting substances

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 emission

Air pollutant emissions (t/g)	2018	2019
SO ₂ emissions	3,454	1,239
NO _x emissions	995	1,082
Particulate matter (PM) emissions	280	72

* Since 2019 the scope of mandatory emission reporting was extended, so apart of the units covered by the IPPS the Company now reports on emissions from all other sources (calculated based on emission measurements and the volume of consumed fuel).

Total emissions of pollutants (SO₂, NO_x, and solid particles) in 2019 reduced compared to the previous year. The largest source of emissions was the combustion unit of the Pancevo Refinery, which now shows the most sizeable reduction due to the emis-

sion reduction investment projects completed in 2018, adherence to monthly fuel consumption plans for process furnaces and boilers (with an increase in the share of natural gas used), and the reduction of the oil processing volume (12%).

GRI 306: Effluents and Waste

GRI 306-1 Water discharge by quality and destination

As of the end of 2019, the Company owned 355 wastewater treatment facilities. Six new separators for oily wastewater treatment were installed on our petrol stations (four separators replaced, and two more in-

stalled). The Company also started trial operation of the DNM wastewater treatment plant. The quality of wastewater and the efficiency of the treatment process is subject to regular monitoring.

Overview of discharged waste water in m ³ , by treatment and recipients				
Treatment type	Recipient	2018 (m ³)	2019 (m ³)	Relative Change 2019/2018
External treatment	watercourse	1,424,965	1,308,648	- 8.2%
Physical, physical and chemical	watercourse, public sewerage	937,692	846,307	- 9.0%
Sanitary waste water	public sewer system	42,331	43,862	+ 3.6%
Total wastewater discharge		2,409,721	2,198,817	- 8.8%

GRI 306-2 Waste by type and disposal method

Overview of generated and disposed waste in tonnes		
Waste type	Generated waste in 2019	Disposed waste in 2019
Non-hazardous	6,280	6,296
Hazardous	9,435	9,323
Total	15,715	15,619

Overview of waste disposed by type in tonnes		
Disposal method	2019	
	Non-hazardous	Hazardous
Bioremediation	0	423
Landfill disposal	338	20
Recycling	5,743	99
Re-refining	6	0
Storage	26	2
Solidification	160	2,011
Co-firing	13	6,768
Composting	10	0

All waste management activities are regulated by the company's internal standards in compliance with the legal requirements of the Republic of Serbia.

Company's activities generate both non-hazardous and hazardous waste that is disposed of according to the applicable laws. In 2019, the Company used the services of 35 properly authorized waste management operators.

Disposed hazardous waste in 2019 mainly consisted of mud and sludge, as well as oily waste generated by maintenance and cleaning of tanks, separators, and oily waste sewage systems (70%).

Of all types of non-hazardous waste disposed in 2019, 87% was metal waste.

Different types of waste require different treatment methods. 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 company uses a Waste Reporting Application to track waste generation and movement and to create reports for regulatory bodies. The company reports to the National Register of Pollution Sources on all hazardous waste operations. Reports on the waste generated and disposed of in 2019 have been submitted.

GRI 306-3 Significant spills

Number of environmental accidents by type		
Accident type	2018	2019
Oil/petroleum product spills on soil	11	13
Wastewater spills	0	0
Chemical spills	2	0
Gas emissions	0	0
Other	3	1
Total	16	14

The number of environmental accidents is 12.5% lower than in 2018. The Company recorded 14 environmental accidents in 2019. The decrease in the number of spills was achieved through the improvement of process control discipline.

The significant improvements in this field also reflected in the reduction in the volume of spills. The total amount of material released or spilled in 2019 was 3.4 m³, which is 78% less than the last year's 15.95 m³.

Of the total number of spills in 2019, eight were results of ruptures in which the quantity of spilled material exceeded 1 barrel.

According to NIS Incident Classifier, all environmental accidents in 2019 were categorized as minor.

Causes of environmental accidents (%)	2019
Work activity	7.1 %
Technological failure or breakdown – process	14.3 %
Pipeline rupture	57.2 %
Accompanying lines rupture	7.1 %
Other	14.3 %
Total	100 %

GRI 306-4 Transport of hazardous waste

In 2019, the Company exported 8.52 tons of mercaptan-based chemical waste to Germany for co-firing.

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

The Company does not withdraw nor discharge treated wastewater into waterbodies whose biodiversity could be affected by these actions. Review of obtained documents on water management ascertained that the waterbodies into which treated wastewater is discharged are not categorized as those under special protection or 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 wastewaters:

- 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 – 331,881 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 – 1,306,040 m³;
- treated wastewater is discharged into the Danube from the Petroleum Products Warehouse in Novi Sad indirectly, through the public sewer system of Novi Sad – 193,363 m³.

GRI 307: Environmental Compliance

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

In 2019, the company did not commit any violations of the environmental laws and regulations and was not penalized for any non-compliance.

GRI 401: Employment

GRI 401-1 New employee hires and employee turnover

Overview of employee turnover								
Organizational unit	31.12.2018			31.12.2019				
	Direct	Leasing	Total	Direct	Leasing	Total		
Exploration and Production Block	858	216	1,074	923	178	1,101		
Services Block	2,062	2,944	5,006	2,110	3,096	5,206		
Downstream Division*	956	30	986	936	17	953		
Refining Block	999	2,899	3,898	1,030	3,063	4,093		
Energy Directorate	41	5	46	37	4	41		
Rest of the Downstream Division	66	10	76	107	12	119		
NIS – expert services	1,094	434	1,528	1,144	359	1,503		
Representative offices and branches	45	0	45	41	0	41		
NIS j.s.c. Novi Sad	4,059	3,594	7,653	4,218	3,633	7,851		
Naftagas – Oilfield Services	991	1,267	2,258	1,112	1,013	2,125		
Naftagas – Technical Services	174	126	300	213	121	334		
Naftagas – Transport	81	338	419	83	321	404		
NTC NIS Naftagas	325	36	361	348	30	378		
Subsidiaries in the country	1,571	1,767	3,338	1,756	1,485	3,241		
Total:	5,630	5,361	10,991	5,974	5,118	11,092		

Overview of employee qualification structure by contract type													
Year		PhD	M.Sc./MA	BSc	PSE	HS	E.L.S	HQ	Q	SQ	LQ	Total	
2018	NIS j.s.c. Novi Sad	Direct	10	82	1,995	290	1,181	2	123	377	0	0	4,070
		Leasing	0	15	444	308	1,910	11	75	830	1	0	3,593
	Subsidiaries in the country	Direct	9	22	545	65	437	5	112	374	1	0	1,560
		Leasing	0	2	149	53	542	89	45	869	12	5	1,766
	Total		19	121	3,133	717	4,070	107	355	2,450	14	5	10,991
2019	NIS j.s.c. Novi Sad	Direct	9	120	2,106	292	1,189	2	121	379	0	0	4,218
		Leasing	0	14	338	292	2,011	9	75	891	2	1	3,633
	Subsidiaries in the country	Direct	10	30	583	83	505	3	115	425	2	0	1,756
		Leasing	0	3	91	48	490	49	35	755	6	8	1,485
	Total		19	167	3,118	715	4,195	63	346	2,450	10	9	11,092

Overview of employee gender structure by contract type					
Year		Men	Women	Total	
2018	NIS j.s.c. Novi Sad	Direct	2,857	1,202	4,059
		Leasing	2,171	1,423	3,594
	Subsidiaries in the country	Direct	1,354	217	1,571
		Leasing	1,709	52	1,767
	Total		8,091	2,900	10,991
2019	NIS j.s.c. Novi Sad	Direct	2,931	1,287	4,218
		Leasing	2,200	1,433	3,633
	Subsidiaries in the country	Direct	1,515	241	1,756
		Leasing	1,439	46	1,485
	Total		8,085	3,007	11,092

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
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%
2019	Men	190	68.34%	2,731	69.83%
	Women	88	31.66%	1,180	30.17%
	Total	278	100.00%	3,911	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	40-49	50-59	over 60	Total	
2018	NIS j.s.c. Novi Sad	51	1,750	2,468	1,915	1,244	225	7,653	
	Subsidiaries in the country	27	570	1,007	903	694	137	3,338	
	Total	78	2,320	3,475	2,818	1,938	362	10,991	
2019	NIS j.s.c. Novi Sad	83	1,682	2,493	2,002	1,325	266	7,851	
	Subsidiaries in the country	15	497	988	893	706	142	3,241	
	Total	98	2,179	3,481	2,895	2,031	408	11,092	

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

Employee turnover	Men				Women				Total	
	2018	2019	2018	2019	2018	2019	2018	2019		
Men	323	482	123	184	446	666				
Women	177	251	66	71	243	322				
Total	500	733	189	255	689	988				

* 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		40-49		50-59		over 60		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Employment	4	0	189	185	189	257	43	150	18	58	3	16	446	666
Termination of employment	0	2	38	48	78	109	57	68	32	31	38	64	243	322
Total	4	2	227	233	267	366	100	218	50	89	41	80	689	988

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

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 to full-time and to temporary or part-time employees.

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 in a variety of situations (severe illness or death on an employee or an immediate relative, damage to home, birth of a third or subsequent child, etc.); scholarships/tuitions for children of deceased employees; group insurance and additional retirement plans, New Year presents for all employees 'children under the age of 10.



GRI 401-3 Parental leave

Dynamics of parental leave and returning to work in 2019

Organizational unit	Employees whose leave began in 2018	Employees who returned to work from leave which began in 2018	Employees whose leave began 2019	Employees who returned to work from leave which began in 2019	Employees who returned to work from parental leave by 31/12/2018 and 31/12/2019	Remaining number of employees expected to return from parental leave in 2020 and 2021	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
NIS j.s.c. Novi Sad	60	69	51	56	126	59	9	118
Leasing	114	74	108	114	150	114	111	126
Total	174	143	159	170	276	173	120	244

* 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 maternity pay to pregnant women in the amount of their monthly salary (the Company cov-

ers the difference if maternity pay is lower), with the maximum maternity pay not higher than five times the average wage.

GRI 402: Labor/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 Labor 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.

GRI 403: Occupational Health and Safety

GRI 403-1 Percentage of employees whose interests are represented by a formally organized 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 organizational units:

- OSHB of NIS
- OSHB of Exploration and Production Block
- OSHB of Refining Block
- OSHB of Sales and Distribution Block
- OSHB of Services Block
- OSHB of NTC NIS-Naftagas j.s.c. Novi Sad
- OSHB of Naftagas-Transport j.s.c. Novi Sad

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 2019, in line with the previously adopted schedule, 12 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
- Obligations of the OSH Board under SRPS ISO 45001

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

HSE indicators	2018	2019
Workplace injuries	119	112
Workplace injuries – with sick leave	43	33
Workplace injuries – fatal	0	0
Days of sick leave due to workplace injuries	2,981	3,194
Number of days of absence from work	336,958	306,678
Number of hours of regular work	19,377,049	19,732,056
Injury rate (IR)	6.14%	5.68%
Absence rate (AR)	17.39%	15.54%
Lost day rate (LDR)	0.15%	0.16%
Fires	22	32
Traffic accidents	8	11
Environmental accidents	16	14
Number of visits of inspection authorities	799	1,029
Number of measures undertaken by inspection authorities	155	178
Types of injuries	2018	2019
Falls	31	19
Thermal and chemical injuries	8	3
Mechanical injuries	30	34
Traffic	19	20
Falls from height	4	2
Other	27	34
Total	119	112

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 3,675 in NIS, 770 are high-risk positions. NIS seeks to introduce new technologies to reduce the identified risks.

NIS is now in the process of developing a new Risk Assessment Act with a standard approach to assessment. NIS is committed to implementing new technologies to minimize the levels of 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 the Collective Agreement and a formal agreement with the trade union. The Company management and employees, by their personal example and actions, improve HSE performances and demonstrate commitment to the HSE principles. The benefits provided to employees are not dependent on the contract validity period.

Specific areas regulated by the Collective Agreement:

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

GRI 404: Training and Education

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

Training costs in million RSD	2018	2019
Training costs	224	239
Costs of professional training	220	235
Consultancy costs	0	0
Costs of membership in professional associations	4	4
Organizational costs for training programmes	13	18
Total	237	257

For our employees to be ready to respond to business challenges, the company invests in the development of its staff, contributes to the improvement of employee potential, and thus works on the development of human resources of the entire NIS Group. In order to improve the process of employee development, in 2019 the Company designed the methodology and implemented a talent management program of employee calibration. This is a more objective, transparent and efficient way to identify individual development needs of the employees.

In 2019, in cooperation with external providers, we organized 2,180 trainings attended by 7,140 participants. The trainings were focused on developing both professional and personal skills, as well as the skills necessary for successful team management. In addition to specialized trainings that are adapted

to each position, this year we also offered elective trainings. Employees could choose the topics themselves in accordance with their professional and developmental needs.

To improve professional skills and strengthen team spirit, our employees participate in numerous competitions where they achieve remarkable results. There are professional competitions within NIS, as well as larger tournaments for the entire Gazprom Neft Group.

Another important achievement is the opening of the state-of-the-art modern training center in Elemir. As a socially responsible company, we continue to improve the conditions for education and professional training for our employees and offer education opportunities for future professionals.

Employee training statistics													
	Hours of training by gender		Number of employees by gender		Hours of training by category		Number of employees by category		Training costs in thousand RSD		Hours of training		
	Men	Women	Men	Women	Managers	Employees	Managers	Employees	Total	Per Employee	Total	Per Employee	
Direct	55,641	32,549	1,765	981	28,333	59,856	545	2,201	235,208	85.65	88,189	32.12	
Leasing	12,994	2,893	669	158	990	14,897	33	794	21,887	26.47	15,887	19.21	

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 the 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 2019. In the past, the Company assisted employees who were made redundant by organizing 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 2019, the Board of Directors consisted of 9 male and 2 female members, and 6 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 2019, the Company did not identify any cases of discrimination. However, two discrimination lawsuits were made against NIS in 2019, one referring to the period from 2009 to 2012, and the other referring to 2012. The company responded to both claims, proceedings are ongoing.

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 labor unions and the freedom of collective bargaining, and we continued a close cooperation with the trade unions of our employees in 2019 (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 trade unions		
Name of trade union	2018	2019
United Trade Union NIS j.s.c.	2,654	2,871
Oilfield Services TU	338	407
NTC NIS Naftagas TU	101	116
Special Works TU (Naftagas-Oilfield Services)	128	110
Technical Services TU	193	0
Transport TU	42	0
Total	3,456	3,504

* Technical Services TU and Transport TU since March 2019 are part of the United Trade Union

GRI 408: Child Labor

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

The Company operates in accordance with applicable laws, other regulations and ratified international conventions in all fields of business operations, including the prohibition of child labor.

GRI 409: Forced or Compulsory Labor

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

The Company operates in accordance with the laws and other regulations and ratified international conventions in respect to forced labor as well as to other areas.

GRI 411: Rights of Indigenous Peoples

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

In 2019, there were three new disputes initiated against the Company regarding the compensation for non-use of land and regarding remediation, in addition to 14 disputes from the previous period.

Four disputes from the previous period were resolved – three in favor of the company, and one in favor of the claimant.

Total value of the disputes that were settled at the Company's expense amounted to RSD 260,000.

GRI 414: Supplier Social Assessment

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

A dedicated department of the company does due diligence of 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 categorized as corruption.

In 2019, the Company verified 2,343 legal entities, with which it planned to conduct business, while 13 (0.55%) of them were not approved. The reasons for withholding approval for a certain legal entity do not include only a confirmed or reasonable doubt of cor-

ruption, but also the contractor's business history, operational and technical capacities, and financial indicators. A non-approved contractor is a contractor a relationship with whom could pose a risk to the Company. There are various reasons why certain potential contractors may not be approved:

- 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)
- Unfavorable work history with the Company or its subsidiaries
- Unreliable potential supplier

The dedicated department participated in the approval of 4,261 contracts, of which 46 (1.07%) were not approved.

Due diligence was done for all 738 new contractors.

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

The Company also analyzed the manner in which a business entity performs its contractual obligations, experiences from previous business cooperation, violations or abuse during cooperation – in accordance with the Law on Contracts and Torts.

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

In order to eliminate business risks, NIS maintains a black list of suppliers, customers and contractors, which includes persons who have violated contractual obligations working with the Company. In 2019, 33 companies were added to the blacklist. Two companies were removed from the list and qualified as potential vendors due to the improved quality of operations and elimination of violations.

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.

To that end representatives of NIS together with the experts from the Mokra Gora Management School held a workshop titled "How much does corruption cost".

GRI 415: Public Policy

GRI 415-1 Political contributions

According to the adopted External Policy, 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 2019, 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.

Nisotec lubricants are manufactured from high-quality materials from world's leading suppliers of additives and base oils. Nisotec lubricants offer the following benefits:

- Longer interval between oil replacements, which produces less waste oil

- Higher viscosity that allows for more efficient consumption of fuel
- Nisotec Low SAPS oils contain less sp-slag, phosphorus, and sulfur and can be used in Euro V and Euro VI engines with DPF filters and TWC catalysts, which reduces pollutant content in exhaust gas

The company reports higher sales of the Nisotec Antifriz Long Life with organic corrosion inhibitors that extend the utilization period of the antifreeze solution to five years.

Windscreen washer fluids are based exclusively on ethanol and does not contain any harmful methanol.

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

In 2019, no sanctions were imposed on the Company due to non-compliance with regulations and voluntary codes concerning the impact of its products 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

REACH (Registration, Evaluation, Authorization and Chemicals) is an EU regulation that applies to all products imported to the EU. As a significant share of NIS products are sold in the EU, the company does extensive testing and evaluation to meet its REACH obligations. All such obligations are fulfilled within the set period. Chemicals produced by NIS were registered with the European Chemicals Agency (ECHA). According to REACH, the company registered 16 substances, which lets it export 27 products to the EU. As a socially responsible company, NIS follows all the EU and ECHA regulations related to health and safety and environmental protection taking into account the risks associated with the use of chemicals.

The company strategically manages compliance with laws and regulations, aware of the impact of the REACH regulation, which helps attain the REACH goals:

- Collection of data on chemicals used in the EU
- Better health and safety and environmental protection
- Better competition through creation of an open market and an equal playing field within the EU

Information on chemical composition and properties, requirements to storage, handling, transport,

and disposal of waste is included in the Safety Sheet, which is the key method of communication between the supplier and the consumer to ensure safe use of chemicals.

The contents of the Safety Sheet are adjusted to the needs of users and include the information on likely physical and chemical hazards posed by the properties of the chemical and the associated risks for health, safety, and the environment.

Technical support related to the marketed products lets the company meet all legal requirements, effectively and accurately inform buyers and stakeholders, improve compliance with the safety standards, and quickly notify the public of the products and any changes related to them.

Distribution of products to the end users is the last link in the supply chain. Products are transported using motor 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 the modernization of the 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 94%. Simultaneously, CO2 emissions reduced by 4% YoY. 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 tire tread of motor vehicles and trailers.

In 2020, the company will continue upgrading its transport fleet by replacing another 32 Euro5 tank trucks with new Euro 6 models and refurbishing 32 trailers to improve safety of hazardous goods transportation.

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

Since 2014, customer satisfaction has been measured and monitored through a Tracker Study aimed at tracking drivers' habits and behavior done in Serbia, Bulgaria and Bosnia and Herzegovina. It is a continuous study, which monitors the indicators of customer loyalty, satisfaction, and willingness to recommend and is done in the last quarter of each year.

NIS Petrol enjoys stable and high customer satisfaction with 87% of customers willing to recommend the brand. Gazprom holds the second place in the market with 82%. Customer satisfaction for NIS Petrol is 90% and Gazprom 94%.

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 2019.

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

In 2019, there were two cases of economic offence pertaining to the failure to comply with regulations and voluntary code requirements regarding labelling of products and services. This resulted in a fine of 800,000 dinars.

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

In 2019, 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 2019, no proceedings were initiated due to the violation of customer data protection.

GRI 419: Socioeconomic Compliance

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. In 2019, the company received no complaints.

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

In 2019, 33 new labour disputes were initiated against the Company (excluding disputes initiated with regards to mobbing), while 332 labour disputes from the previous period remain open.

Out of the total number of labour disputes in 2018, resolution was reached for 109 disputes from the previous period (58 with a positive and 51 with a negative outcome for the Company, where the latter had a negative financial effect of RSD 22,489,720), and for 2 disputes from the ongoing period (both with negative outcome for the Company with the financial effect of RSD 160,929).

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

During 2019, no new disputes were initiated in the Company concerning mobbing, and 20 disputes were carried over from the previous period.

Out of total number of disputes in 2019, 8 from the previous period were resolved, 5 with a positive and 3 with a negative outcome for the Company.

The total cost of the disputes resolved with a negative outcome for the Company amounted to RSD 2,457,150.

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

In 2019, 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 2019, there was one case 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 2019, 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 at liberty to report on the estimated quantity and value of oil and gas reserves.

OG 3 Total amount of renewable energy generated by source

NIS pays special attention to the development of renewable sources of energy, primarily geothermal energy. NIS has implemented several projects aimed at utilization of its geothermal capacities to heat buildings, sanitary water, indoor and outdoor pools, greenhouses, etc. The use of geothermal energy increases energy efficiency and help reduce greenhouse gas emissions by replacing fossil fuels, NIS has also implemented a program for the utilization of associated petroleum gas worth over 20 million euros. Now, instead of flaring the gas off, we use it to produce heat and electricity that we use or sell in the open market.

As part of its efforts to use the natural gas it produces sustainably, NIS has put in operation a gas compression at the Ostrvo gas field near the town of Pozarevac. The unit produces compressed gas sold to consumers in the regions that have no access to the public gas system to use instead of coal or fossil fuel. Compressed gas is an environmentally sustainable fuel, as it creates less pollutant emissions when burned. NIS also contributes to energy efficiency and environmental protection by promoting compressed natural gas a new type of motor fuel.

OG 5 Volume and disposal of formation or produced water

Formation water, separated from crude oil during the production of oil and gas and technical 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 (m³)	2018 m³	2019 m³	Relative change 2019/2018
Produced formation water	4,773,434	4,705,496	-1.4 %
Disposed formation water	4,773,434	4,705,496	-1.4 %

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 using the associated gas, which used to be flared off.

In 2019, the quantity of free and dissolved gas flared off in the Exploration and Production Block was 15,158,817 m³, and the estimated quantity of gases released into the atmosphere was 170.528 m³.

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

In 2018, as part of regular activities on drilling of new oil wells, NIS produced about 43,500 tons of waste drilling material. It was disposed of immediately at the Novo Miloševo Waste Mud Landfill.

tions are covered with PVC film, which prevents contamination of soil, even in case of accidents.

In 2019, the Oilfield Services unit drilled four new wells in Romania. NIS hired certified local contractors to dispose of the drilling waste.

All drilling rigs used in 2019 were equipped with metal mud collection tanks. During works, all loca-

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 2019, 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. In order to improve process safety, the Company implemented the following activities:

- In 2019, great attention was paid to improving of hazard identification and risk assessment by implementing the Leader software solution, which systematizes risk analysis through such tools as HAZOP, HAZID, and What If analysis.
- NIS adopted a regulation for the management of technical and process changes, which will let it systematically evaluate and control changes in project technical documentation of facilities, operations, organizations or activities before their implementation to prevent any hazards to employees, property, public goods or the environment.

- Thanks to the engagement of a large number of employees, starting with operators and line managers who work directly on plants and process facilities, and their commitment in the implementation of preventive and corrective measures NIS managed to reduce the number of process accidents. Compared to 2018, the number of process accidents reduced by 40% (3 accidents instead of 5).

Fire Protection

- **Fleet renewal**
 - Two new fire trucks for the fire brigades in Elemir and Pancevo.
 - Three quick intervention vehicles were purchased for Pancevo, Elemir, and Kikinda.
- **Improving the skill set, equipment and resources of fire brigades**
 - In 2019, NIS started the construction of a fire-fighter training center in Novi Sad.
 - NIS firefighters won the third prize in the competition of industrial fire brigades in Omsk.
 - The team of the fire-fighting unit of Elemir won the first prize on the Vojvodina Cup and got the right to compete in the Republican competition in 2020.
 - We started the process for the replacement of fire detection systems in the Novi Sad corporate center.
 - 27 employees of NIS fire-fighting units have been trained in rescue operations from height and from depth.
 - All fire-fighting units transferred from using VHF

to UHF frequency, which ensured a more reliable signal and better connection quality.

- The radio connection system was improved by implementation of a system for radio connection using mobile devices.
- During 2019, members of the fire-fighting unit held 135 emergency drills, including fire drills, process drills, civil defense drills, and rescue drills

Emergency situations

NIS revised its emergency regulations in accordance with the organizational changes, new Law on reduction of risk of catastrophe and emergency man-

agement and all regulations based on such law. The analysis of risk from elementary disasters and other accidents was approved.

In 2019, the Company continued its cooperation with the National Training Centre for Emergency Situations of the Ministry of Interior of the Republic of Serbia by holding drills and trainings in the facilities of the Sales and Upstream Blocks.

The company held five emergency response simulations involving response teams from all key facilities. From the 202 planned HSE drills the company implemented 95%.

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 by 2021.

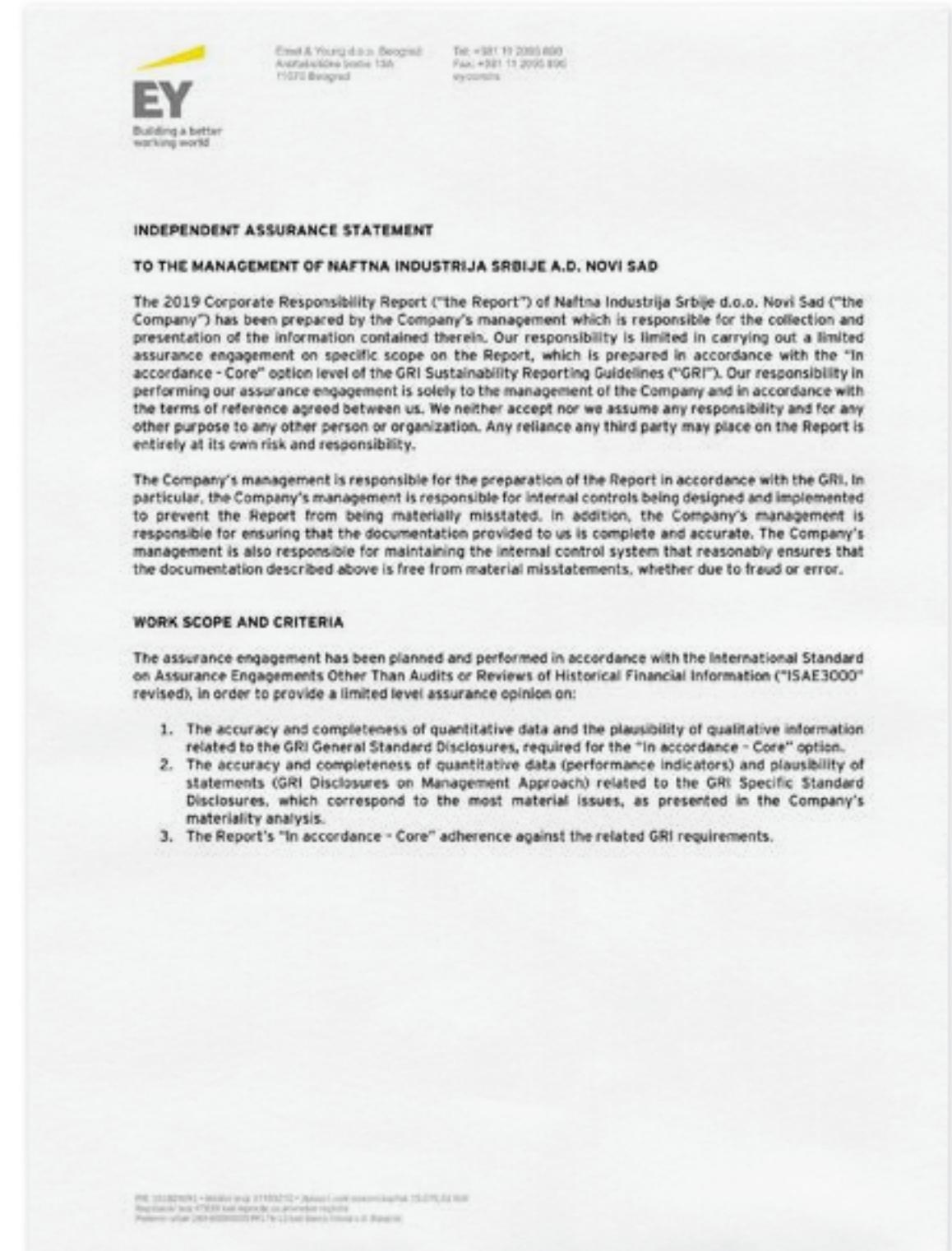
The completion of the project 'Bio Component and Diesel Blending in the Pancevo Oil Refinery' will enable NIS to fully meet all expected requirements relating to diesel fuel in the transport sector, when the planned RS biofuel regulations come into force.

In the last quarter of 2019, the Republic of Serbia adopted a package of documents that will introduce and obligation to mix biofuels into motor gasoline and diesel fuels sold in the Serbian market. This obligation will come into force on January 1, 2021. NIS has already completed the project on adding of biocompo-

nent to diesel fuel in the Pancevo Refinery, and plans reconstruction of petroleum storage facilities in Serbia, which will enable NIS to meet the requirements of the Republic of Serbia related to diesel fuels in the transport sector.

We also started working on the blending of biocomponents into motor gasolines. One of such components is ETBE, which NIS plans to produce at the new plant to be built as part of the FCC plant reconstruction project. In 2019, 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 on the Kostinbrod tank farm in Bulgaria.

Auditor's opinion





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 2019, 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.



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.



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, 28 May 2020

Danijela Mirković
Authorized Auditor
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 the organisational unit they belong to
ELV	Emission Limit Value
DNM	Waste Mud Landfill in Novo Miloševo
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

Abbreviation	Meaning
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.
PS	petrol station
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.
HIP PHK	Pančevo Chemical Industry - Petrochemical Complex
HTS	Hydro-thermal system
CO₂	carbon-dioxide
CCS (Carbon capture and storage)	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)	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
HDS I and II	Hydrosulfurization plant I and II
ICPDR	International Commission for the Protection of the Danube River
IUCN (International Union for Conservation of Nature)	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
PCB	polychlorinated biphenyls
PVC	polyvinyl chloride
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
SO₂	sulphur (IV) oxide
toe	tons of oil equivalent

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