

# SUSTAINABLE Development Report 2020



**NIS**  
GAZPROM NEFT

**FUTURE  
AT WORK**



# Sustainable Development Report 2020

The NIS Sustainable Development Report presents the company's performance in 2020. It contains all information on how we follow the sustainable development principles and our strategic goals and what results we have achieved in ensuring health and safety, environmental protection, and creation of long-term values for 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.

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# CEO'S FOREWORD

Dear friends,

It is no secret that the challenges we face sometimes help us to unlock the potential within. And the more challenging these obstacles are, the more decisive and efficient our response has to be. In this regard, the year 2020 was a true test for us all. The pandemic of COVID-19 shook the whole world – no industry, business or person was spared the consequences of these turbulent events last year. Pretty much everything was said about the triggers of the crisis that took a heavy toll on the global economy. It is thus better to focus on what we have done and are still doing to get through this turmoil with minimum losses and lay the groundwork for recovery and further growth in the forthcoming period when the pandemic is over.

In 2020, the primary priority of NIS was to preserve the health of our workers, employees and clients. It took a great effort bearing in mind the amount of our facilities and our headcount, as well as a multitude of business processes that occur daily. When

this goal was successfully achieved, we were able to take on the second priority – maintaining the uninterrupted and safe production, refining and sale of oil and petroleum products. Despite the numerous challenges, we consistently supplied the market of Serbia and other countries where NIS Group operates thus contributing to the struggle against the epidemic and its consequences.

We demonstrated our solidarity with communities in other ways, too. First of all, it includes donation of jet fuel to Air Serbia and public services of the Republic of Serbia, procurement of the required equipment for healthcare institutions and medical workers and taking care of the fellow citizens who were hit hardest by the pandemic. We will continue to stand together with the communities being fully aware that the events we are witnessing have had far-reaching consequences, and that solidarity and joint action will help us to navigate through them better.

It is important to stress that regardless of all adverse trends, we managed to maintain the liquidity of NIS in 2020. Predictably, the crisis, that disturbed all and everything, affected our financial results; however, due to strategic measures and cost-cutting program put in place, we managed to keep positive EBITDA and OCF indicators creating the foundation for further development and upgrade of the company. In this context, I would like to highlight that I have an utmost appreciation of all the effort of employees and management that brought about successful results under very challenging conditions.

We are particularly delighted that in 2020 we made our contribution to sustainable development, in all four principal areas. In terms of the **economic development** during the year many refer to as the year they want to forget we completed a project that will hold a prominent place in the history of NIS. Bringing online the The Bottom of the Barrel Project in the Pancevo oil



**Kirill Tyurdenev**  
CEO  
NIS J.S.C. Novi Sad

A handwritten signature of Kirill Tyurdenev in white ink, written over the bottom of the portrait image.

Refinery is more than just a business success, it is a testimony to our company's strategic effort. The project, which was completed during a year that was anything but simple, illustrates our perseverant intention to develop NIS, despite all odds, implement up-to-date technologies and launch new products in Serbia's oil industry. DCU is also a symbol of our willingness to improve the quality of the environmental protection since, in addition to leveraging positive financial results, it will help us to bring down the sulphur oxide and nitrogen emissions. 60 local experts work on new facilities enjoying the ability to participate in a complex project and make use of cutting-edge technologies. The DCU project brings in the automation of production processes, an important step in the digital transformation of NIS which is expected to bring numerous positive effects.

We worked towards the **development of human resources**. Under difficult conditions, we organized over

2,300 trainings with over 3,300 participants. Transition to trainings enabled by digital communication channels proved another challenge that we successfully overcame. Being named Serbia's Most Attractive Employer in 2020, a year of the global disruption of the labour market, according to the results of the survey of more than 10,000 citizens, is a source of special pride to us.

We affirmed our commitment to **HSE**. Besides the aforementioned benefits of the The Bottom of the Barrel Project, we pursued environmental projects across all business segments investing over 200 mln dinars. We implemented a package of measures to improve our energy efficiency and achieved savings in the amount of 291 mln dinars. Furthermore, our work has become safer: Lost Time Injury Frequency Rate was reduced by 8% vs. 2019.

We remained dedicated to community development. Apart from helping to mitigate the consequences of

the pandemic, we invested 114.5 mln dinars in digitization of the educational process and improving safety of schools across Serbia. We maintained our cooperation with leading educational establishments of Serbia and launched joint development of digital projects with the Electronics Faculty in Niš. Our colleagues, members of the Volunteers' Club, realized over 2,000 volunteer hours participating in a wide range of humanitarian activities.

Even though we could say that we successfully rose to the challenges of 2020, we have many complex tasks ahead of us. Firstly, the crisis is not over yet, and it will take enormous tenacity and a great deal of knowledge to assure further sustainable development of our company. That is why we commit ourselves to rigorous financial discipline, with the priority on improved operational efficiency in all segments. Our goal is to build a robust and effective organization, without unnecessary procedures, capable of responding to all ob-

stacles in a swift and efficient manner. We will remain focused on the modernization of the company because we see it as a strategic priority, not a one-off task. We will dedicate over 20 bln dinars to these goals in 2021 and develop our oil fields in Serbia, Romania, Bosnia and Herzegovina, strengthen the competitiveness of the Pancevo oil Refinery and improve standards in the retail domain. What's more, we will pursue our power generation projects, and we have high expectations of the digital projects currently under way.

It merits special mention that good mutual understanding and collaboration of the principal shareholders is one of the strengths of NIS. Successful implementation of the DCU project during a difficult uncertainty-riddled year highlighted the importance of this cooperation. Taking all of this into account and in spite of the numerous difficulties on the way, we are confident that we have created the conditions to look to the coming period with optimism.

# NIS Group

The NIS Group is one of the largest vertically integrated energy systems in Southeast Europe, employing over 11 thousand people in Serbia and countries of the region. 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.

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.

The company's goal is to create new value for shareholders, employees, and local communities, even despite the challenging macroeconomic circumstances.

## Awards and recognition



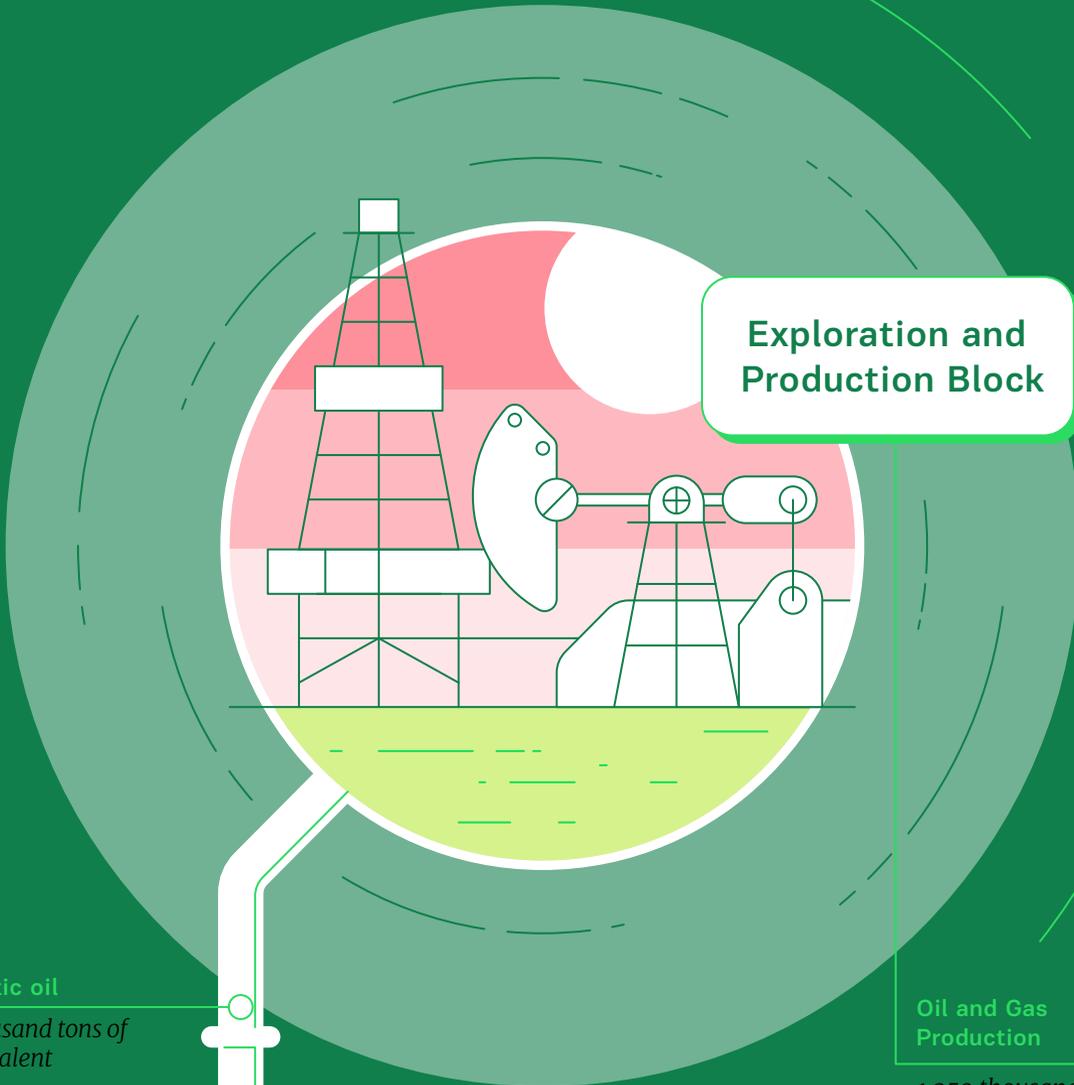
*NIS was named the most desired Serbian employeer according to the TalentX study held by the employment platform Poslovi.infostud.com*

*Vladimir Gagic, Director of the NIS Refining Block received an award from the Serbian Chamber of Commerce as the best business leader.*



*The Defense Ministry of the Republic of Serbia awarded Gazprom Neft, NIS majority shareholder, with a special award for the contribution to the efforts against the COVID-19 pandemic.*



A circular diagram representing an 'Exploration and Production Block'. The top half is a red semi-circle with a white sun, and the bottom half is a green semi-circle representing water. Inside, there are two oil rigs and a satellite dish. A white pipe system starts from the bottom of the circle, goes left, then up, then right, and finally up again. Four callout boxes are connected to this pipe system. The top callout box is labeled 'Exploration and Production Block'. The left callout box is labeled 'Domestic oil' and '837 thousand tons of oil equivalent'. The bottom-left callout box is labeled 'Domestic gas' and '376 thousand tons of oil equivalent'. The bottom-right callout box is labeled 'Oil and Gas Production' and '1 259 thousand tons of oil equivalent'.

**Exploration and  
Production Block**

**Domestic oil**

837 thousand tons of  
oil equivalent

**Domestic gas**

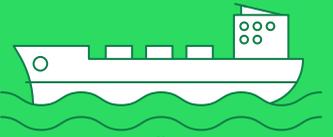
376 thousand tons of  
oil equivalent

**Projects abroad**

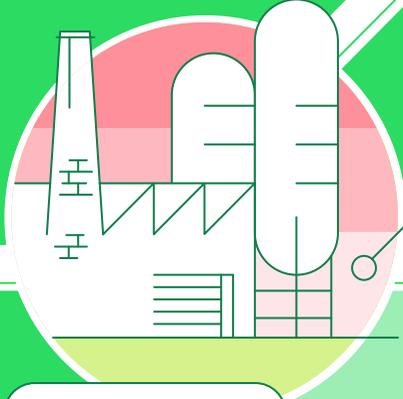
45 thousand tons of  
oil equivalent

**Oil and Gas  
Production**

1 259 thousand  
tons of oil  
equivalent



Imported oil  
2 495 thousand tons

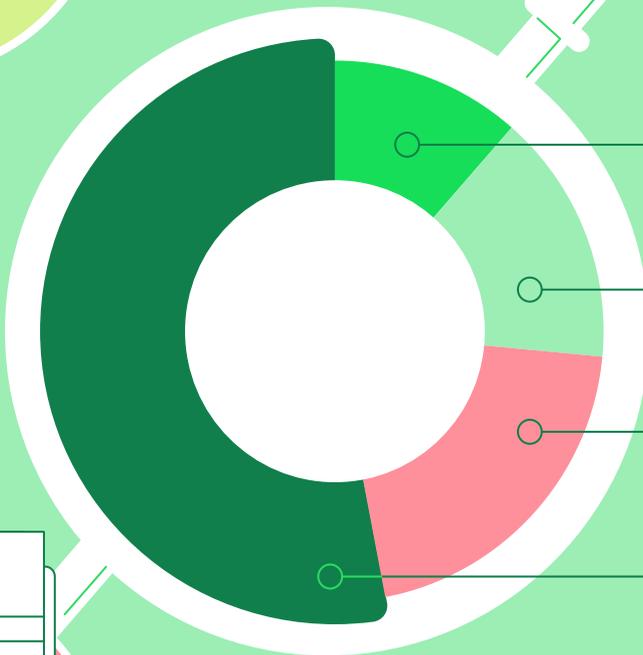


Semi-finished products  
293 thousand tons

### Refining Block

Volume of refining  
3 613 thousand tons

Domestic oil  
825 thousand tons



International assets  
393 thousand tons

Export  
549 thousand tons

Retail  
734 thousand tons

Wholesale  
1 862 thousand tons



### Sales Block

Volume of sales  
3 538 thousand tons

# Mission

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

# Vision

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



# Values

## Responsibility

Our result and safety are my responsibility!  
A responsible company and employees who use  
resources effectively for the common good.

## Transparency

Open towards each other!  
Only through open and fair communication, can  
we create a transparent working environment.

## Innovativeness

Awaken your curiosity!  
We find and support new and consistently better  
solutions to continually improve ourselves and  
remain the industry leaders.

## Expertise

Knowledge creates our future!  
Everything we create is based on our expertise  
that inspires change throughout the community.

# On the Report and Reporting Principles

## Materiality Matrix

This Report focuses on the challenges NIS faced throughout 2020 and the key aspects of the company's performance relevant for the stakeholders as defined by the Materiality Matrix.

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.

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

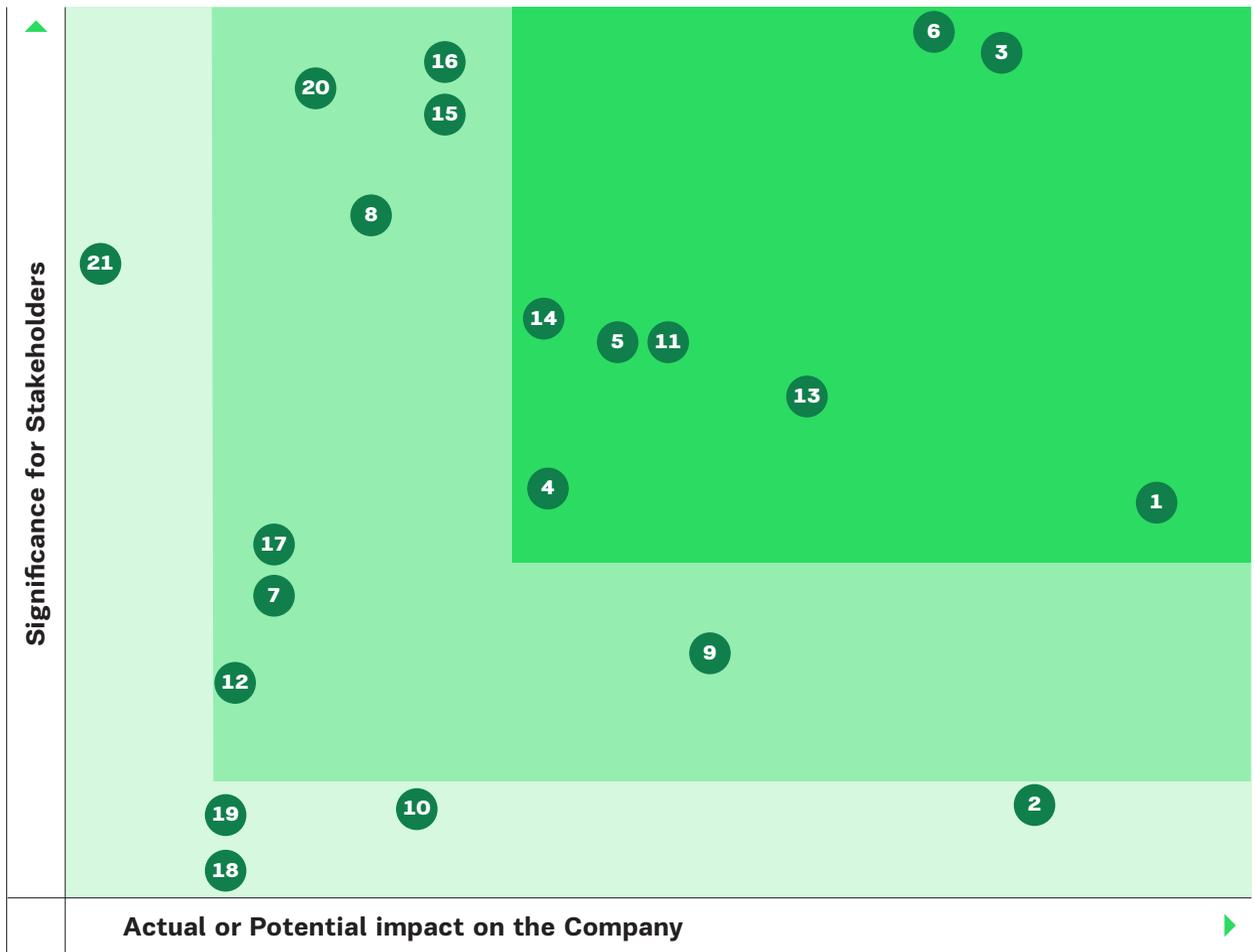
## Materiality

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

All stakeholders are represented in the Report. Our communication with them is 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 services	
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 2020. Where possible, comparable data for 2019 are included. Financial and economic indicators are derived from the consolidated financial statement (source: Annual report 2020, 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 2020 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 2020.

## 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.

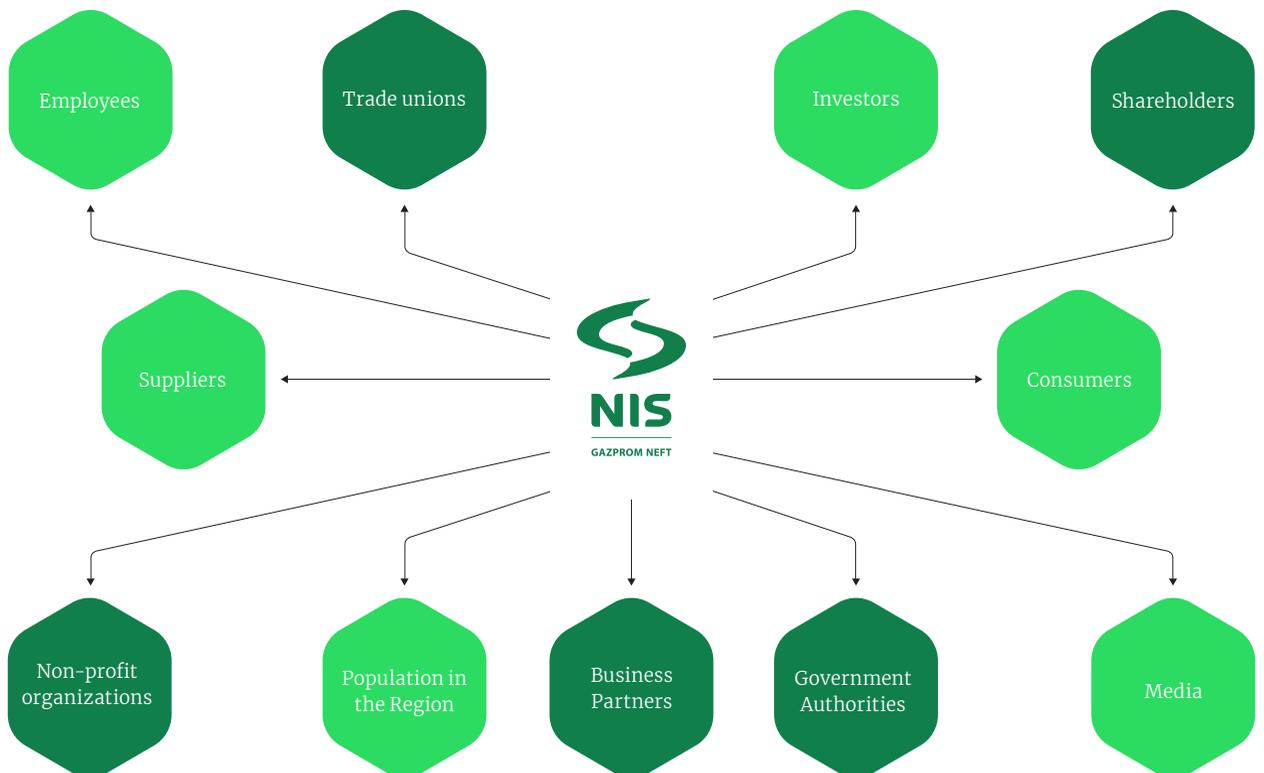
## Dialogue with Stakeholders

Timely and transparent reporting to all stakeholders and open communication NIS fosters in its relations with the public were of particular importance in 2020 during the COVID-19 pandemic. During the year NIS specifically focused on informing the public of the changes in the company's activities caused by the pandemic-related restrictions and measures. Through various communication channels all stakeholders could swiftly receive all information on the measures NIS takes to protect the health of its employees, partners, and clients and to create a safe environment to run all business processes without interruption.

## Memberships

In 2020, NIS actively participated in 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
- EU Research and Innovation Platform Vision 2020: The CrowdHelix Network – since 2017



NIS subsidiaries abroad in 2020 worked as part of the following associations:

- Bosnia and Hercegovina Oil Committee - G-Petrol d.o.o. Sarajevo has been a member since 2016
- Romanian Association of Petroleum Companies (ROPEPCA) - NIS Petrol SRL Romania has been a member since 2013
- CEEC Scout Group - NIS Petrol SRL Romania has been a member since 2014
- Romanian Oil Association (ARP) - NIS Petrol SRL Romania has been a member since 2014

## 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](mailto:servis.akcionara@nis.eu)
- Special Call Centre for minority shareholders, telephone number (011) 22 000 55
- Section for Investor Relations, [investor.relations@nis.rs](mailto:investor.relations@nis.rs)

'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 and company organizes presentations of its results every quarter. In 2020, these presentations were held online for the first

time in line with the prescribed COVID safety measures. During such events representatives of the top management and investors work closely together to carefully analyze 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.

## Media relations

Media relations turned out to be crucial in 2020 as a way to give the public a clear understanding of how NIS is working and what it does to protect the health and safety of its workers and clients while maintaining stable fuel supply. NIS was in close contact with the media and regularly published updates on its activities. We also answered questions and requests from the media and organized media visits to our locations while strictly following the Covid-19 safety rules. Our efforts received some recognition - the study organized by the Pragma PR agency named NIS as the company with the best media relations. The study titled „Новинар – ваш пријатељ“ (Journalist is your Friend) relied on votes of professionals in the field. The jury included 200 Serbian journalists who analyzed and evaluated the quality of media relations of organizations of public figures.

2020 marks the tenth anniversary since NIS decided to report on sustainable development according to the leading international standards. In May 2020, we published the Sustainable Development Report for 2019. It contains information in the company's business activities, efforts to contribute to the overall development of the community, improve health and safety and protect the environment. Even though the company was struggling to overcome multiple adverse factors in that period, its performance shows unwavering commitment to the priorities that include the protection of local communities and open communication with the stakeholders.

## Corporate Website

NIS corporate website ([www.nis.eu](http://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. It is designed according to the best applicable practices and is available on all devices. In 2020, NIS actively used its corporate website to post updates on the changes in the working times of its facilities related to the COVID-19 protection and prevention measures. The corporate website contains information for investors, information about the key development projects, career opportunities NIS offers, as well as the updates on tenders and procurement procedures. All previous years' performance reports and sustainable development reports are also available at [www.nis.eu](http://www.nis.eu). The corporate website also includes a Magazine section that offers visitors cultural and educational content and information on environmental protection and sustainable development. Key content of the website is available in Serbian, Russian, and English.

## 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](http://www.nispetrol.rs), [www.gazprom-petrol.rs](http://www.gazprom-petrol.rs), and [www.sanamanaputu.rs](http://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](http://www.nisotec.rs)), clients can see the entire NISOTEC product range, detailed information about oils, lubricants and technical fluids, tips on how to prepare the vehicle for the winter, and notifications of sales and special offers.

NIS shows its appreciation for customer loyalty through its On the Road with Us loyalty program. The website [www.sanamanaputu.rs](http://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 and transactions.

Apart from the On the Road with Us app NIS clients can also use the 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](http://www.jazakvoda.rs). In October 2020, NIS concluded an agreement with the Apatin Brewery on the sales of its products. During the year NIS redesigned the labels and the packaging of all of its products, thereby reducing the volume of waste. Wording on the labels was also adjusted according to the new legal requirements related to customer protection and declaration.

NIS expanded its non-fuel product range by adding four new types of healthy raw snack bars under the Drive Cafe brand. All four types are sugar-free, and one gluten-free. GDrive energy drinks now come in recyclable aluminum cans. NIS will soon start selling new types of Jazak water enriched with zinc, magnesium, and selenium, as well as new type of Drive Cafe coffee in capsules for home use. The coffee capsules are made of biodegradable plastic. All our petrol stations now exclusively use biodegradable plastic and paper bags.

## Social Networks

As digital communications become more important than ever, NIS is continuously working on developing its social media presence. These platforms allow us to promote two-way communication with the general public. NIS maintains accounts on all the popular social platforms and uses them to inform followers on its activities, social responsibility projects, achievements in environmental protection, and business results. We also publish some general content that gives our followers some insight into the day-to-day life of one of Serbia's largest companies. Social media presence is

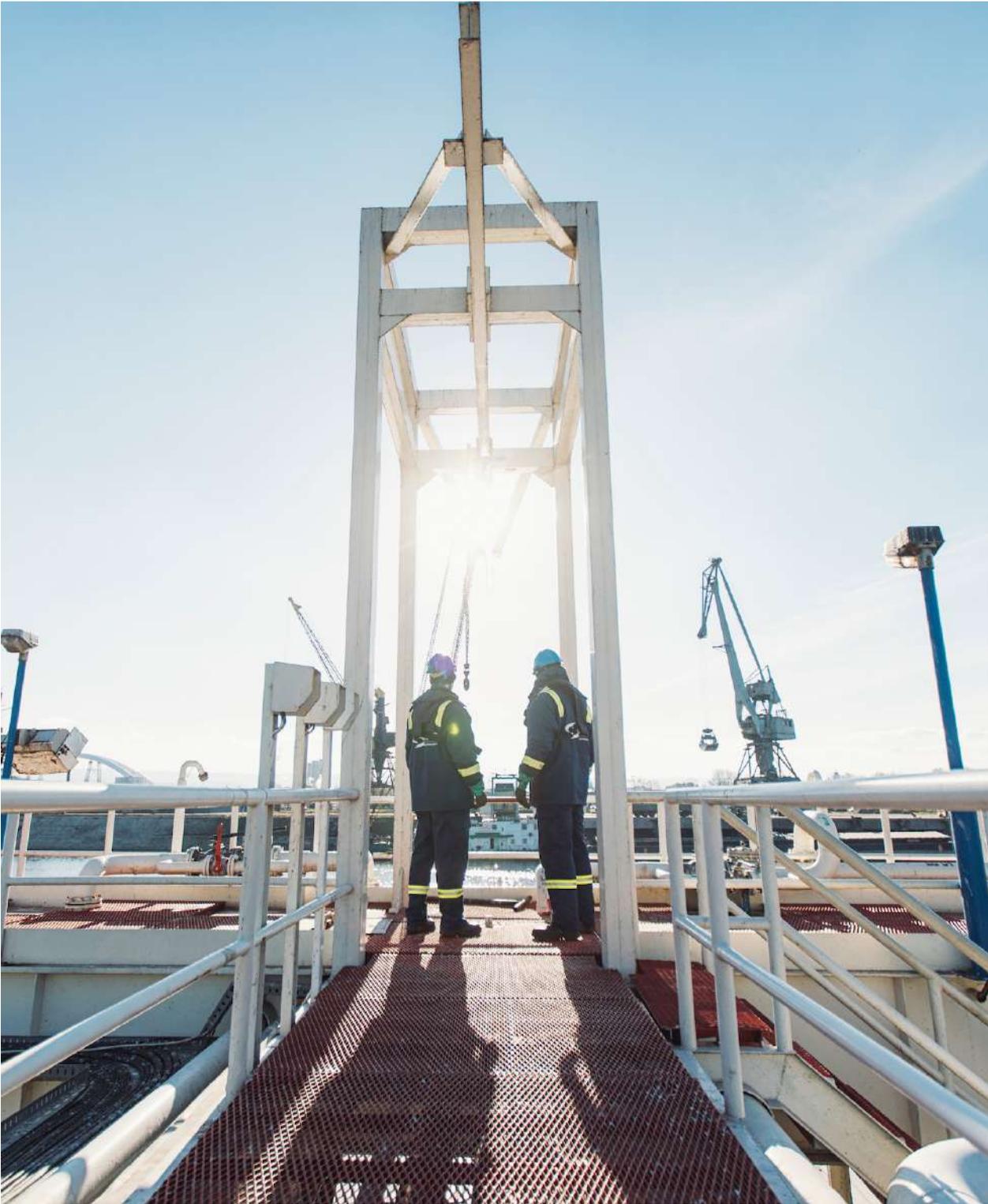
valuable to us as it fosters two-way communication and continuous contact with our stakeholders, and we strive to answer all inquiries as soon as possible. Our efforts in this area were recognized by the PC Press Magazine, that included NIS in the Top 50 Best Online.

Facebook and Instagram accounts dedicated to the On the Road with Us loyalty programs publish current offers of the NIS Petrol and GAZPROM brands, monthly promotions, information about the available goods and services, as well as interesting information for drivers. Clients can also visit the Instagram account dedicated to the G-Drive premium fuel and two YouTube accounts - one for the On the Road with Us program, and one for G-Drive Serbia. In November 2020, we opened dedicated Jazak water accounts on Instagram, Facebook, and YouTube.

## Internal communications

Timely and transparent communication with employees is crucial for increasing engagement and loyalty and achieving the company's business goals.

Due to the COVID-19 pandemic in 2020 NIS communicated with its employees much more actively. We focused on swift digital communication chan-



nels, timely and clear informing of all employees of any changes, protection measures and types of work. During this time it became obvious that the company needs to develop a communication channel available to all employees with no exceptions, which led us to start creating a mobile corporate portal, mPortal, for easy access to information.

In 2020, all communications were dominated by the COVID-19 pandemic. We informed our employees on the pandemic safety measures, behavior rules, new formats of work, including work from home, COVID prevention tips, and other useful information about the current situation. All employee support efforts were part of the #Нистесами (#you are not alone) campaign to motivate out employees and encourage them to stay safe during the crisis.

## Corporate Responsibility

In 2020, NIS focused on protecting the health of its employees, partners, and clients while maintaining continuous operations during the COVID-19 pandemic to keep the Serbian fuel market stable. As NIS Group operates not only in Serbia but also in other countries of the region, and employs over 11 thousand people, it took large financial and logistical efforts to organize our work under the unprecedentedly adverse circumstances of 2020. NIS was one of the first Serbian companies to set up a crisis team to communicate with the state authorities and direct the response measures. Crisis teams were also created in all organizational units and subsidiaries of the company. All such teams showed extraordinary efficiency in planning and implementing prevention measures, procuring the necessary amounts of protective equipment, and ensuring compliance with regulations. Particularity important under the circumstances was the fact that we managed to organize swift communication with employees across the company, which helped us quickly make and commu-

nicate decisions to ensure safety and efficiency of our activities in the changing conditions. All employees also received comprehensive information about the virus, the ways it can spread and manifest, ways to protect themselves, and what to do in case they suspect being infected. As soon as the government of the Republic of Serbia announced a state of emergency in the country, NIS organized the possibility to work from home for most of administrative staff and implemented additional safety measures for field workers. Relying only on internal resources, NIS through extraordinary efforts managed to secure its financial liquidity and social stability of its employees.

We regularly and swiftly communicated with the wider public keeping it informed on how the pandemic influences our operations, the reliability of fuel supply in the market, and changes in the working times of our retail facilities in accordance with the authorities' regulations. Apart from comprehensive safety measures on our fuel stations, in 2020, we also launched the Drive.Go mobile app with the pay at pump system for quick and safe payment.

In the year when solidarity and mutual support were of particular importance, NIS also stayed responsible in its relations with the local communities. The company donated 270 tonnes of jet fuel to Air Serbia to bring home Serbian citizens who got stranded abroad after the borders closed, and to deliver medical supplies and equipment for. The company's majority shareholder, Gazprom neft, donated 1500 tons of fuel to the public services of the Republic of Serbia through NIS petrol stations. As part of our Together for the Community program in 2020 we invested 114.5 million dinars in digitization and security of schools in 12 regions across Serbia. Our total investments in social responsibility projects in 2020 exceeded 290 million dinars. NIS Volunteer Club members spent over 2000 hours on projects to support the social vulnerable groups and healthcare facilities.

One of the guiding principles of sustainable development for NIS is to focus on business projects that support both the community, and the younger generations. Despite the unfavorable circumstances, in 2020, NIS started up a state-of-the-art delayed coking unit in its Pancevo Refinery. Apart from commercial benefits, this project has a significant environmental effect. Most importantly, the company will no longer produce high-sulfur fuel oil, which will help Serbia its international obligations in this regard. Apart from this project NIS continued working on multiple other environmental activities, in which it invested 233 million dinars in 2020.

Staying responsible towards its shareholders, NIS paid out 4.4 billion dinars in dividends for 2019 despite the crisis caused by the pandemic. At the same time the company remains one of the drivers of the Serbian economy, having invested 25.3 billion dinars in development projects. Investment activities continue into 2021.



# 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 combating 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



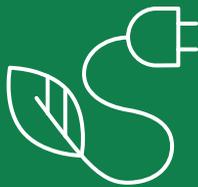
05 Gender Equality



06 Clean Water and Sanitation



07 Affordable and Clean Energy



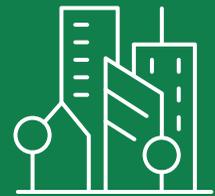
08 Decent work and economic growth



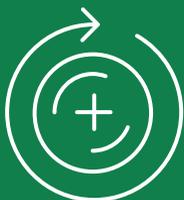
09 Industry, Innovation and Infrastructure



11 Sustainable Cities and Communities



12 Responsible Consumption and Production



13 Climate action



15 Life on Land



16 Peace, Justice and Strong Institutions



# 3 GOOD health



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



The entire year was dominated by the

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# COVID-19 *pandemic,*

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so our priority was to create a safe working environment and keep all production processes running safely to maintain stability in the local fuel market.

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**In 2020, health was an undeniable priority of every family. NIS focused closely on protecting the health and safety of its employees, partners, and clients.**

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The COVID-19 pandemic affected all areas of life and significantly shifted the priorities in our operations. Amid the health challenges we concentrated on preventing the spread of the virus among our employees and protecting their physical and mental health, as well as protecting risk-group workers and employees in positions crucial for business continuity. We also took every effort to protect the health and safety of our clients and equipped out retail locations with all the necessary protection devices. The company also contributed to the overall efforts to prevent the spread of the pandemic in the Republic of Serbia.

During the state of emergency we closely cooperated with medical institutions like the Institute of Public Health of Serbia "Dr Milan Jovanović Batut", Institute of Virology, Vaccines and Sera "Torlak", Belgrade Institute for Biocides and Medical Ecology, and Institute of Public Health of Vojvodina. In this way we also supported Serbian healthcare workers, who faces enormous stress in the struggle against the virus.

NIS engaged the support of professional epidemiologists to devise optimal protection measures for its facilities, which was of particular importance at the beginning of the pandemic. To keep the health of our employees in check we created a special health monitoring app. During the state of emergency, the company formulated and started producing its own brand of sanitizer - NISOTEC Antiseptol.

To protect high-risk employee groups, including workers over 60 years of age or those with chronic health conditions the company organized targeted medical checkups where such workers could receive advice as for how to protect their health during the pandemic and what protection measures to use. NIS will remain focused on protecting the health of its workers, partners, and clients throughout the pandemic.

Before Serbia implemented a state of emergency, there was a 30% increase in the number of users of corporate sports offers, which is clear evidence of the importance of corporate fitness.

Despite the pandemic, the NIS chess team participated in online chess competitions held by Gazprom Neft and the Energy Ministry of the Russian Federation, and managed to place third in both events. The team includes NIS workers from Novi Sad, Pancevo, and Zrenjanin.

In November 2020, 87 employees from Serbia and Bulgaria participated in a Gazprom Neft charity walk that collected over 800 liters of fuel.



# 4 QUALITY Education

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





In 2020, NIS focused on improving the

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# *safety in schools*

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across Serbia, digitizing the teaching process, and deepening the cooperation with the leading Serbian educational institutions.

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## Through its Future at Work social responsibility program NIS supports young talent and the future of the country.

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In its digital transformation efforts, the company established cooperation with the Nis Electronics Faculty, Belgrade Electrotechnical Faculty, and the Novi Sad Technical Sciences Faculty.

NIS provided financing to procure computers and set up a coworking space in the premises of the Nis Electronics Faculty, where young scientists will be able to cooperate on digital projects. Together with the faculty we are working on implementing the computer vision technology and on developing a prototype of a supervisor system for seismic exploration.

Our work with the Novi Sad Technical Sciences Faculty started with the project of developing a chat bot for NIS Business Service. We are also planning to set up a coworking space as part of the Science and Technology

Part in Novi Sad, so that the faculty and the company experts have a favorable environment for project work.

We plan to carry on with our cooperation with Serbian faculties by organizing events, joint projects, and trainings involving faculty professors.

The 2020 COVID-19 pandemic challenged many of the projects NIS is working on with educational institutions. However, the company adjusted quickly and managed to hold 35 online trainings. NIS experts held lectures for college students via Skype under the auspices of the Ministry of Education, Science, and Technological Development of the Republic of Serbia.

The lectures were attended by over 500 students from the Belgrade and Novi Sad universities.

Another achievement of 2020 was the publishing of the new Russian learning books for adults titled 'Ни пуха ни пера'. It was jointly developed by the Center of the Russian Geographic Society and NIS. The project was also joined by several long-term partners of NIS: the Belgrade Philology Faculty, the Arts Academy of the Novi Sad University, as well as the Jovan Jovanovic Zmaj and Laza Kostic colleges from Novi Sad. The language book was sent to Moscow to be proofread by the Pushkin Institute. The books presents an innovative method for Russian learning for Serbian-native beginners. It will be beneficial both for individual and group learners to quickly develop their communication skills. NIS financed the entire process of the book preparation. A pdf. version of the book with audio exercises is available on the company website for free download.

NIS continued supporting the bilingual sections of the Jovan Popovic School, the Novi Sad Jovan Jovanovic Zmaj College, and the Aleksinac College. From the 2020/2021 school year these bilingual schools are joined by professors from Russia, which deepens the cooperation between two countries.

The company financed the equipment of the Russian language classroom in the Veljko Djurcin School in the town of Secanj.

As part of the Energy of Knowledge program NIS has so far granted 130 scholarships for students in Serbia and the Russian Federation in the areas that are of business interests for the company. In 2020, eleven scholarship students graduated, and another eight received new scholarships.

During the year the company hosted internships for six scholarship students from Russia.

NIS Science and Technology Center submitted two of its training courses for accreditation to the National Qualification Agency and was thus registered as a publicly recognized organizer of adult education activities. The STC is planning to submit all its other training courses for accreditation in the nearest future.



# 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 that

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*fostering  
equality*

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we drive our performance to a higher level, enriching the company with diverse experiences, cultures, and views. This allows us to remain competitive in the market.

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**As one of the largest Serbian employers with over 11 thousand people, we are committed to ensure inclusiveness and diversity within our team.**

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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.

This lets us create a favorable framework to successfully implement our business strategy, ensure maximum productivity and operate sustainably. We offer equal opportunities to everyone with no regard to gender, age, nationality, or any other personal characteristics. The point of such approach

is to promote diversity among the staff and ensure balanced gender representation on all levels and in all businesses of the company. The diversity, in turn, fosters exchange of knowledge and experience, development of professional skills and competences, and collective learning. This approach helps us stand out from other companies and creates a basis for our future growth.

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
- Workers on maternity leave, child care leave, or parental leave are reimbursed for the difference between the benefits amount determined by the municipal authorities and the basic salary of the employee for the month preceding the first month of the leave, plus past service benefit, insofar such difference does not exceed five average salaries in the Republic of Serbia, i.e. the maximum basic salary for contribution payments.
- Encouraging women to choose jobs traditionally perceived as male-dominated.
- In 2020, we launched a new young talent program, NIS Energy, that focuses on crucial business positions. Sixteen program participants, 37.5% of whom are women, were already offered employment with NIS.

We also started working on the development of the Diversity and Inclusion Strategy that will be finalized in 2021 and that will focus on gender equality among other issues.

In our future work we will be guided by the same principles of care, diversity, and equal opportunities.



# 6 CLEAN WATER and Sanitation

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



In the 21st century, water has become one of the most valuable natural resources. It is crucial to preserve the remaining

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*clean water*

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and to minimize pollution, as the continuation of life on Earth depends on it.

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**As we are aware of the significant role of clean water in the modern world, we remain committed to use water reasonably and with care.**

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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 80% of all water we use from the least sensitive sources, thus saving water from underground sources and the public water supply system.

In 2020 we fully met our waste water and ground water monitoring targets, as well as the targets related to water treatment efficiency and ground water and land quality. NIS pays special attention to waste water treatment, as we protect the public sewage systems and final consumers by bringing the water up to the legally required quality level.

The largest water consumer out of all NIS facilities is the Pancevo Refinery. In 2020, the refinery processed 6% more oil and semi-finished products than in 2019, whereas the amount of water drawn from the

Danube was 1,7% less, and the amount of discharged waste water was 3% less than the year before. Share of reusable condensate increased from 35.3% in 2019 to 40.5% in 2020, which allowed the refinery to use less Danube water.

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.

For the last 15 years one of the company's accompanying activities has been the packaging and sale of potable water from the Jazak spring. 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.



# 7 AFFORDABLE and Clean Energy

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



Our goal is to supply the market with enough energy to support future growth and development while

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*protecting the environment*

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and using nature's resources sustainably.

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**Despite the multiple challenges of 2020, NIS managed to maintain stable fuel supply to the market and contributed to the energy stability of the country.**

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Under the challenging circumstances of the COVID-19 pandemic NIS uninterruptedly supplied all consumers with fuel. In 2020, global energy companies faced ever-growing pressure to use more renewable energy sources and to further reduce greenhouse gas emissions. Reports show a steady growth in the production of green energy worldwide. According to the Ember and Agora Energiewende's report, in 2020, the EU produced 38% of its energy from renewable sources. This was the first time renewable energy generation exceeded fossil fuel generations.

In 2020, there were no large renewables projects in Serbia, as opposed to the earlier years, when from 2016 to 2019 the country commissioned 7 wind farms with the total installed capacity of 397.5 MW. Accord-

ing to the latest available data from the Mining and Energy Ministry, in 2019, renewables accounted for 26.64% of all thermal energy, and 30.11% of electricity, but also 1.14% of fuel consumption. In total, the share of renewable energy sources in the overall consumption profile was around 21.5%.

In 2020, Serbia started the process of adjusting its legislative framework regarding energy with a special focus on renewables.

In late November 2020, the Ministry of Mining and Energy started working on the new draft law on renewable energy sources, which has been declared to be one of the public priorities of the Republic of Serbia. The aim of the new law is to cut down fossil fuel use and shift towards renewable energy sources to protect the environment, lessen the long-term dependence on imported fuel, create new jobs, and develop business. The law will give the renewables sector the status of an industry. It will also introduce auction prices instead of subsidies and guaranteed feed-in prices. According to a three-year plan, the Ministry of Mining and Energy will hold feed-in tariff auctions for wind farms under 3 MW and other small projects under 500 KW, whereas larger generator will compete for feed-in premiums. Apart from the auction, the law will allow power purchase contracts, as well as the prosumer model (energy consumers who produce what they consume), which may be of interest for households and small communities.

In order to additionally contribute to the energy stability of the Republic of Serbia and to produce electricity in an environmentally friendly way, NIS in cooperation with Gazprom Energoholding continued the construction of the Pancevo power plant that will produce heat and electricity from natural gas. This technology is currently the best choice both in terms of energy efficiency and in terms of the environment as it ensures high utilization of the caloric value of fuel.



8

# DECENT WORK and economic growth

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

NIS  
CASHIER 07



Despite the unfavorable macroeconomic conditions that dominated 2020, NIS allocated 25.3 billion dinars in capital investments

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*for further  
modernization*

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**According to the study by the Infostud portal that included over 10 thousand respondents, NIS was named the most desired Serbian employer of 2020. This awards our efforts to be a better employees and to improve employee engagement.**

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Our long-term goal is to further increase employee engagement and develop our HR practices to create best work experience for our employees. In 2020, the company implemented a new methodology for engagement evaluation and started a series of activities in that area according to the strategic plans.

NIS finalized a new HR strategy and a new set of corporate values, and launched over 20 projects in that area that will ultimately improve employee experience and the compensation and benefits system in the company.

Following modern trends and employee expectations the company introduced new work formats. Workers can now work from home, gradually come back to work after a parental leave, collect and later use overtime hours, and work in the company's offices in their town even if their workplace is located in a different town.

Since March 1, 2020, following changes in labor law, NIS and its subsidiaries concluded direct employment contracts with 96% of employees, previously engaged through leasing agencies.

In 2020 the company signed new collective agreements, which are among the best in Serbia and the region in terms of the benefits offered.

Collective agreements, however, are not the only evidence of how much the company cares for its workers. During the state of emergency, NIS took every effort to protect most vulnerable employee groups, including those over 60 years of age, people with chronic conditions, and parents of children under 12, by offering them fully paid leave. All employees who were sick with the virus retained the same level of monthly compensation, with the company covering the difference between the usual salary and the compensation from the health insurance fund. At the same time, some units of NIS faced a reduced scope of work. In these cases company sent employees on paid leaves, with no reduction in compensation.

In 2020, NIS continued hosting internships for students as part of its NIS Calling program. One internship consists of 320 hours of working time that can be arranged flexibly. In light of the new measures, this years most students did their internships working from home. Students selected for internships are usually those specializing in mining and geology, machinery, technology, electricity, economy, psychology, and law. The internship program has existed in NIS since 2012.

In 2020, NIS started NIS Energy, a new graduate employment program. The program lasts 12 months and allows a new graduate to learn the necessary practical skills while still getting paid for their work. Participants work with their allocated mentors, as well as participate in workshops and trainings, go on site visits, and work on individual project assignments.

Throughout the year NIS worked to strengthen its best employer position by taking part in over 30 online conferences and forums, including ESTIEM Case Study Show, Original Talks, HR Week 2020, Cotrugli Regional Panel, HR Enter, and Serbian HR Community. We kept cooperating with AIESEC on our Knowledge Hub project, that offers materials for self-education.





9  
INDUSTRY.  
Innovation and  
Infrastructure

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



All clients of NIS Petrol and GAZPROM fuel stations now have the possibility to pay for fuel without entering the store. In 2020, NIS sold over

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*one million  
liters*

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of fuel through the Drive.Go app.

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## NIS relies on innovation in all areas of its business to retain its leading position in the domestic market and strengthen its competitive ability in the region.

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In 2020, the company has made strides in its modernization. The Pancevo Refinery has started up a new Delayed Coker Unit unit using the delayed coking technology, which is an innovation for the Serbian petroleum industry. This unit allows the company to increase the depth of refining to 99% and to produce more of the most valuable types of fuel - diesel fuel, gasoline, and liquid petroleum gas. Moreover, the new unit produces a brand new type of product - petroleum coke, which before had to be imported into the country. Apart from the financial effect, the Delayed Coker Unit has created numerous environmental benefits. One of them was allowing the company to discontinue the production of high-sulfur oil fuel. This allowed NIS to reduce emissions of sulfur compounds by as much as 98.8%, and emissions of powdered substances and nitrogen compounds by 58.2% and 9.8%, respectively. In this way NIS helps Serbia meet its obligations towards the European Energy Community by discontinuing the production of high-sulfur fuel oil and improving the environmental situation, not only in the town of Pancevo, but in Serbia as a whole.

Despite the COVID-19 pandemic, in 2020, NIS continued the implementation of another strategic development project, the construction of the Pancevo

power plant. The total cost of this projects exceeds 180 million euro. The new power plant will produce both electricity and heat, and will comply with the highest energy efficiency and environmental criteria. The Pancevo power plant will play an important role in increasing the stability of the energy market, as the electricity produced will be delivered directly into the Serbian grid.

Our digital transformation portfolio includes over 110 projects and initiatives that span the entire value creation chain. By digitalizing our activities we strengthen out competitive ability, improve process safety and efficiency, and promote integration with the IT community within and outside Serbia.

The digital transformation portfolio of NIS contains over 100 projects and initiatives catering to the needs of all business blocks and other organizational units of which 14 were implemented last year. By pursuing the projects in this domain, the Company remains committed to reinforcing its competitiveness, enhancing safety and efficiency of processes and building strong ties with the IT community of Serbia and beyond. In Exploration and Production, we are focused on various advanced analytical methods and digital modeling systems designed to facilitate new oil and gas discoveries or improve the utilization of resources already in use. At the same time, creation of 3D models of NIS oil fields enabled training of operators in real conditions and simulation of various oil production processes thus contributing to both expertise and safety of employees.

At the Pancevo oil Refinery, the digitization effort is aimed at raising the process management efficiency on the basis of analytics and real-time data. Improved equipment reliability and predictive maintenance tools are of equally great importance. Thanks to digital simulators, refinery operators are able to practice working on the facilities under construction and thus improve their competencies.

In 2020, NIS kept working on the development of new products and services to improve the client experience and follow the current trends in the retail sector. One of such efforts was the launch of the new Drive.Go application with the pay at pump function. This function is available to all clients of our NIS Petrol and GAZ-PROM fuel stations, as we always strive to provide not only the best quality of products, but also innovative services. Through the Drive.Go app in 2020 our fuel stations sold over one million liters of fuel. In 2020, in cooperation with the Postanska Stedionica bank

NIS introduced instant payment with IPS QR codes, provided by the National bank of Serbia. This is a safe, quick, and simple payment method that allows to fully eliminate the use of cash or cards. NIS has continued the expansion of its retail network and in 2020 opened 14 new filling stations, including eight in Serbia, five in Bosnia and Herzegovina, and one in Romania. One of them is the Novi Sad 16 station under the GAZPROM brand - the most advanced gas station of our network, built according to the newest efficiency, security, and environmental standards.

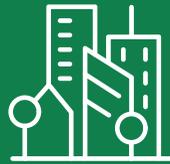


# 11 SUSTAINABLE Cities and Communities

A group of approximately ten volunteers is walking along a paved path. They are wearing white t-shirts with a colorful logo, blue pants with reflective yellow stripes, and white caps. Many are wearing blue face masks. They are carrying white boxes with the NIS logo and text, and some are holding large plastic water bottles. The background shows a white building with a metal gate and a fence.

*Make cities and villages inclusive, safe,  
resilient and sustainable*

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



In 2020, NIS invested over 290 million dinars in social responsibility projects aimed at supporting healthcare institutions and healthcare workers, developing the educational system in Serbia, and providing protection to

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*socially  
vulnerable*

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groups.

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**Members of the NIS Volunteer Club in 2020 invested over two thousand hours of volunteer work in various activities to support the local communities.**

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Supporting the local communities and providing protection to their most vulnerable members are of particular importance in the challenging times. In 2020, NIS primarily focused its social responsibility efforts on supporting the healthcare system and workers, who had to lead the fight against the COVID-19 pandemic. Apart from donating 56 oxygen flow meters to Belgrade hospitals together with UNICEF, NIS donated 500 sets of surgical uniforms to the

Belgrade Urgent Care Center and the COVID clinic in the town of Batajnica. NIS donated funds to the Institute of Virology, Vaccines and Sera “Torlak” for the purchase of COVID-19 diagnostic equipment, as well as to the Cacak town hospital for the purchase of the necessary computer equipment. The company donated a passenger vehicle to the Vojvodina Clinical Center, which will use it to transfer obstetric patients and newborns to specialized hospitals. NIS supplied Jazak drinking water for all patients and workers of the Serbian Clinical Center, the Zvezdara Clinical Center, the Bezanijska Kosa Clinical Center, Dr. Dragisa Misovic Hospital, Dr. Vasa Savic Special Hospital for Lung Diseases in Zrenjanin, and the Arena temporary hospital in Belgrade.

Willing to contribute to the fight against the pandemic, the company donated 270 tonnes of jet fuel to Air Serbia to bring home Serbian citizens who got stranded abroad after the borders closed, and to deliver medical supplies and equipment for the country's hospitals. The company's majority shareholder Gazprom Neft donated 1500 tons of fuel to the public services of the Republic of Serbia.

NIS employees also actively contributed to the efforts against COVID. The Kikinda fire brigade volunteered to participate in the sanitation of public areas in the town. NIS Volunteer Club members spent over 2000 hours of volunteer work as part of the Together for the Community projects. They worked on renovating the facilities of healthcare institutions across Serbia, packing and shipping Jazak water to hospitals, and other volunteer projects, particularly during the state of emergency. NIS volunteers helped the elderly with grocery shopping, sewed cotton masks, and supported their colleagues by sharing skills and experience. The volunteers also packaged and shipped potable water to the Blace and Ivanjica communities that suffered from floods, and renovated a children playground in the town of Leskovac.

NIS also invested significant efforts in supporting the Serbian public education system. In cooperation with the Ministry of Interior and the Ministry of Education, Science, and Technological Development of Serbia, and the partner communities across the country NIS held a Together for the Community competition aimed at improving security of schools and digitizing teaching. In course of the competition the company selected 72 best projects offered by 12 local communities across Serbia, in which it will in-

vest 114,5 million dinars. It is particularly important that these projects are being implemented during the COVID-19 pandemic, when schools are forced to teach online, so the development of the IT infrastructure is one of the priorities.

Our total investments in social responsibility projects in 2020 exceeded 290 million dinars. Supporting local communities will remain our priority.



# 12 RESPONSIBLE Consumption and Production

Ensuring sustainable production  
and consumption



In HSE, NIS strives towards the ambitious goal of doing business with zero injuries and

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*zero  
negative  
impact*

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on the environment. During this transition time in the energy industry, NIS contributed to the efforts against climate change and works on continuously improving the safety of its employees and clients.

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## For years now NIS has consistently followed its environmental agenda.

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In 2020, the company invested more than 200 million dinars in environmental protection projects. One of them is the installation of Low NOx burners in the bitumen production unit of the Pancevo Refinery. The company also continues the installation of separators for treatment of oil-contaminated sewage water at its fuel stations, and implements multiple environmental projects in upstream. The completion of the Delayed Coker Unit in the Pancevo Refinery has brought about a significant improvement of the environmental situation in Serbia as a whole. However, the completion of this 300-million-euro modernization project does not conclude the company's efforts to further develop the refinery making it both more efficient and more environmentally friendly. In 2021, one of our priorities in Downstream will be the construction of a catalytic cracking unit and a ETBE unit, which will both have significant ecological benefits. We will also keep improving the energy efficiency and the digitalization level of refining.

In 2020, NIS kept working on attaining compliance with the future obligations regarding greenhouse gas emissions trading and climate change prevention. We have also implemented an ambitious set of measures to improve energy efficiency. This program resulted in energy savings of 5 758 toe or 291 million dinars.

Lost time incident rate in 2020 reduced by 8% compared to 2019, whereas road accident rate (RAR) dropped by 26%. In future, NIS will continue its investments in environmental protection projects. Furthermore, all our key development projects are designed so that apart from creating financial benefits they ensure sustainable use of resources and preservation of the environment.

Over the last seven years we have done a lot to develop our contractor relations and ensure the implementation of best HSE practices across the entire value creation chain.

In this respect we focus on improving health and safety in contractor companies, raising awareness of the HSE culture, and working as safely as possible with best quality possible.

In 2020, we organized additional employee trainings in Contractors System Management and created a new contractor rating concept that will be implemented in the nearest future.



G-DRIVE

G-D

charge  
& GO  
ELEKTRO PUNJAČ



KAKO KORISTITI PUNJAČE  
U MREŽI CHARGE&GO

- 1. Prije korištenja provjerite je li punjač priključen na električnu mrežu.
- 2. Prije korištenja provjerite je li punjač priključen na električnu mrežu.
- 3. Prije korištenja provjerite je li punjač priključen na električnu mrežu.

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DC 2

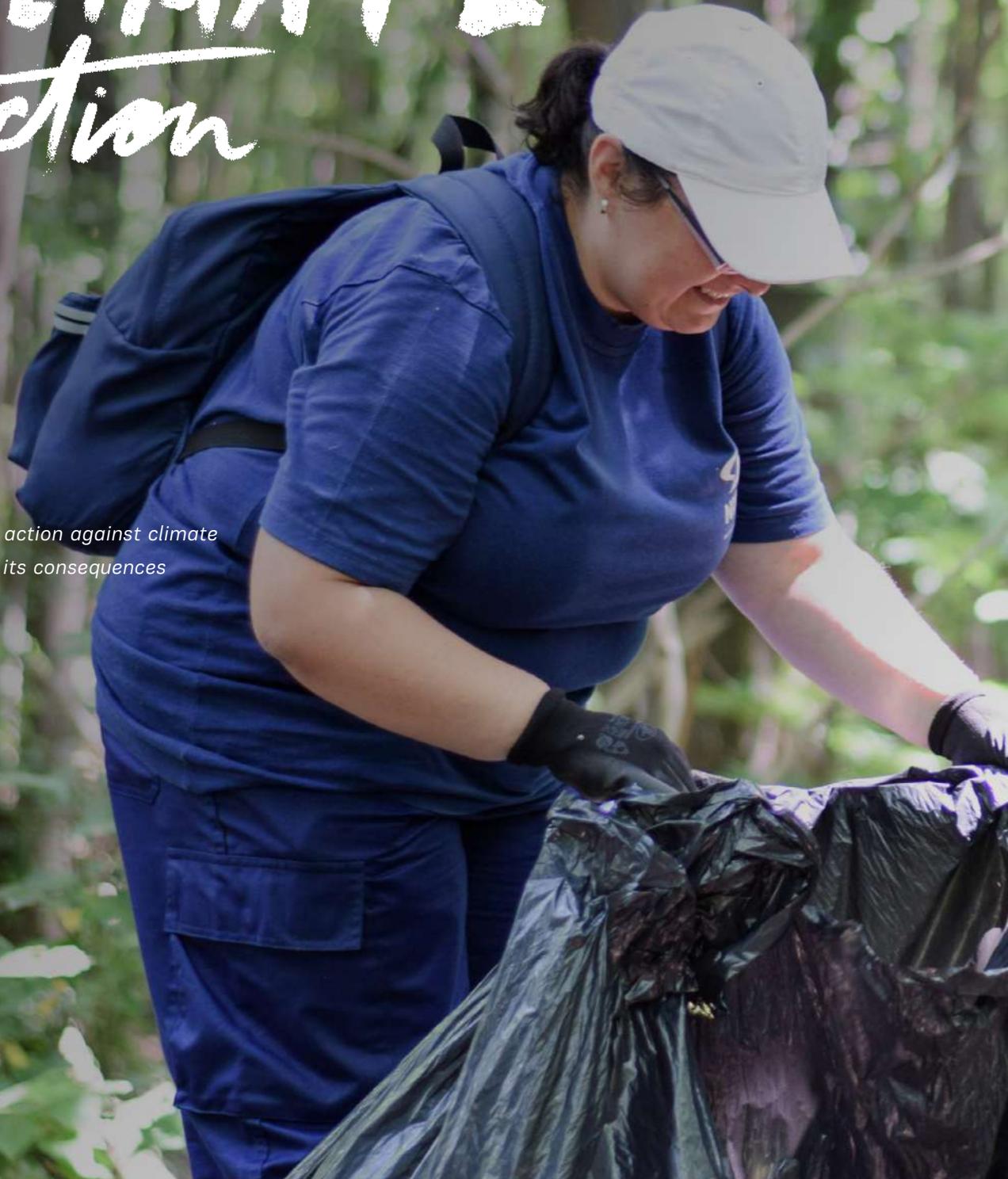
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# 13 CLIMATE *action*

*Take urgent action against climate  
change and its consequences*





Since 2009 NIS has invested close to

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*120  
million euros*

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in environmental projects and significantly reduced the negative impact industry has on the environment.

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**Apart from sustainable financial growth, NIS prioritizes environmental protection and reduction of hazardous atmospheric emissions.**

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Due to continuous investments in the upgrading of the Pancevo Refinery and the completion of the Delayed Coker Unit in November 2020, NIS achieved an additional reduction of atmospheric emissions from its upstream facilities. The total pollutant emissions, including SO<sub>2</sub>, NO<sub>x</sub> and solid particles emissions are significantly below the level of 2019. The company uses additional emission reduction measures, such as the implementation of monthly fuel consumption plans and the increased use of natural gas as fuel. We introduced technical and process changes to the operation of the combustion elements of the Atmospheric Distillation II unit and the power plant,

which are included in the National Plan for Reduction of Emissions from Old Combustion Facilities. The Pancevo Refinery will finish the implementation of further emission reduction measures, including replacing old burners with new low NO<sub>x</sub> ones, reconstructing two gasoline component reservoirs, and installing bottom loading mechanisms for benzene and gasoline.

As part of the cooperation with the Ministry for Environmental Protection and Ministry for Energy and Mining NIS helped create three specific action plans for the implementation of EU Directives on sulfur reduction in fuels and fuel quality and the VOC Petrol directives, which is part of Section 27 of the Negotiating positions of the Republic of Serbia, in the field of environment and climate change.

The company has implemented a system for GHG emissions quantification and is now developing an emissions monitoring mechanism. The quantity of greenhouse gas emissions, i.e. the carbon footprint, represents all GHG emissions resulting from the production and process activities of all organizational units of the Company. We quantified the carbon footprint created by NIS and all of its subsidiaries in 2019 and 2020. The carbon footprint includes:

- Scope 1 emissions, direct GHG emissions - emissions from all combustion plants (stationary plants), emissions from mobile sources, process emissions, and fugitive emissions
- Scope 2 emissions, indirect emissions from consumed electricity at the Company level
- Scope 3 emissions - indirect emissions from marketed products.

NIS first published its emission data in its 2017 Sustainable Development Report - scope 1 emissions from facilities qualified to be part of the EU ETC system. In 2019, the company published its scope 2 emission values.





# 15 LIFE on Land

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



NIS implements environmental protection projects in all segments of its business. In 2020, it invested

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*over  
200 million  
dinars*

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in such activities.

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**Sustainable development principles are integral to all business processes in NIS. They inspire and drive further change for the company, its employees, and the communities it works in.**

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NIS implements environmental protection projects in all areas of its business. Despite all the challenges of 2020, NIS met all of its environmental obligations for the year and invested over 200 million dinars in environmental protection projects. In upstream the company operates in strict compliance with the applicable regulations and standards. NIS remediates the land, where it performed geological exploration, drilling, or production of oil and gas, to eliminate any risk of pollution of the soil, ground water, or air. In 2020, the

company remediated 16 primary mud pits with the total area of 9 292 square meters. NIS returned over 16 ha (159 418 square meters) of land into agricultural use.

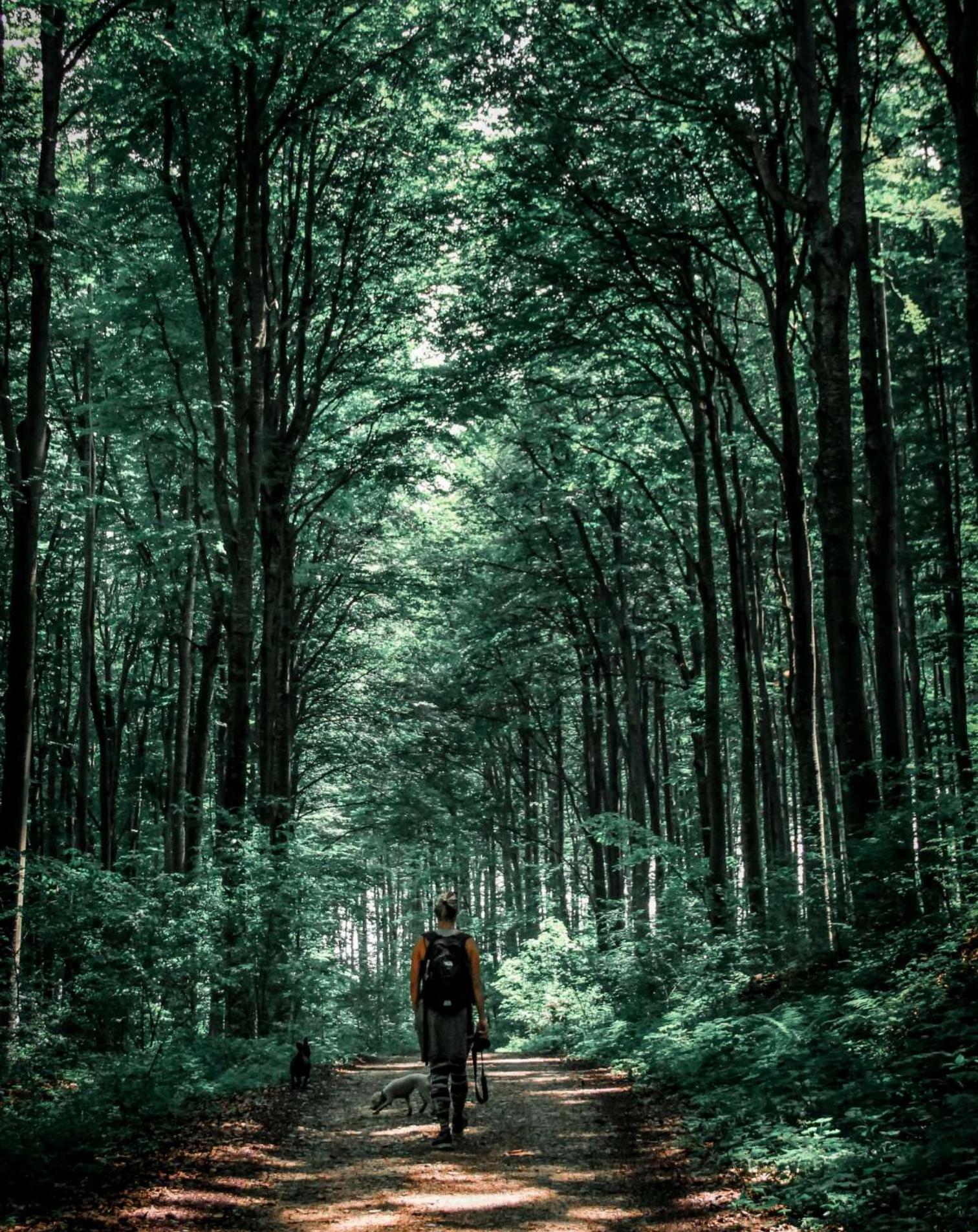
Now that the Delayed Coker Unit is complete, NIS will continue the upgrading of the Pancevo Refinery. Since 2009, all the refinery development projects have cost NIS over 800 million euro. The next big project in downstream will be the construction of the 80-million-dollar catalytic cracker unit. It will be completed in 2024 and will produce diesel fuel, gasoline, and gas, as well as high-octane gasoline components, which will allow the refinery to produce more propylene. NIS will continue working on digital projects to make the refinery more effective, reliable, and energy efficient.

In sales, NIS keeps upgrading its retail network in Serbia and other countries of the region - in 2020, the company opened 14 new fuel stations. NIS fuel stations are known to offer the best quality of goods and services and operate according to the highest security, safety, and environmental standards. Part of our retail facilities can be confidently described as digital fuel stations that offer unique user experience through the combination of new technologies and top-notch products.

NIS is actively developing as an electricity generator and trader. Since 2013 NIS has invested over 20 million euro in the construction of small gas power plants. These plants generate heat and electricity using low-quality natural gas, which used to be flared off. In Romania, NIS started production testing of the electricity generation facility using the gas from the Jimbolia well. This is our first project of this kind outside Serbia.

As an electricity generator, NIS trades both in the Serbian and the regional power markets.

Highest environmental protection standards will drive NIS operations further on.



# 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 are committed to offer the best products to our clients, protect the health and safety of our employees, improve the working environment, and promote

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*fair  
competition*

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in the market.

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**We believe that our clients deserve the best products and that all market participants have the right to fair and just competition.**

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State bodies in Serbia focused on healthcare and the mitigation of social and economical consequences of the COVID-19 pandemic. NIS, in turn, prioritized the safety of its employees as well as the reliability of fuel supply to the market, committed to maintain energy stability despite the challenges.

As part of the efforts against the pandemic NIS worked closely with other members of the Serbian business community, exchanging information and experience. This cooperation was aimed at accurately evaluating the current market condition, implementing measures to protect employees and clients, and adjusting operations to the new movement restrictions active in the region and in the EU.

NIS took efforts to accurately fulfill the ever-changing safety regulations and adjust to new developments. In the second half of the year, NIS became an active participant of the public debate on new regulations. The company constructively contributed to the public debates on the Law on Archival Materials and

Archival Activity, the Law on Trademarks, the Law on Amendments to the Law on Planning and Construction, the Law on Amendments to the Law on Real Estate and Cadastre Registration.

The company paid particular attention to working on the new Fiscalization Law. This regulation consolidates all modern trends in payment digitalization thus creating a platform for the development of more innovative services like contactless payment, mobile payment and unmanned gas stations. The implementation of this law and further digital transformation will help improve the efficiency of regulatory control, reduce illegal operations, and cut business costs.

NIS remains dedicated to protecting the health of our workers and clients, especially given that the pandemic carries on in 2021. We will keep sharing our knowledge and expertise and support efforts against illegal trade to create an equal paying field and contribute to a better business environment.



# Company Profile

## Organizational profile

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GRI 102-6	Markets served
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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
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## Governance

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# GRI

## Topic-specific disclosures

### GRI 201: Economic Performance

#### GRI 201-1 Direct economic value generated and distributed

Distributed economic value in thousand RSD	2019	2020
Directly generated value	272,692,711	184,316,566
Distributed economic value	250,856,152	182,721,649
Operating costs	214,026,588	145,670,773
Employee earnings and other remuneration	21,364,042	27,282,885
Interest on received loans and paid dividends	8,222,679	6,098,253
Taxes*	7,059,302	3,531,820
Investments in the community	183,540	137,918
Increase in the economic value of the Company	21,836,559	1,594,917

\* 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 through production of low-sulphur fuels, improved energy performance, construction of cogenerating plants, injection of CO<sub>2</sub> and undertaking a wind park construction.

In 2020, we continued with the injection of CO<sub>2</sub> extracted from the gas in the amine plant of the Gas and Oil Preparation Unit in Elemir, into the Rusanda formation. In doing so, we reduced CO<sub>2</sub> emission into the atmosphere, and instead used it to boost production of gas wells by maintaining the formation pressure.

Usage of solar, wind, biogas and other alternative fuels, implementation of efficiency improvement measures and application of new technologies have a positive impact on climate change mitigation. By investing in wind-powered generation, the Company extends its energy generation operations and adheres to environmental principles.

**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 the government**

In 2020, 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
Age	<b>NIS j.s.c. Novi Sad</b>	<b>1</b>	<b>2</b>	<b>14</b>	<b>5</b>
	<30	0	0	0	0
	30-50	1	0	8	4
	>50	0	2	6	1
	<b>Representative offices and branches</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<30	0	0	0	0
	30-50	0	0	0	0
	>50	0	0	0	0
	<b>Local subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<30	0	0	0	0
30-50	0	0	0	0	
>50	0	0	0	0	
Gender	<b>NIS j.s.c. Novi Sad</b>	<b>1</b>	<b>2</b>	<b>14</b>	<b>5</b>
	Male	1	2	11	5
	Female	0	0	3	0
	<b>Representative offices and branches</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Male	0	0	0	0
	Female	0	0	0	0
	<b>Local subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Male	0	0	0	0
	Female	0	0	0	0
	<b>NIS j.s.c. Novi Sad</b>	<b>1</b>	<b>2</b>	<b>14</b>	<b>5</b>
Domestic	0	2	3	0	
Foreign	1	0	11	5	
<b>Representative offices and branches</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Domestic	0	0	0	0	
Foreign	0	0	0	0	
<b>Local subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Domestic	0	0	0	0	
Foreign	0	0	0	0	
<b>Total</b>	<b>1</b>	<b>2</b>	<b>14</b>	<b>5</b>	

Subsidiary Director	Department Director	Department Director Advisers and Deputies	Representative Office Director
0	65	0	0
0	0	0	0
0	56	0	0
0	9	0	0
0	0	0	2
0	0	0	0
0	0	0	1
0	0	0	1
5	9	0	0
0	0	0	0
4	8	0	0
1	1	0	0
0	65	0	0
0	52	0	0
0	13	0	0
0	0	0	2
0	0	0	2
0	0	0	0
5	9	0	0
5	6	0	0
0	3	0	0
0	65	0	0
0	41	0	0
0	24	0	0
0	0	0	2
0	0	0	1
0	0	0	1
5	9	0	0
2	5	0	0
3	4	0	0
5	74	0	2

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

## **GRI 203: Indirect Economic Impacts**

### **GRI 203-1 Infrastructure investments and services supported**

In 2020, NIS invested over 290 million dinars in socially responsible projects, of which 114.5 million dinars was channeled through Together for the Community program to pursue digitization of the educational process and reinforce safety at schools across Serbia. Besides, NIS provided valuable donations of equipment, money and services to the Republic of Serbia and its healthcare institutions as part of concerted effort to combat the pandemic of coronavirus. Thus, Air Serbia received 270 tons of jet fuel; Gazprom Neft, majority shareholder of the Company, donated 1,500 tons of fuel to Serbia's public services at NIS petrol stations in April and May. Employees of the company, members of the Volunteer Club, realized over 2,000 volunteer hours in 2020 participating in a wide range of humanitarian projects.

### **GRI 203-2 Significant indirect economic impacts**

Despite the crisis, NIS invested 25.3 billion dinars in 2020. Since NIS mostly engages domestic companies as contractors, company's investment cycle contributes to further strengthening of economic activity in our country. Considerable investments are marked for 2021.

## **GRI 204: Procurement practices**

### **GRI 204-1 Proportion of spending on local suppliers**

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

With a view to further improving cooperation with contractors, NIS conducts an annual survey and regular workshops with key suppliers. Using quantitative and qualitative research mechanisms, NIS identifies and examines all potential problems the suppliers encounter in the procurement procedure. This effort strives to establish a balance between the needs of our suppliers and NIS adhering to core procurement principles and standards of the company.

**Procurement structure excluding Gazprom Neft**

Year	Total procurement value in thousand RSD	Total 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
2019	193,466,370	2,604	93,746,609	2,075	48%	80%
2020	143,406,144	2,214	68,346,917	1,849	48%	84%

**Procurement structure including Gazprom Neft**

Year	Total procurement value in thousand RSD	Total 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
2019	237,955,403	2,604	93,746,609	2,075	39%	80%
2020	162,856,389	2,214	68,346,917	1,849	42%	84%

## 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 relations 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 delivery. The most prevalent form of preferential treatment of customers happens by awarding contracts or delivering large quantities of goods regardless of the outstanding financial obligations arising from previous contracts and deliveries.

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\* 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 benefit. This involves a broader understanding of the concept of corruption, which cannot be reduced to a general opinion that it involves giving or receiving a bribe, but it also implies any action that originates, partially or fully, from socially unacceptable motives.

In 2020, 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 elements;
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.

### GRI 205-2 Communication and training about anti-corruption policies and procedures

#### Governing bodies

Members of NIS’s 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

In addition, members of the governing bodies had an opportunity to familiarize themselves with the Company's policy in the area of fight against corruption and fraud, and particularly with the clause on compliance with the pertinent legislation. All members of governing bodies, i.e. members of the Board of Directors, CEO Advisory Board, the Board of Directors' committees (Audit Committee, Nomination Committee and Remuneration Committee) and Shareholders' Assembly Board for business activity supervision and reporting to shareholders are thoroughly familiar with current rules and procedures aimed at combating corruption.

### **New Employees**

In 2020, 1,528 potential hires were verified. Besides, all new employees participate in induction training that includes anti-corruption rules and procedures.

### **Employees**

In 2020, the Company organized direct training of employees on information protection, classification of electronic documents (TITUS) and encryption. The training also addressed ways of disclosing confidential data and transfer of confidential data, personal data protection, the role and significance of human factor in the cyber security, TOR, Deep and Dark Web and application of blockchain technologies. The trainings in question covered a total of 159 employees.

Additionally, within internal assessment of compliance of business operations with Company's normative documents, Corporate Security also comes up with corrective measures and guidelines and educates employees on the fight against the 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 bodies, which is followed by undertaking measures and actions to determine the actual reasons behind the refusal to sign the Agreement and adopting a harmonized decision on further steps. Corporate Security is responsible for control activities in the anti-corruption domain, reviewing the contract compliance and verifying the existence of Anti-Corruption Agreements.

### **Commitments and goals for the future**

The Company will pursue implementation of systemic anti-corruption measures in order to protect its business operations. The measures will include continuous education and exchange of experience and good practices with Company's management and employees, particularly in the organizational units in charge of procurement and sale of goods and services.

### **GRI 205-3 Confirmed accidents of corruption and actions taken**

In 2020, responsible managers received 95 proposals to initiate disciplinary proceedings against employees whose actions or omissions resulted in damaging consequences for the Company, and which were based on corruptive motives. In addition, the Company pressed charges against 153 individuals – 1 employee and 153 third parties. Most charges against third parties (147) were for criminal offence of theft, 1 for robbery, 5 for other clauses of the Criminal Code, one of which refers to "fishing" frauds in suppliers' payments. 1 charge was pressed against an employee for abuse of office, namely for handing over tank seals to truck drivers. Of

147 incidents of theft, 46 come under theft of petroleum products committed repeatedly when perpetrators, after tanking their vehicles at Company's retail facilities, left without paying. Because of the above-mentioned criminal offences, the Company suffered damages in the amount of 21.6 million dinars. 42 employees were fired from the Company on the grounds of proven corruption activities, 38 employees (engineers/technicians/workers) and 4 middle managers.

In 2020, there were 13 cases where the Company terminated or decided against renewing existing contract with business partners. The reasons were as follows:

- Unprofessional treatment of contractual obligations, failure to fulfill contractual obligations within stipulated deadlines and low quality of performed works;
- Breach of financial obligations/foreign currency debt (liability at risk) towards the Company or its subsidiaries.

## **GRI 206: Anti-competitive Behavior**

### **GRI 206-1 Legal action for anti-competitive behavior, anti-trust, and monopoly practices**

In 2020, 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 and volume

Materials used			
Raw materials/materials	UOM	Quantities used	
		2019	2020
Domestic crude oil	t	834,627	825,407
Imported crude oil	t	2,302,103	2,495,760
Natural gas*	t	96,917	29,260
Geothermal water**	m <sup>3</sup>	416,281	327,662
Raw water***	m <sup>3</sup>	22,132	15,836

\* 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	
		2019	2020
Light waxy crude oil	t	480,416	513,378
Heavy waxy crude oil	t	108,662	86,621
Naphthenic crude oil	t	245,549	225,408
Crude oil – REB	t	375,445	278,938
Crude oil – Bosnia	t	704	1,660
Crude oil – Kirkuk	t	1,118,915	1,449,144
Crude oil – Novy Port	t	802,075	630,936
Crude oil – Temisoara	t	4,964	8,282
Crude oil – Iranian heavy	t	0	126,238

Overview of Intermediates			
Intermediate products/materials	UOM	Quantities used	
		2019	2020
Pyrolysis gasoline	t	103,484	115,724
MTBE	t	6,285	5,156
Isobutane and gasoline from Elemir Plant	t	2,024	1,119
Imported vacuum gas oil (VGO)	t	18,817	19,210
Additives and polymer mass	t	1,413	1,224
Slop (including degraded products)	t	2,937	269

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

## GRI 301-2 Recycled input materials used

Overview of packaging materials			
Material	UOM	Quantities used	
		2019	2020
Paper and cardboard	t	118	109
Wood	t	98	119
Plastic	t	438	461
Metal packaging	t	132	134

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

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

### GRI 301-3 Reclaimed products and their packaging materials

The Company bottles mineral water and juices in Jazak and produces various brands of oils and lubricants in the Lubricants Production and Logistics Unit in Novi Sad.

For the purpose of meeting national objectives set for 2020, packaging waste taken over and collected in 2020

was re-used, recycled and disposed of during the current year in cooperation with a licensed waste management system operator engaged by the Company.

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

Overview of packaging placed on the Serbian market						
Material	UOM	2019		2020		
		Jazak	Lubricants Department	Jazak	Lubricants Department	
Plastic	PET	t	190	43	213	27
	Other plastic		47	159	53	168
Metal	Iron	t	0	132	0	134
Paper and cardboard	Paper and cardboard	t	34	84	39	70
Wood	Pallets	t	55	42	77	42
<b>Total</b>		<b>t</b>		<b>786</b>		<b>823</b>

## GRI 302: Energy

### GRI 302-1 Energy consumption within the organization

Overview of energy consumption					
Energy type	UOM	Consumed quantity		Consumed quantity in toe	
		2019	2020	2019	2020
		Natural and associated gas	m <sup>3</sup>	285,059,769	262,101,796
Fuel – own consumption (gasoline, diesel)	t	4,113	4,148	4,322	4,360
Fuel – own consumption (light fuel oil, refinery gas, coke, torch oil, offgas)	t	325,040	327,014	167,295	162,850
LPG	t	168	244	176	256
Steam (in the form of high-pressure steam)	t	970,377	1,116,203	64,027	86,067
Electricity purchased from a supplier	MWh	329,803	342,804	28,358	29,476
Produced electric power	MWh	59,274	60,188	5,097	5,175
Thermal energy	MWh	8,378	8,321	720	715

Energy by source					
Produced		Purchased		Sold	
2019	2020	2019	2020	2019	2020
293,105,123	265,387,781	43,728,449	88,480,317	51,773,803	16,982,138
4,113	4,148	0	0	0	0
325,040	327,014	0	0	0	0
62,363	58,684	62,216	1,983	124,411	58,137
970,377	1,116,203	0	0	0	0
0	0	329,803	342,804	0	0
135,745	132,149	0	0	76,471	69,213
0	0	8,378	8,321	0	0

Energy consumption in 2020 was 9.1% lower than the business plan and 11.7% higher YoY

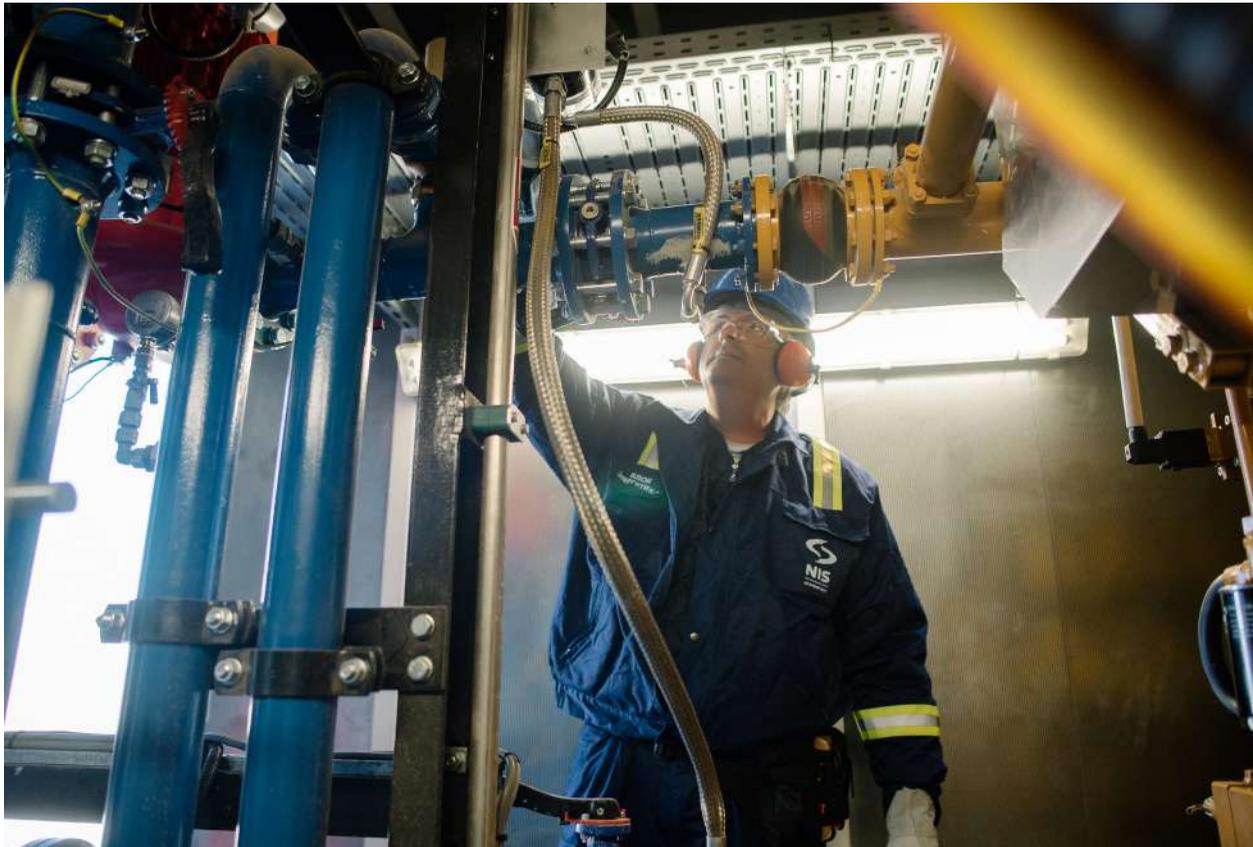
### GRI 302-3 Energy efficiency

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 a reference year, in the period 2012-2020 the Company achieved the total increase in energy efficiency of 30 %.

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 of the Company amounts to 20%. Adding the electricity produced by the backpressure turbo generator in the Pancevo Oil Refinery, the share of electricity the Company generates on its own in its total consumption is 33%.



## GRI 302-4 Reduction of energy consumption

The most significant projects completed and launched in 2020:

- Upgrade of pumping equipment
- Optimization of the number of diesel-electric generators in operation
- Installation of transformers with improved energy efficiency
- Abandonment of unprofitable wells
- Replacement of condensing turbines with electric motors at FCC
- Installation of frequency regulators on boiler chimneys Installation of min flow reflux pumps on DA-571/572 column
- Changing the heat exchanger configuration to the 1st degree cooling
- Reconstruction of the stripped condensate feed line
- Channeling the diesel heat after heat exchanger EA-2425 to steam production in hydrodesulfurization unit S-2400
- Procurement and installation of LED lighting in the Lubricants Department units
- Fire claying of the boiler No.1 in Novi Sad's Energy Block
- Installation of the Central Supervision and Management System (CSNU) in technical systems of the Belgrade corporate center
- Introduction of the heating system regulation in the Novi Sad corporate center according to the outside temperature
- Daily monitoring of operation of all systems, as well as regular and preventive maintenance of all technical systems

Implementation of projects and measures defined under Energy Efficiency Improvement Program 2020 and realization of additional measures during that year resulted in overall energy savings of 240 TJ or RSD 291 million.

Overview of planned and realized energy savings			
Energy source	Planned savings in 2020 (GJ)	Realized savings in 2020 (GJ)	Realized savings in 2020 (%)
Electricity	5,982	22,256	272 %
Thermal energy	111,911	85,886	- 23 %
Fuels	52,774	27,801	- 53 %
Additional measures	0	103,600	100 %
<b>Total</b>	<b>170,667</b>	<b>239,543</b>	<b>40 %</b>

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

CNG is natural gas compressed to a pressure of 220 to 250 bar. The main ingredient is methane, which has the lowest CO<sub>2</sub> emission rate compared to other products, and therefore contributes to the protection of the environment. CNG is used as an alternative fuel for all types of vehicles and as an industrial energy source. In addition to its high octane number, a criterion of fuel quality, the main advantage of CNG is its calorific value, which is much higher than that of other motor fuels.

This petroleum product is favored because it has the least harmful effect on the environment. In addition to the reduced emissions of harmful gases, CNG does

not contain sulphur or toxic additives of organic lead or benzene.

In 2020, the Company was selling CNG on four petrol stations in Novi Sad, Čačak, Belgrade Block 45 and Žarkovo. A CNG plant in the Ostrovo gas field commissioned in 2017 meets the CNG demand of the wholesale market, i.e. industrial consumption. In 2021, one more retail facility will open in Niš to introduce CNG supply in the South of Serbia.



## GRI 303: Water and Effluents

### GRI 303-1 Water withdrawal

Quantity and share of water withdrawal by source					
Type of the water intake structure	2019		2020		Relative change (%) 2020/2019
	m <sup>3</sup>	Relative share (%)	m <sup>3</sup>	Relative share (%)	
River water intake	2,809,950	78%	2,778,523	80%	-1%
Public water supply	461,067	12%	370,755	10%	-20%
Groundwater	348,939	10%	339,204	10%	-5%
<b>Total water withdrawn</b>	<b>3,619,956</b>	<b>100%</b>	<b>3,488,482</b>	<b>100%</b>	<b>-4%</b>

The total volume of water withdrawn in 2020 is 4% lower vs. 2019 even though the crude refining volume grew by 6%. The Pančevo Refinery is the largest consumer of water, however, the consumption decreased by 1.7% compared with the previous year. The share of recovered condensate increased to 40.5% (vs. 35.3% in 2019), which contributed to reducing the Danube water intake.

The Company uses the same water sources as before: 80% comes from the surface reservoirs, 10% from the public water supply system, and 10% from wells (groundwater).

### GRI 303-2 Sources mostly affected by withdrawal

The volume of water withdrawn from the Danube for the needs of the Pančevo Oil Refinery reduced by 1.7% YoY. Withdrawal at the rate of 83 l/s represents mere 0.0015% of the average annual flow of the Danube.

Water withdrawal from the Danube-Tisa-Danube Canal for the needs of the Novi Sad Tank Farm increased

by 30% vs. 2019. The withdrawal rate was 5 l/s, which amounts to 0.008% of the flow of the DTD Canal in Novi Sad.

Withdrawal of these quantities of water from the Danube and the Danube-Tisa-Danube Canal does not endanger their potential, considering that these quantities are far below 5% of the average annual flow.

### GRI 303-3 Recycled water

The withdrawal of water from the Danube was considerably reduced by recycling condensed water in the Pančevo Oil Refinery. In 2020, the amount of recycled water (condensate recovered from production processes) in the RNP amounted to 1,058,842 t. This way, the withdrawal of raw water from the Danube for Refinery's needs decreased by 40.5%.

## 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 2020
	Deliblato Sands	HTS Devojački bunar Db - 1/H	out of operation
	Deliblato Sands	GSS Tilva	out of operation
Special nature reserve	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**

In 2020, NIS performed 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 2020, Regulations on environmental protection conditions for the oil and dissolved gas production activities were issued for the Ada, Janoški Kikinda oil fields and the Idjos and Srbobran gas fields.

Regulations on environmental protection conditions for the needs of designing hydrogeological survey and groundwater use in exploration areas Srpska crnja, Elemir, Palić I and II, Kelebia I and II, Bradarac-Maljurevac, Sirakovo were issued.

### **GRI 304-3 Habitats protected or restored**

Thus far, the Company has remediated 214 primary mud pits and two suction pits, with the total area of remediated land over 16 hectares (159,418 m<sup>2</sup>).

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

According to 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 2020, the Company measured CO<sub>2</sub> emissions for its plants covered by the EU ETS in line with the methodology outlined in the Regulation (EC) No. 601/2012 EC on monitoring and reporting and determined that they stood at 1,022,428 t on the basis of the available quality of data. This is a YoY increase of 5.5% caused by the turnaround of the Pančevo Refinery and consequent decreased consumption of energy for own needs.

Furthering compliance with legislation on GHG emissions, the Company calculated its Carbon Footprint. Greenhouse gas emissions amounted to 1,374,403.27 t CO<sub>2</sub> in 2020. Besides, in 2020 NIS pursued its EOP project, which includes injection of CO<sub>2</sub> separated from natural gas in the amine unit of the Oil and Gas Preparation Plant in Elemir into the Rusanda formation, with the aim of maintaining its formation pressure and boosting production. The total amount of injected CO<sub>2</sub> is 52,021,435 m<sup>3</sup>.

### GRI 305-2 Indirect (Scope 2) GHG emissions

NIS uses electricity and heat procured from third parties for its operations. According to the GHG Protocol Corporate Accounting and Reporting Standard, these GHG emissions are reported as indirect emissions in the Scope 2 since the emission source is owned by a third party.

In 2020, greenhouse gas emissions from imported electricity and heat used by the Company and its subsidiaries in Serbia stood at 252,167.6 t of CO<sub>2</sub> equivalent.

### 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<sub>x</sub>), sulphur oxides (SO<sub>x</sub>), and other significant air emission

Air pollutant emissions (t/g)	2019	2020
SO <sub>2</sub> emissions	1,239	647
NO <sub>x</sub> emissions	1,082	887
Particulate matter (PM) emissions	72	49

\* In 2020, the Company continued to extend the scope of mandatory emission reporting, so apart from the units covered by the IPPC, the Company now reports on emissions from all other emitters at NIS j.s.c. (calculated based on emission measurements and, in the absence of measurements, on the volume of consumed fuel).

Total emissions of pollutants (SO<sub>2</sub>, NO<sub>x</sub> and particulate matters) in 2020 decreased significantly compared with 2019. The largest source of emissions was the combustion unit of the Pančevo Refinery, where the decrease is especially pronounced. In a bid to reduce emissions of pollutants, negative impacts on health of employees and population in the immediate vicinity of the Refinery, the Company undertook a number of investment projects and put in place numerous measures including adherence to monthly fuel consumption plans for process furnaces and boilers and incrementing the share of natural gas. Technical and technological measures were introduced at large combustion plants of the Atmospheric distillation unit II and Energy Block's boilers included in the National Emission Reduction Plan, NERP, to curb emissions of pollutants.

## GRI 306: Effluents and Waste

### GRI 306-1 Water discharge by quality and destination

As of the end of 2020, the Company owned 350 wastewater treatment facilities. Ten new separators for oily wastewater treatment were installed on our petrol stations (six existing separators replaced, and four more installed).

Feasibility study for Waste Water Quality Assurance Project for the Pančevo Oil Refinery is under way with the goal to achieve compliance with Serbian legislation and European regulations. A package unit was put into operation at the Delayed coking unit for phenols and cyanide removal from wastewater before mixing with other technological wastewater.

Existing problems of waste and sanitary-fecal water disposal at Kladovo PS were solved, preparation of technical and design documentation for changing the place of wastewater discharge at Sokobanja PS commenced.

The Company also initiated procurement and installation of wastewater flow meters in the Tubing Center in Kikinda.

The quality of wastewater and the efficiency of the treatment process are subject to regular monitoring in scope and dynamics mandated by Serbia's regulations.

#### Overview of discharged wastewater in m<sup>3</sup>, by treatment and recipients

Treatment type	Recipient	2019 m <sup>3</sup>	2020 m <sup>3</sup>	Relative change 2020/2019
External treatment	watercourse	1,308,648	1,256,028	- 4.0 %
Physical, physical and chemical	watercourse, public sewer system	846,307	813,421	- 3.8 %
Sanitary wastewater	public sewer system	43,862	34,791	- 21 %
<b>Total wastewater discharge</b>		<b>2,198,817</b>	<b>2,104,240</b>	<b>- 4.3 %</b>

## GRI 306-2 Waste by type and disposal method

Overview of generated and disposed waste in tons		
Waste type	Generated waste in 2020	Disposed waste in 2020
Hazardous	6,880	6,879
Non-hazardous	5,081	5,077
<b>Total</b>	<b>11,961</b>	<b>11,955</b>

Overview of disposed waste by type in tons		
Disposal method	2020	
	Non-hazardous	Hazardous
Bioremediation	0	250
Composting	3	0
Landfill disposal	139	11
Recycling	4,659	68
Re-refining	3	2
Storage	28	2
Solidification	147	797
Co-burning	46	5,750
Treatment of mixed municipal waste	50	0

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

Disposed hazardous waste in 2020 mainly consisted of mud and sludge, as well as oily waste generated by maintenance and cleaning of tanks, separators, and oily waste sewage systems (60%).

Of all types of non-hazardous waste disposed in 2020, 88% was metal waste.

Different types of waste require different treatment methods. Most non-hazardous waste, primarily metals and packaging items, was transferred for recycling, whereas hazardous waste (mud, sludge, and oily waste), depending on the concentration of hydrocarbons, was disposed of by co-burning or solidification.

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 haz-

ardous waste operations. Reports on the waste generated and disposed of in 2020 have been submitted.

### GRI 306-3 Significant spills

Number of environmental accidents by type		
Accident type	2019	2020
Oil/petroleum products spill on soil	13	4
Wastewater spills	0	0
Chemical spills	0	0
Gas emissions	0	0
Other	1	1
<b>Total</b>	<b>14</b>	<b>5</b>

The number of environmental accidents is 64% lower than in 2019. The Company recorded 5 environmental accidents in 2020. The decrease in the number of spills was achieved through the improvement of process controls and adherence to the process discipline.

The total amount of material released or spilled in 2020 was 30 m<sup>3</sup>. The 88% increase in the spilled ma-

terial vs. 2019 (3.4 m<sup>3</sup> spilled) was caused by a fuel oil spill in the Novi Sad Tank Farm.

According to NIS Incident Classifier, all environmental accidents in 2020 were categorized as minor.

Causes of environmental accidents (%)	2020
Work activity	60 %
Technological failure or breakdown – process	0 %
Pipeline rupture	20 %
Accompanying lines rupture	0 %
Other	20 %
<b>Total</b>	<b>100 %</b>

**GRI 306-4 Transport of hazardous waste**

In 2020, the Company did not transport, import, export or treat hazardous waste (the waste that is considered hazardous under Annexes I, II, III, and VIII to the Basel Convention).

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

The Company does not withdraw nor discharge treated 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 – 340,603 m<sup>3</sup>
- industrial wastewater from the Pančevo Oil Refinery is treated in a waste water treatment plant in HIP PHK, from which it is discharged into the Danube – 1,240,737 m<sup>3</sup>;

- treated wastewater is discharged into the Danube from the Novi Sad Tank Farm indirectly, through the public sewage system of Novi Sad – 162,643 m<sup>3</sup>.

**GRI 307: Environmental Compliance****GRI 307-1 Non-compliance with environmental laws and regulations**

In 2020, one fine was imposed and paid in an economic offence for non-compliance with environmental protection regulations in the amount of 1,550,000 dinars.

## GRI 401: Employment

### GRI 401-1 New employee hires and employee turnover

Overview of employee turnover			
Organizational unit	31.12.2019.		
	Direct	Leasing	Total
Exploration and Production Block	923	178	1,101
Downstream Division	2,110	3,096	5,206
Refining Block	936	17	953
Sales Block	1,030	3,063	4,093
Energy Directorate	37	4	41
Rest of Downstream Division	107	12	119
NIS – expert services	1,144	359	1,503
Representative offices and branches	41	0	41
NIS j.s.c. Novi Sad	4,218	3,633	7,851
Naftagas – Oilfield Services	1,112	1,013	2,125
Naftagas – Technical Services	213	121	334
Naftagas – Transport	83	321	404
NIS Petrol	0	0	0
NTC NIS Naftagas	348	30	378
Subsidiaries in Serbia	1,756	1,485	3,241
<b>Total:</b>	<b>5,974</b>	<b>5,118</b>	<b>11,092</b>

31.12.2020			
Direct	Leasing		Total
1,092	0		1,092
2,542	25		2,567
978	0		978
1,396	25		1,421
40	0		40
128	0		128
1,534	0		1,534
5	0		5
5,173	25		5,198
1,879	0		1,879
391	0		391
368	0		368
2,809	0		2,809
385	0		385
5,832	0		5,832
11,005	25		11,030

### Overview of employee qualification structure by contract type

Year		PhD	MSc/ MA	BSc	
2019	NIS j.s.c. Novi Sad	Direct	9	120	2,106
		Leasing	0	14	338
	Subsidiaries in Serbia	Direct	10	30	583
		Leasing	0	3	91
	<b>Total</b>		<b>19</b>	<b>167</b>	<b>3,118</b>
	2020	NIS j.s.c. Novi Sad	Direct	11	188
Leasing			0	0	1
Subsidiaries in Serbia		Direct	6	47	815
		Leasing	0	0	0
<b>Total</b>		<b>17</b>	<b>235</b>	<b>3,050</b>	

### Overview of employee gender structure by contract type

Year		Men	Women	Total	
2019	NIS j.s.c. Novi Sad	Direct	2,931	1,287	4,218
		Leasing	2,200	1,433	3,633
	Subsidiaries in Serbia	Direct	1,515	241	1,756
		Leasing	1,439	46	1,485
	<b>Total</b>		<b>8,085</b>	<b>3,007</b>	<b>11,092</b>
	2020	NIS j.s.c. Novi Sad	Direct	3,669	1,504
Leasing			25	0	25
Subsidiaries in Serbia		Direct	4,262	1,570	5,832
		Leasing	0	0	0
<b>Total</b>		<b>7,956</b>	<b>3,074</b>	<b>11,030</b>	

	PSE	HS	EL.S	HQ	Q	SQ	LQ	Total
	292	1,189	2	121	379	0	0	4,218
	292	2,011	9	75	891	2	1	3,633
	83	505	3	115	425	2	0	1,756
	48	490	49	35	755	6	8	1,485
	<b>715</b>	<b>4,195</b>	<b>63</b>	<b>346</b>	<b>2,450</b>	<b>10</b>	<b>9</b>	<b>11,092</b>
	356	1,584	5	131	663	1	0	5,173
	3	11	0	1	9	0	0	25
	337	2,604	52	207	1,759	4	1	5,832
	0	0	0	0	0	0	0	0
	<b>696</b>	<b>4,199</b>	<b>57</b>	<b>339</b>	<b>2,431</b>	<b>5</b>	<b>1</b>	<b>11,030</b>

<b>Management-to-staff ratio</b>					
Year		Management		Employees	
		Number of managers	% share in the total number of managers	Number of employees	% share in the total number of employees
2019	Men	190	68.34%	2,731	69.83%
	Women	88	31.66%	1,180	30.17%
	<b>Total</b>	<b>278</b>	<b>100.00%</b>	<b>3,911</b>	<b>100.00%</b>
2020	Men	228	71.03%	7,703	72.10%
	Women	93	28.97%	2,981	27.90%
	<b>Total</b>	<b>321</b>	<b>100.00%</b>	<b>10,684</b>	<b>100.00%</b>

\* 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 (section managers and lower) is not included in the Managers category.

Overview of employee age structure				
Year		under 20	20-29	30-39
2019	NIS j.s.c. Novi Sad	83	1,682	2,493
	Subsidiaries in Serbia	15	497	988
	<b>Total</b>	<b>98</b>	<b>2,179</b>	<b>3,481</b>
2020	NIS j.s.c. Novi Sad	0	581	1,486
	Subsidiaries in Serbia	31	1429	1,973
	<b>Total</b>	<b>31</b>	<b>2,010</b>	<b>3,459</b>

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

Employee turnover	Men	
	2019	2020
Employment	482	4,022
Termination of employment	251	529
<b>Total</b>	<b>733</b>	<b>4,551</b>

\* 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 52,06%.

\*\*\*Ratio of employees who left the Company and employee headcount at the beginning of the period is 6,70%.

\*\*\*\* UNETI PREVOD

Employee turnover	under 19		20-29		30-39	
	2019	2020	2019	2020	2019	2020
Employment	0	37	185	1,782	257	2,087
Termination of employment	2	6	48	189	109	208
<b>Total</b>	<b>2</b>	<b>43</b>	<b>233</b>	<b>1,971</b>	<b>366</b>	<b>2,295</b>

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

	40-49	50-59	over 60	Total
	2,002	1,325	266	7,851
	893	706	142	3,241
	<b>2,895</b>	<b>2,031</b>	<b>408</b>	<b>11,092</b>
	1,594	1,223	314	5,198
	1,364	860	175	5,832
	<b>2,958</b>	<b>2,083</b>	<b>489</b>	<b>11,030</b>

Women		Total	
2019	2020	2019	2020
184	1,752	666	5,774
71	214	322	743
<b>255</b>	<b>1,966</b>	<b>988</b>	<b>6,517</b>

40-49		50-59		од 60		Total	
2019	2020	2019	2020	2019	2020	2019	2020
150	1,183	58	575	16	110	666	5,774
68	163	31	77	64	100	322	743
<b>218</b>	<b>1,346</b>	<b>89</b>	<b>652</b>	<b>80</b>	<b>210</b>	<b>988</b>	<b>6,517</b>

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

The rights of employees are guaranteed by Collective Agreements and other internal regulations, thus there are no differences between the benefits provided to permanent-contract employees and fixed-term contract employees.

Some of the benefits of employees 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 eliminat-

ing occupational diseases and preventing disabilities; solidarity allowance in a variety of situations (severe illness or death of 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, New Year presents for all employees' children under the age of 10.

## GRI 401-2 Parental leave

### Dynamics of parental leave and returning to work in 2019

Organizational unit	Employees whose leave began in 2019	Employees who returned to work from leave which began in 2019	Employees whose leave began in 2020
NIS j.s.c. Novi Sad	51	56	181
Leasing	108	114	0
<b>Total</b>	<b>159</b>	<b>170</b>	<b>181</b>

\* 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, with the maximum maternity pay not higher than five times the average wage.

Employees who returned to work from leave which began in 2020	Employees who returned to work from parental leave by 31.12.2019 and 31.12.2020	Remaining number of employees expected to return from parental leave in 2021 and 2022	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
156	189	217	61	241
8	69	0	27	0
<b>164</b>	<b>258</b>	<b>217</b>	<b>88</b>	<b>241</b>

## **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 and subsidiaries:

- 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
- OSHB of NIS Petrol a.d. Beograd

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 2020, in line with the previously adopted schedule, 15 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 program 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	2019	2020
Workplace injuries	112	86
Workplace injuries – with sick leave	33	29
Workplace injuries – fatal	0	0
Days of sick leave due to workplace injuries	3,194	1,770
Number of days of absence from work	306,678	215,940
Number of hours of regular work	19,732,056	18,942,411
Injury rate (IR)	5.68%	4.54%
Absence rate (AR)	15.54%	11.40%
Lost day rate (LDR)	0.16%	0.09%
Fires	32	20
Traffic accidents	11	7
Environmental accidents	14	5
Number of visits of inspection authorities	1,029	637
Number of measures prescribed by inspection authorities	178	138
Types of injuries	2019	2020
Fall	19	16
Thermal and chemical injuries	3	4
Mechanical injuries	34	23
Traffic	20	19
Fall from height	2	2
Other	34	22
<b>Total</b>	<b>112</b>	<b>86</b>

**GRI 403-3    Positions with 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 there are 3,787 employees on high-risk positions at NIS and in subsidiaries. NIS pursues introduction of new technologies to reduce the number of high-risk workplaces.

The Company is now in the process of developing a new Risk Assessment Act for workplaces and work environment with a standard approach to assessment. NIS remains committed to implementing new technologies to minimize all 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 covered 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

Трошкови обуке у милионима динара	2019	2020
Training costs	239	87,5
Cost of professional training	235	85,5
Costs of membership in professional associations	4	1.8
Organizational costs for training programs	18	0.2
<b>Total</b>	<b>257</b>	<b>89.5</b>

### Employee training statistics

	Hours of training by gender		Number of employees by gender		Hours of training by category	
	Male	Female	Male	Female	Managers	Employees
Direct	27,106	9,610	1,167	506	5,547	31,169
Leasing	6,629	1,215	379	98	364	7,480

Despite numerous challenges of the “new reality”, NIS as a company managed to maintain continuous development of employees as an imperative of its business. The 2020 priorities included implementation of the planned legally required training, implementation of re-prioritized professional and technical training and design of tools for employee development with reliance on internal “know-how”.

In 2020, in cooperation with external providers, we organized 2,305 trainings with 3,366 participants, i.e. 2,150 employees. A total of 44,560 training hours was realized with an overall investment of 89.5 million dinars. Bilateral challenges – from providers’ perspective and participants from the Company – necessitated transition to online modality of training. From this standpoint, 2020 was a year of learning for both parties which highlighted once again that continuous development of employees is an integral part of development of the Company and the entire eco-system.

2020 was a year of relentless effort towards upholding our Company’s digital transformation. The Training and Development Sector, jointly with the digital team, defined a digital competency model of the digitization team, included digital competence in the corporate competence model for the next year and established a digitization educational plan for employees of the Company.

During the year, the job rotation concept was developed – a development tool for employees at all levels with the primary goal to develop professional and technical knowledge and skills of our people. The concept encompasses several types of rotation, the most widely applied being “job shadowing” aimed at improving cross-functional cooperation or development of multi-functional teams. The concept was launched in first pilot groups that year.

Under the circumstances of the “new reality”, the Corporate University launched an Internal Trainer Program, with a special emphasis on Company’s internal resources promoting our internal specialists and experts through the role of internal trainers. This approach helped to enrich the offer of corporate training programs with new topics and became a powerful impetus to internal exchange of knowledge and experience, networking and raising awareness of the importance of the learning culture (inside-out). In line with the new concept of internal trainers, we expanded the curriculum with over 20 new topics. More than 400 colleagues participated in training courses held by 17 new internal trainers.

Implementation of the Engagement Academy intended for NIS Leaders was in a special focus this year. We strive to boost engagement on the corporate level through various internal development activities – induction for new employees, organization of

Number of employees by category		Training costs in thousand RSD		Number of training hours	
Managers	Employees	Total	By employee	Total	By employee
277	1,376	77,049	205.21	36,716	157.08
23	474	12,463	51.32	7,844	59.67

internal workshops with managers, participation of top management in panel discussions dedicated to engagement drivers. One of the initiatives within the employee engagement improvement was an internal training dedicated to feedback. 150 employees occupying top and middle management positions participated in the training course that was organized and carried out with internal resources, the course was split into 17 groups.

To ensure business continuity and adequate staffing of the Company through talent identification and targeted talent and successor development for business-critical roles, the Company developed and implemented a Calibration methodology for over 70 employees at the top management level. Calibrations form the basis of a talent management process and will continue as a practice in the coming years.

Despite this year's numerous challenges, competitions were held both inside the Company and at the level of Gazprom Neft where our employees achieved remarkable results.

This year the Scientific-Technical Conference of young specialists of Exploration and Production Block, NTC and Oilfield Services was held in Novi Sad, for the first time in online format. The conference took place on a virtual platform with over 100 participants (authors and presenters of papers, mentors, panel members in conference sections).

Eighteen of our winners from Exploration and Production Block, NTC and Oilfield Services presented their scientific papers at the final, X jubilee Scientific-Technical Conference of Gazprom Neft's Exploration and Production Block, also held online this year for the first time. We won six awards in seven sections of GPN Exploration and Production Block's conference.

The professional competition "Best in profession 2020" was held in the Training Center in Elemir, with a total of 36 participants in 5 categories, "Best technology engineer", "Best oil and gas production operator", "Best oil and gas preparation and dispatch operator", "Best well exploration operator", "Best operator of the production complex in a gas refinery". A competition for the best in profession locksmiths and welders was organized in Naftagas-Oilfield Services. This year's central competition of Gazprom Neft "Best in profession", underpinned by state-of-the-art technologies, was held in a remote format for the first time. Serbia's representatives participated, too.

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

In the modern business environment, employees may encounter various business challenges. In or-

der to equip its employees with the skills they need to address these challenges, NIS invests in their development and contributes to improvement of their potential, thus developing professional resources of the entire NIS Group. In 2020, the Company did not implement any redundancy schemes.

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

In 2020, as in previous years, we conducted a company-wide annual Competence-based evaluation of all employees classified into three main categories – managers, specialists and operators. As part of the process, each employee had a chance to receive a high-quality and structured feedback on their performance during a challenge-riddled year through the annual interview.

**GRI 405: Diversity and Equal Opportunity**

**GRI 405-1 Diversity of governance bodies and employees**

In 2020, 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 men and women**

The Collective Agreement, which defines basic 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**

In 2020, NIS and subsidiaries did not identify cases related to labor discrimination.

## GRI 407: Freedom of Association and Collective Bargaining

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

NIS supports the freedom of association into labor unions and collective bargaining, and we continued close cooperation with the trade unions of employees in 2020 (in NIS j.s.c. and its subsidiaries). In 2020, there were no recorded cases in which the freedom of

association and collective bargaining was jeopardized. Besides, a highlight of the year was negotiating and signing the new Collective Agreements for NIS and subsidiaries which will remain in force for the next three years.

Number of employees in trade unions		
Name of trade union	2019	2020
United Trade Union NIS j.s.c.	2,871	5,547
Oilfield Services TU	407	674
NTC NIS Naftagas TU	116	19
Special Works TU (Naftagas-Oilfield Services)	110	129
Transport TU	0	4
<b>Total</b>	<b>3,504</b>	<b>6,373</b>

\*Special Work TU joined the United Trade Union NIS j.s.c. in January 2020

\*\*United Trade Union NIS Petrol was established in March 2020 and is part of the United Trade Union NIS j.s.c.

## **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 applicable laws, other regulations and ratified international conventions in all fields of business operations, including the prohibition of forced and compulsory labor.

## **GRI 411: Rights of Indigenous People**

### **GRI 411-1 Incidents of violations involving rights of indigenous people**

In 2020, there was one new dispute initiated against the Company regarding the compensation for non-use of land and regarding remediation, in addition to 13 disputes from the previous period.

Two disputes from the previous period were resolved – one in favor of the company, and one in favor of the claimant, with the negative financial effect of RSD 4,635,000.

## **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 2020, the Company verified 2,611 legal entities, with which it planned to conduct business, while 23 (0.88%) 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 corruption, 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 4,186 contracts, of which 13 (0.31%) were not approved.

Due diligence was done for all 4,63 new contractors in 2020.

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 (poor quality of works, inadequate business cooperation, incidents of abuse and other). In 2020, 21 companies were added to the blacklist. Following an analysis, nine 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.

## **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 2020, all fuels in NIS were produced in accordance with the applicable European standard for liquid petroleum products, EN, whose norms are enforced for the Serbian market in their entirety, SRPS EN. The Company ensures continuous compliance with these standards but also invests considerable effort in exceeding them. In keeping with this and a global trend to protect the environment and reduce exhaust gases, fuels produced at NIS have six times lower levels of sulphur (in 2020, ED averaged at 1.5 ppm) than prescribed by the Standards (10 ppm). In this manner, the Company significantly reduces emission of harmful gases into the atmosphere.

Owing to a new auto gas Standard SRPS EN of the second half of 2019, which reduced the sulphur content in the liquefied petroleum gas from 50 to 30 ppm and set a cap for carcinogenic 1.3 butadiene (which previously fell under total dienes in the maximum amount of 0.5%) at 0.1%, liquefied petroleum gas became an even cleaner fuel in Serbia in 2020. Guided by environmental consciousness and high standards, in 2020 NIS produced OPTI auto gas with the average sulphur content of up to 10 ppm, i.e. three times less than prescribed, while the average amount of hazardous and harmful 1.3 butadiene amounted to 0.05%, half of the allowed content.

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 gases

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.

There was also a noticeable increase in sales of the Nisotec AdBlue agent for reducing the emission of harmful components of exhaust gases, primarily nitrogen oxides (NO<sub>x</sub>).

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

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

In 2020, 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 labeling**

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 improve 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 2019 to 94%. Simultaneously, CO<sub>2</sub> 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 CO<sub>2</sub> and other gases.

Optimization 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.

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. NIS also holds an energy management certificate in accordance with the requirements of EN ISO 50001:2018. Application of the Standard, in concert with implementation of measures of electricity monitoring and management and fuel consumption, brought about improved energy performance in this business domain.

NIS uses its own motor transport to supply the retail network of NIS Petrol and Gazprom stations and renders the service of transporting petroleum products and LPG to wholesale customers. Continuous effort to manage the safety of the transportation process through upgrade of vehicles and improvement of employees' knowledge ensures high quality and reliability of the transportation service.

In the first half of 2020, following an eight-period of operation and with an average mileage of 780,000 kilometers per vehicle, 32 hauler trucks were replaced with EURO 6 category vehicles. In the same period, overhaul of semi-trailers for motor gasoline and middle distillates transportation was carried out increasing the reliability and safety of vehicles. Along with the upgrade of the car fleet, additional transport capacities were procured, namely, EURO 6 category hauler trucks with semi-trailers for supply of wholesale customers.

In 2021, the Transport Sector expects further upgrade of the car fleet including replacement of 12 solo tanks for LPG transportation of EURO 3 category with EURO 6 category vehicles and overhaul of 12 solo vehicles for transportation of light petroleum products and 3 semi-trailers for bitumen in order to improve the safety of dangerous goods transportation and boost reliability of the transport service.

All transportation vehicles are registered to carry out public transport of goods and have an ADR certificate, they are equipped with GPS, electronic measurement devices and electronic monitoring systems.

In early 2020, drivers engaged in dangerous goods transportations received the Certificate of professional competence for driving a road freight vehicle, and at the end of the year they took part in the first regular workshop for upgrading professional drivers' skills. In 2021, we will carry out analysis of implemented requirements of the road safety management system according to ISO 39001 and certification check of their compliance.

#### **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 (NPS) and is done in the last quarter of each year.

According to 2019 data, NIS Petrol enjoys the highest Net Promoter Score 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 2020.

**GRI 417-2 Incidents of non-compliance concerning product or service information and labeling**

In 2020, there was one case of economic offence pertaining to the failure to comply with regulations and voluntary code requirements regarding labeling of products and services. This resulted in a fine of 700,000 dinars.

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

In 2020, 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 2020, 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 2020, the company received no complaints through the Call Center.

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

In 2020, 44 new labour disputes were initiated against the Company (excluding disputes initiated with regards to mobbing), while 234 labour disputes from the previous period remain open.

Out of the total number of labour disputes in 2020, resolution was reached for 80 disputes from the previous period, 21 in favor of the Company and 59 to the detriment of the Company, with the negative effect of RSD 26,117,077.

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

During 2020, two new disputes were initiated in the Company concerning mobbing, and 11 disputes were carried over from the previous period.

Out of total number of disputes in 2019, 3 from the previous period were resolved, 1 with a positive and 2 with a negative outcome for the Company.

The total cost of the disputes resolved with a negative outcome for the Company amounted to RSD 994,800.

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

In 2020, 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 2020, there were six cases of violation of ethics and business conduct in the Company reported through the SOS line.

In 2020, we developed “Respect above all”, a special support program for employees who have encountered incidents of disrespect or are going through situations

damaging to their dignity, labor rights and feelings. This way, employees of the Company can report any affronts to their dignity and incidents of disrespect.

The program “Respect above all” was launched in early 2021, therefore SOS line remains a channel for reporting unethical behavior, such as corruption, theft, fraud, conflict of interests, collective disputes, HSE accidents, financial and administrative offences and other claims related to respecting employees.

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

In 2020, 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, prepare sanitary water, heat indoor and outdoor pools, greenhouses and provide industrial heating, with a growing trend in recent years. The use of geothermal energy increases energy efficiency and helps reduce greenhouse gas emissions by replacing fossil fuels.

## 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 (m <sup>3</sup> )	2019 m <sup>3</sup>	2020 m <sup>3</sup>	Relative change 2020/2019
Produced formation water	4,705,496	4,599,451	-2.2 %
Disposed formation water	4,705,496	4,599,451	-2.2 %

*All produced formation water is injected.*

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

The Company continued to implement measures aimed at the reduction of CO<sub>2</sub> emissions by producing thermal energy and electricity in cogeneration power plants using the associated gas, which used to be flared off.

In 2020, the quantity of free and dissolved gas flared off in the Exploration and Production Block was 20,968,126 m<sup>3</sup>, and the estimated quantity of gases released into the atmosphere was 894,714 m<sup>3</sup>.

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

In 2020, as part of regular activities on drilling of new oil wells, NIS drilled 41 wells and produced about 37,000 tons of waste drilling material. It was disposed of immediately at the Novo Miloševo Waste Mud Landfill.

All drilling rigs used in 2020 were equipped with metal mud collection tanks mounted on the surface, concrete pools buried in the ground had been discarded completely. During works, all locations are covered with PVC film, which prevents contamination of soil, even in case of accidents.

In 2020, one well was drilled in Romania. NIS hired certified local contractors to dispose of the drilling waste.

## **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

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. Such incidents lead to exposure to toxic substances, fire and explosion and can result in a severe accident including fatality, damage to assets, production shutdown or environmental damage.

Within process safety in 2020, we conducted a series of workshops for engineers of various profiles from production facilities, the participants performed risk assessment using modern tools such as HAZID, HAZOP and Bow-tie. These risk analyses enabled us to review existing work activities and efficiency of safety barriers in place on our production facilities and define measures that affect accident prevention.

## Fire Protection

In 2020, due to the changed regime of work and focus on combatting coronavirus, the scope of improvements in the fire protection area was adequate to the situation. The following activities were carried out:

- Improvement of the fire alarm system in corporate centers of Novi Sad and Belgrade that reinforced the technical part of the fire protection
- Provision of new work clothes for the fire brigade members contributing to their safety during interventions
- Assurance of compliance of Company's fire brigades operation with its NMD.

## Emergency Situations

The Company's emergency response preparedness and civil defense system is focused on ensuring the

ability to respond successfully to crisis situations. The norms in place are regulated by the provisions of the Law on Disaster Risk Reduction and Emergency Situation Management, other laws and bylaws, as well as good industrial practices and technical standards of NIS. By fulfilling obligations arising from the Decision of the Government of the Republic of Serbia on designation of entities of special importance for protection and rescue, we reinforce Company's resilience to emergencies and crises and improve safety of employees, environment and assets both across the Company and in local communities where we carry out our business operations.

In 2020, a year marked by the pandemic of coronavirus, activities in the emergency management domain included development of plans defining activities and tasks in the event of declaring an emergency, communications of the Emergency and Crisis Management Team of NIS j.s.c. Novi Sad in charge of preparedness for and response to emergencies of organizational units of the Company, as well as manner of communication with competent public authorities.

In addition to the operational activities carried out during the above-mentioned crisis, we worked on bringing the Company's civil defense system in compliance with the adopted bylaws regulating this area, which further strengthened Company's sustainable resilience to crises and emergencies. This compliance effort included revision of internal training for authorized representatives for civil defense and their deputies, modification of decisions, i.e. appointment of new authorized representatives for civil defense and their deputies across the Company.

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

Member states of the Energy Community are obliged to meet the conditions of the Renewable Energy Directive 2009/28/EC by 2021.

In 2019, the Republic of Serbia adopted a package of documents regulating the obligation to blend biofuels in motor gasoline and diesel fuels sold in the Serbian market. The obligation came into force on January 1, 2021.

The completed project 'Bio Component and Diesel Blending in the Pančevo Oil Refinery' and planned reconstruction activities (construction of tanks, installation of new equipment..) in the Novi Sad, Smederevo and Nis Tank Farms will enable NIS to fully meet all Serbia's requirements relating to diesel fuel 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 (planned completion in 2024).

In 2020, the Company did not procure bio components or blend them with motor gasoline and Euro diesel for the market in the Republic of Serbia.

For the gasoline and diesel markets in Romania and Bulgaria, the Company blends ethanol with gasoline and biodiesel with Euro diesel on the Kostinbrod tank farm in Bulgaria.

# Auditor's Opinion



Building a better  
working world

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#### INDEPENDENT ASSURANCE STATEMENT

##### TO THE MANAGEMENT OF NAFTNA INDUSTRIJA SRBIJE A.D. NOVI SAD

The 2020 Corporate Responsibility Report ("the Report") of Naftna Industrija Srbije d.o.o. Novi Sad ("the Company") has been prepared by the Company's management which is responsible for the collection and presentation of the information contained therein. Our responsibility is limited in carrying out a limited assurance engagement on specific scope on the Report, which is prepared in accordance with the "In accordance - Core" option level of the GRI Sustainability Reporting Guidelines ("GRI"). Our responsibility in performing our assurance engagement is solely to the management of the Company and in accordance with the terms of reference agreed between us. We neither accept nor we assume any responsibility and for any other purpose to any other person or organization. Any reliance any third party may place on the Report is entirely at its own risk and responsibility.

The Company's management is responsible for the preparation of the Report in accordance with the GRI. In particular, the Company's management is responsible for internal controls being designed and implemented to prevent the Report from being materially misstated. In addition, the Company's management is responsible for ensuring that the documentation provided to us is complete and accurate. The Company's management is also responsible for maintaining the internal control system that reasonably ensures that the documentation described above is free from material misstatements, whether due to fraud or error.

#### WORK SCOPE AND CRITERIA

The assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE3000" revised), in order to provide a limited level assurance opinion on:

1. The accuracy and completeness of quantitative data and the plausibility of qualitative information related to the GRI General Standard Disclosures, required for the "In accordance - Core" option.
2. The accuracy and completeness of quantitative data (performance indicators) and plausibility of statements (GRI Disclosures on Management Approach) related to the GRI Specific Standard Disclosures, which correspond to the most material issues, as presented in the Company's materiality analysis.
3. The Report's "In accordance - Core" adherence against the related GRI requirements.



#### 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 2020, 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, 24 May 2021

A handwritten signature in blue ink, appearing to read 'Danijela Mirković', is written over a horizontal line.

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





# Glossary

Abbreviation	Meaning
<b>GDP</b>	Gross Domestic Product
<b>Grade</b>	level assigned to a position as a result of job evaluation. Positions of the same grade have approximately equal value in the Company regardless of their functional area or organizational part
<b>ELV</b>	emission limit value
<b>NML</b>	Novo Milosevo Waste Mud Landfill
<b>Direct generated value</b>	sales revenue + financial income + rental income + interest income + net profit from the sale of fixed assets
<b>Stakeholders</b>	all natural persons and legal entities interested in Company's operations who have impact on Company's business results or are impacted by the Company
<b>Drilling mud</b>	fluid used for drilling with multiple designation (bringing the drilled material to the surface, controlling the formation pressure, preventing the inflow of formation fluids into the wellbore, preventing the collapse of the wellbore)
<b>MAC</b>	maximum allowed concentration
<b>Drilled material</b>	particles of drilled rock carried by the mud from the bottom of the well to the surface
<b>NIS j.s.c. Novi Sad</b>	NIS or the Company
<b>Waste mud</b>	mud used during drilling
<b>Operational expenses</b>	cost of goods sold + cost of materials + other operating expenses – taxes
<b>POR</b>	Pancevo Oil Refinery
<b>Remediation</b>	a term generally used for cleaning or restoration (recultivation, revitalization, regeneration) of a polluted area or otherwise disturbed environments as a result of human activities
<b>PS</b>	petrol station
<b>GGS</b>	gas gathering station
<b>CMS</b>	Collection and measurement station

Скраћеница	Значење
<b>Association</b>	a voluntary and non-governmental non-profit organization based on the freedom of association of several natural persons or legal entities established for the purpose of achieving and promoting a certain common goal or interest which are not prohibited by the Constitution or Law.
<b>HIP PHK</b>	Pančevo Chemical Industry – Petrochemical Complex
<b>HTS</b>	Hydrothermal system
<b>CO<sub>2</sub></b>	carbon dioxide
<b>CCS</b>	(Carbon capture and storage) – a process of injection of carbon dioxide and formation gas in order to increase the reservoir efficiency ratio and prevent carbon dioxide from reaching the atmosphere
<b>DCU</b>	Delay cooking unit
<b>EBITDA</b>	earnings before interest, taxes, depreciation and amortization
<b>ECHA</b>	European Chemicals Agency
<b>FCC</b>	Fluid catalytic cracker in the Pancevo Oil Refinery
<b>GRI</b>	Global Reporting Initiative. GRI is an international non-profit organization founded in 1997 with the goal to achieve the highest quality of corporate reporting on sustainable development.
<b>H<sub>2</sub>S</b>	hydrogen sulphide
<b>HDS I and II</b>	Hydrodesulfurization units I and II
<b>ICPDR</b>	International Commission for the Protection of the Danube River
<b>IUCN</b>	International Union for Conservation of Nature established a Red List of Threatened Species (The IUCN Red List of Threatened Species). The List provides an overview and endangerment criteria of about 49,000 species, subspecies, varieties and subpopulations used to classify endangered species into the IUCN categories.
<b>NO<sub>2</sub></b>	nitrogen dioxide
<b>PCB</b>	polychlorinated biphenyls
<b>PVC</b>	polyvinyl chloride
<b>REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)</b>	legislation for registration, evaluation, authorization and restriction of chemicals
<b>SO<sub>2</sub></b>	sulphur dioxide
<b>Toe</b>	tons of oil equivalent

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