



2015

THE REPORT ON
SUSTAINABLE
DEVELOPMENT



NIS
GAZPROM NEFT

**FUTURE
AT WORK**



The Report on Sustainable Development contains important information for all stakeholders: ways of implementing the principles of sustainable development, strategic objectives and results which ensure better quality and healthier life, environmental protection, as well as successful economic and social growth.

The Report was prepared in compliance with the international standards of the Global Reporting Initiative (GRI G4) applicable to the Oil and Gas Sector. Company's business operation in 2015 was presented through the presentation of 80 indicators.

The compliance of the Report with the GRI guidelines, as well as the accuracy of information provided in the Report were assessed and verified by the independent auditing company EY in Serbia.



The Report on Sustainable Development

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Deal All,

Sustainable development for NIS is the synonym for the only possible future, the future in action, which shall remain one of priority directions of the Company regardless of the challenges which NIS has been facing due to the current crisis in the oil and gas sector.

Taking care of the safety is still an irrevocable priority for us. In the past year NIS has raised standards in the field of improvement of occupational safety and security of our employees. In 2015, the indicator of lost time injury frequency (LTIF indicator) decreased by 50 percent compared to the previous year. Our imperative is to provide safe working conditions of all the employees and business partners alongside with the protection of goods and the environment.

The most valuable resource for NIS are our employees. In 2015, we continued with investments in the development of the employees through the execution of different activities that contribute to professional development and training of the personnel. Quality staff that is ready to respond to all challenges of modern business is extremely important for NIS. We allocated more than RSD 250 millions to the professional development of our employees in the past year despite the crisis. We are still holding a leading position in Serbia according to the measures of social protection and benefits for workers that are implemented in accordance with the Collective Agreement and internal acts of the Company. Through a dialogue with the Trade Union and the employees, we continuously improve the social climate in NIS and contribute to social security of our colleagues.

mental characteristics this will be the first project of this kind in the Serbia. Additionally we own 13 small power plants on our oil and gas fields in Serbia with a production capacity of 11.6 MW, which allows us to place generated electricity on the free market in the country and abroad.

Investments in the education of the young ones are investments for the future. The company makes contribution to the affirmation of young and talented pupils and students in the form of constant investments in different scientific and education projects within program "Energy of Knowledge". In 2015, we continued the tradition of cooperation with leading universities and educational institutions across the country. New agreements on strategic cooperation were signed with the universities in Novi Sad and Beograd, as well as with partner faculties. Thanks to the cooperation between NIS, Gazprom Neft and Novak Djokovic Foundation 10 laboratories for physics and chemistry were equipped for schools damaged in the floods two years ago.

We remain responsible to the community regardless of challenges. NIS continues to be committed to the development of the community through the strengthening of partnerships with local self-government, individuals and institutions, contributing to the improvement of the quality of life and sustainable development. We accomplished that by investing RSD 401.2 million on socially responsible business and sponsorship in 2015. In the past year we had a corporation with 11 local municipalities as a part of public competition „Together for the Community“. Only with that

NIS will continue to behave responsibly towards its policy of sustainable development, taking into account the economic as well as the environmental and social objectives.

Maximizing the profitability of the Company in 2015 is the second side of our success. We accomplished that by being aware of our responsibility and by taking care of the interests of the Company. We managed to stay focused on our vision of the future which implies an increase in energy efficiency, with strict adherence to the highest environmental standards, as well as efficient and responsible use of available natural resources. Realising the importance of environmental management we invested RSD 627 million in various environmental projects in 2015. Moreover we are continuing to work on the reduction of the emission of pollutants and waste minimisation.

We are also following the principles of the improvement of energy efficiency due to which we constantly develop innovative solutions and introduce new technologies. In 2015 we signed a contract with "Gazprom Energoholding" on the construction of a thermal power plant in Pančevo. This is a highly efficient power plant with the capacity of 140MWt. According to all technological and environ-

we helped to implement 152 projects, which contributed to the promotion of sports, science and culture in local communities in which the Company is conducting its activity.

NIS will continue to behave responsibly towards its policy of sustainable development, taking into account economic, as well as the environmental and social objectives. We are constantly focused on the well-being of future generations.

Sincerely,
Kirill Kravchenko



“

*Sustainable development
for NIS is the synonym for
the only possible future,
the future in action*

”



ON THE REPORT AND THE REPORTING PRINCIPLES



Materiality Matrix

The NIS Annual Report on Sustainability provides information for all the stakeholders on continuous progress of the Company achieved by complying with world trends. NIS aim is to maintain a trustworthy partnership in all relations.

In accordance with the requirements of GRI G4 standards, a basis for the preparation of the NIS Report on Sustainable Development is the Materiality Matrix, which is a comparative overview of key topics for doing business from the perspective of the company on one hand and stakeholders on the other.

The topics are ranked according to their importance from the perspective of the company (horizontal axis) and positioned according to the estimates obtained from stakeholders (on the vertical axis). The analysis of GRI indicators connected indicators and topics so that the Materiality Matrix is a basis for future reporting, but also for the improvement of business processes. Considering that the Report on Sustainable Development includes topics that are relevant for the Company and stakeholders, the Report may essentially represent a basis for the assessment and decisions of the management and stakeholders.

In 2015, an audit of the Materiality Matrix was conducted in order to take into consideration changes that occurred in the meantime and to be sure that current topics relating to the operations of the Company are included and ranked in the right way.

As until now NIS shall maintain an active dialogue with the stakeholders and shall regularly update all relevant topics to the company and stakeholders. This Report overcomes requirements of the general reporting level defined by the GRI G4 standards and provides information on additional indicators relevant both for NIS business operation and the stakeholders.

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

Materiality

By adhering to the materiality principle in the selection of topics, the Report includes those topics that can have fundamental impact on the assessment and decisions of the management and stakeholders. The results of research conducted in the form of an interview with all stakeholders, as well as issues included in the Report on Sustainable Development of other international oil and gas companies, and topics relevant for all the stakeholders and recommended by the GRI guidelines were all used as the basis for the preparation of the Materiality Matrix.

Inclusion

The Report represents all stakeholders. Communication with them is described in chapter "Dialogue with Stakeholders".

Sustainability

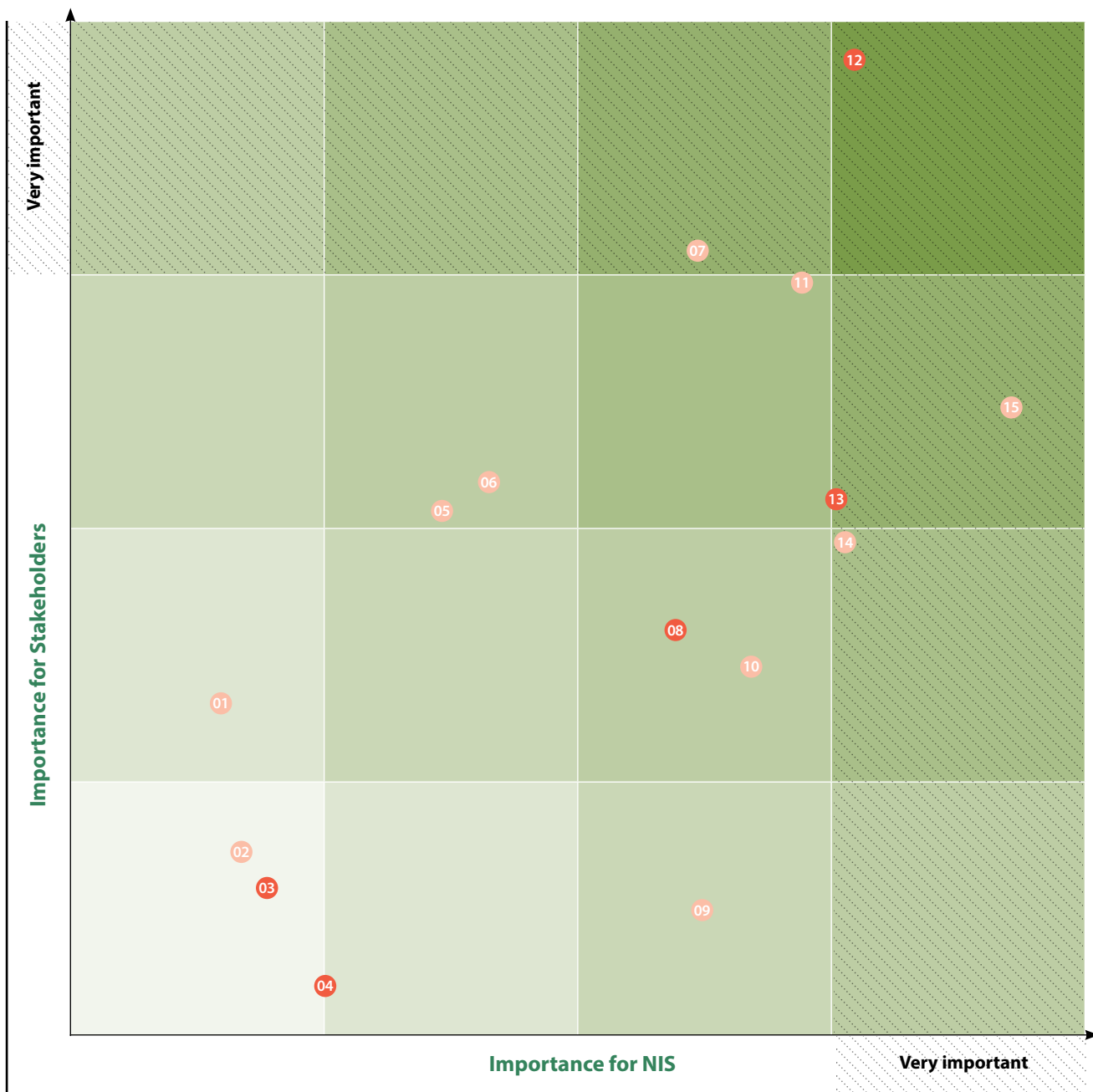
Data and activities described in the Report are provided at the level of the Republic of Serbia. The Report also presents plans reflecting Company commitment to sustainable development.

Completeness

The data presented in the Report refer to the year 2015 and where possible, comparative data for the previous year is shown. Financial and economic indicators are deriving from the consolidated financial statement (source: 2015 Annual Report, NIS).

- | | |
|--|-----------------------------------|
| 01 Legal issues | 09 Corporate governance |
| 02 Transportation management | 10 Customer relation management |
| 03 Supplier relation management | 11 Product Quality |
| 04 Lobbying | 12 Environmental impact |
| 05 Relations with employees | 13 Occupational health and safety |
| 06 Energy consumption management | 14 Oil and gas reserves |
| 07 Investment into the local community | 15 Economic indicators |
| 08 Corruption | |

● Topic is covered internally ● Topic is covered internally and externally



Balance

The 2015 Report includes not only the results achieved by Company, but also the difficulties NIS encountered during the year. An objective presentation of information provides an opportunity to give positive and negative grades.

Comparability

The Sustainable Development Report was prepared in accordance with the GRI guideline reporting methodology, which enabled comparison with NIS Sustainable Development Reports for the last year, as well as with the reports of other companies in the country and abroad.

Accuracy

In its reporting, NIS strives to include qualitative and quantitative data with the highest possible degree of accuracy. The Report lists the sources and methodology used for the collection of data, whereas financial and economic data can be found in NIS 2015 Annual Report.

Timeliness

The Report on Sustainable Development is published during the annual level and as such provides a possibility to all stakeholders to make timely decisions about the Company and its operation.

Clarity

Clear and comprehensive wording of the Report on Sustainable Development is adapted to all stakeholders. Achieving complete text clarity is hindered by the specific nature of the business, especially in the part referring to the environmental protection. All expressions and abbreviations which might cause any doubts are explained in the Glossary.

Reliability

The assessment of compliance of the Report with GRI guidelines, as well as the accuracy of the listed information was verified by independent auditing company EY in Serbia.





COMPANY PROFILE

As the largest vertically integrated company in the country NIS has insisted upon the highest level of professionalism in all segments of its operation. Management practice in line with global trends, active dialogue with all stakeholders, permanent upgrading

of business standards and introduction of the cutting-edge technologies are stages which helps our company to steadily move towards the achievement of its set goals and to accomplished its mission with achievable and sustainable outcome.



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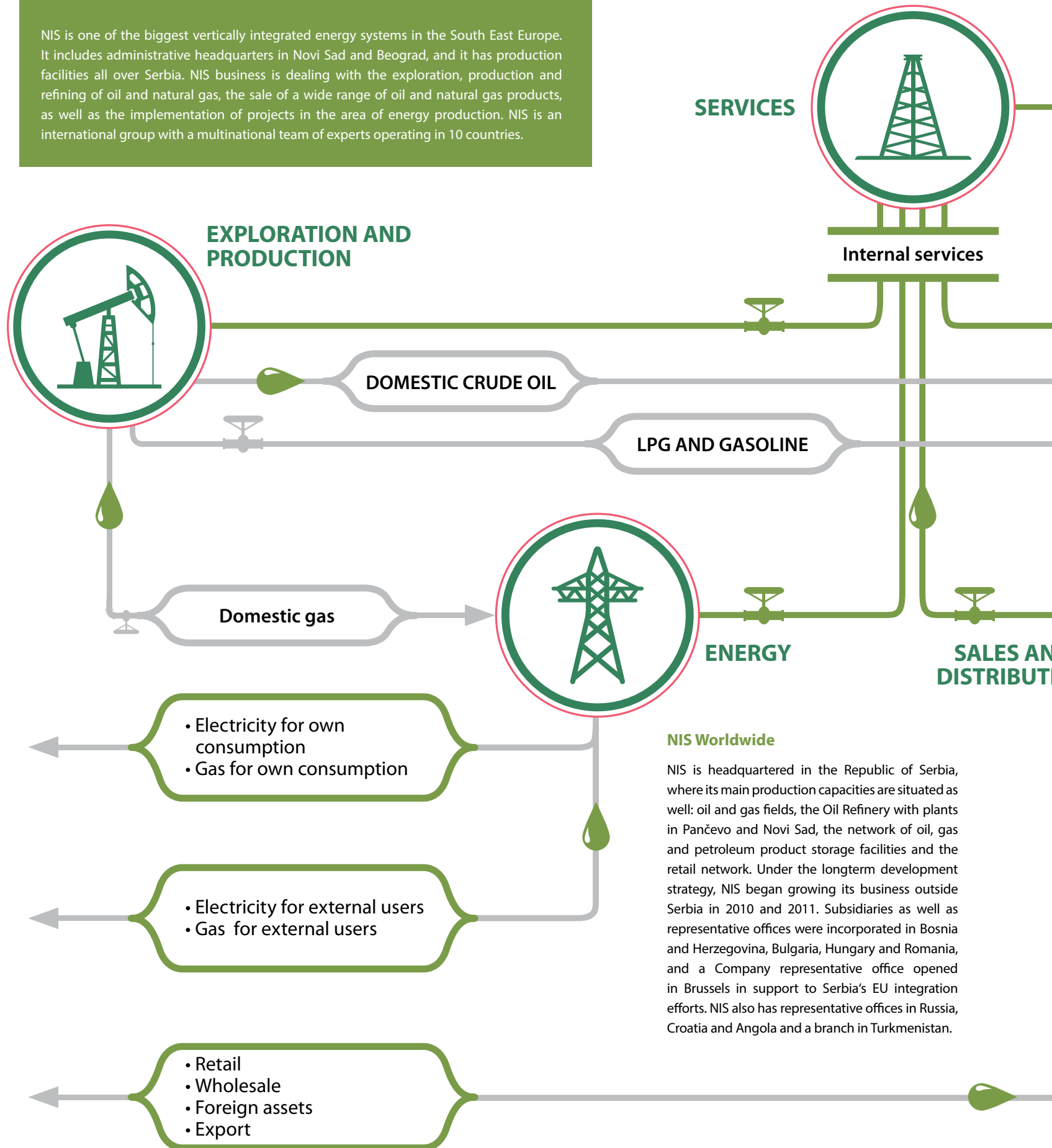
**FUTURE
AT WORK**

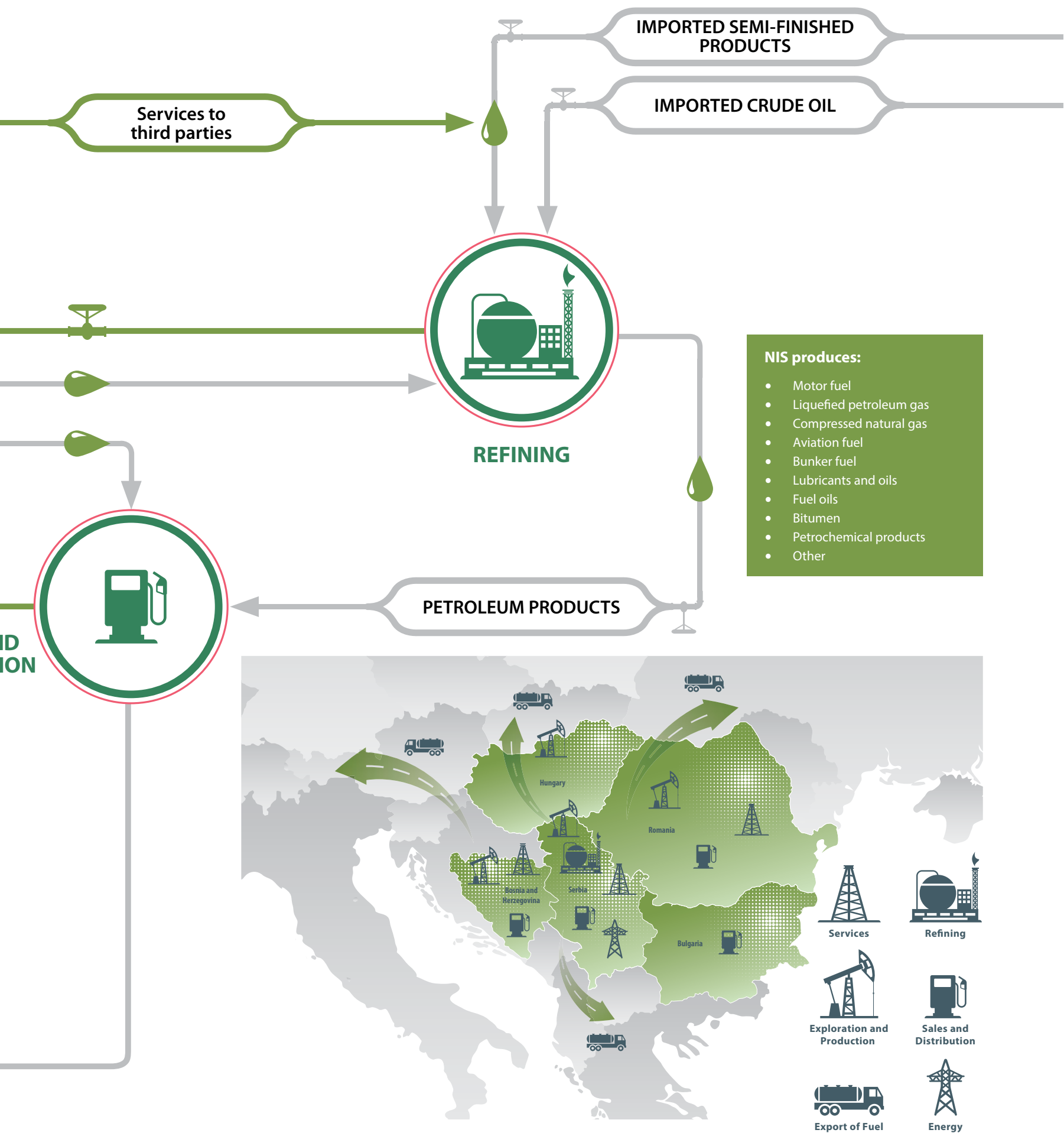


NIS.EU



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





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

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



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VALUES

Professionalism:

Acquiring modern knowledge with a view to constant improvement of the expertise and ability to apply it in specific work processes.

Initiative and responsibility:

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

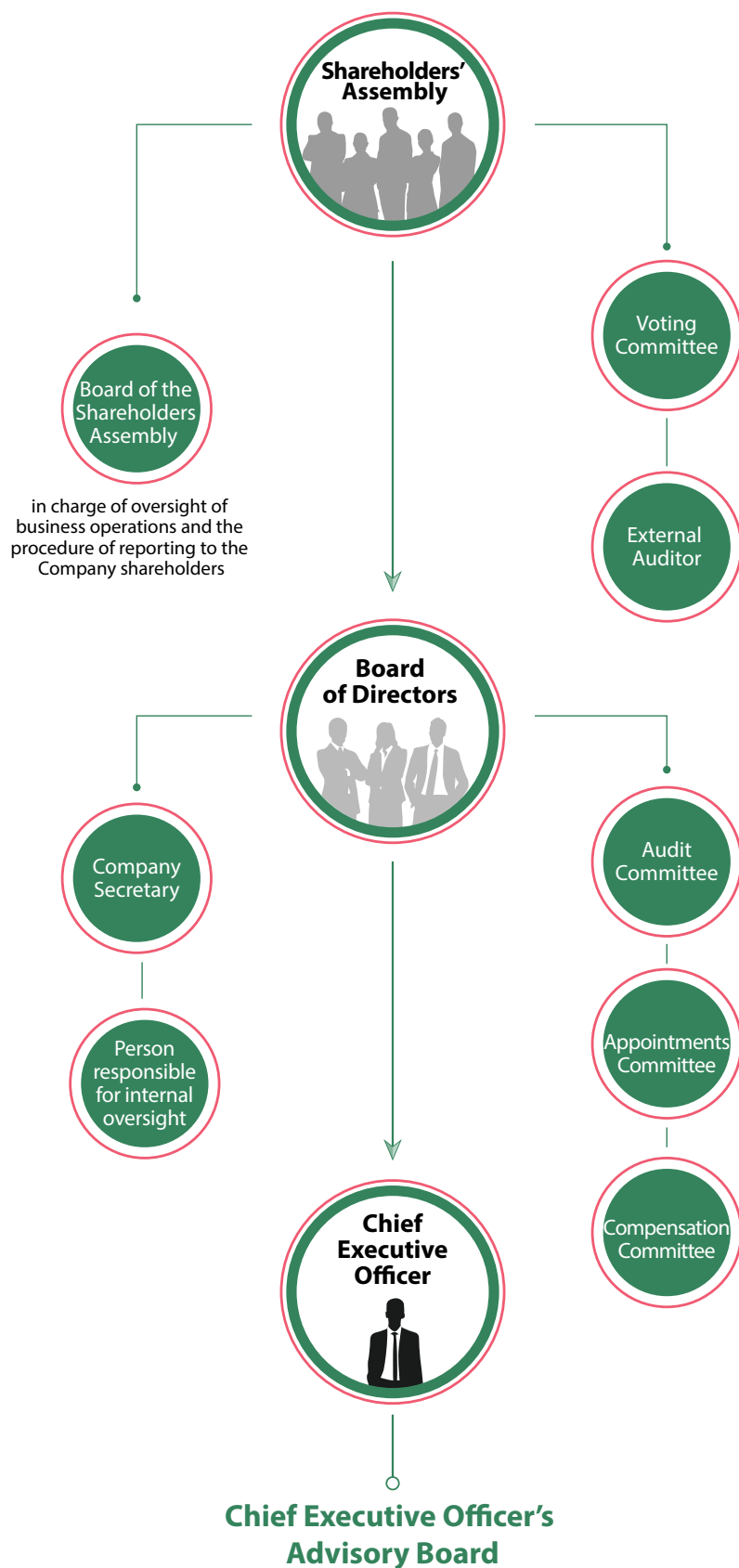
Positive attitude and cooperation:

Readiness to participate in crossfunctional teams and projects, responsiveness to requests for assistance by colleagues from other parts of the Company, readiness to share information, capacity for teamwork.

Joint result:

Joint efforts in order to achieve remarkable and impressive results, always striving for success by helping each other and through employee cooperation.

Structure of corporate bodies of NIS j.s.c. Novi Sad



Corporate governance

NIS is committed to applying high standards in the field of corporate management that are based on internationally accepted principles and experiences of the international practice.

The stability and progress in Company's business operations mostly depend on the efficient, responsible and transparent corporate management. With such a management approach the Company primarily confirms its tendency towards creating value for NIS stakeholders, but also to inspire trust of both local and foreign investors, business partners, the employees and general public.

NIS strategic corporate goals should ensure:

- protection of shareholders' rights and professional and responsible management,
- efficient control of NIS financial and business activities,
- transparent NIS business operations.

NIS has established a one-tier management system, based on which NIS has:

- Shareholders' General Meeting,
- Board of Directors,
- Chief Executive Officer.

Apart from the above mentioned management bodies, NIS also includes:

- Shareholders' Meeting Board for monitoring business activities and NIS shareholders' notification procedure (Shareholders' Meeting Board),
- NIS CEO Advisory Board.

Shareholders' Meeting

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

The Statute of NIS clearly defines the duties and competences of the Shareholders' Meeting, as well as its relationship to other NIS management authorities and bodies. The Rules of Procedure of the NIS Shareholders' Meeting defines the procedure for convening and conducting meetings and the method of work and decision-making of the Shareholders' Meeting.

The Shareholders' Meeting decides on all issues within its scope of competence according to the Law and Statute, including such issues as: adoption of NIS Annual Reports, which include its Financial Statements, appointment and dismissal of members of the Board of Directors, profit distribution decisions, decisions on the selection of an external auditor, adoption of Statute amendments, increase

or decrease in NIS basic capital, acquisition and disposal of assets of high value, status and legal form changes, remuneration of the members of the Board of Directors, i.e. definition of remuneration rules.

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

Board of Directors

Operation of the Board of Directors is extremely important for the long-term success of the Company. The Board of Directors is competent for setting business objectives and a direction of further development of the Company, as well as determining and control of success in the application of the business strategy.

The Board of Directors consists of 11 members, 10 men and one woman, who are all appointed by the Shareholders' Meeting. The Board of Directors consists of executive and non-executive directors, and in its composition, it has one executive and 10 non-executive members, out of whom two are non-executive directors that are at the same time non-executive members of the Board of Directors. Members choose the Chairman of the Board of Directors, whereas the functions of the Chairman of the Board of Directors and the CEO are separate. Members of the BoD possess the adequate combination of the necessary knowledge and experience relevant for the type and scope of activities performed by NIS.

Out of 11 members of the Board of Directors, six members are Russian Federation nationals, three are citizens of the Republic of Serbia, one is French and one an Austrian citizen.

At the time of appointment and during their term, all Board members must observe the non-competition rule.

The Board of Directors has established three permanent committees (Audit Committee, Appointment Committee and Remuneration Committee), which act as advisory and expert bodies helping the Board in its work.

Chief Executive Officer

The Board of Directors appoints the Chief Executive Officer among Board of Directors members. The CEO organizes the activities of NIS and co-ordinates the work of executive members of the Board of Directors. Apart from that, the CEO performs daily management activities and is authorized to decide on issues outside the competence of the Shareholders' Meeting and the Board of Directors. The CEO is NIS' legal representative.

Awards and Recognitions

Serbia

- Award for best relations with investors for 2015 (awarded by the Beograd Stock Exchange)
- Award "The Best from Serbia" for 2014, for the best corporate brand in the category of manufactured goods and business services (awarded by the Serbian Chamber of Commerce)
- Award "My Choice" in the category of social responsibility for corporate program "Together for the Community" (awarded by Association "My Serbia" in cooperation with the Beograd Chamber of Commerce)

Region

- "SAP Quality Award 2015" for the successful implementation of SAP solution in category "Business Transformation" for the region of Central and Eastern Europe (awarded by SAP Central and Eastern Europe)
- World Finance Oil & Gas Award in the category of the oil and gas industry, for the best company in Eastern Europe in the field of sustainable development (awarded by magazine World Finance)
- Best Buy Award 2015 – Consumer award for NIS Petrol petrol stations for the best price-quality ratio (awarded by Swiss organisation Icertias)
- Award "The Most Complex Approach in Talent Management 2015" (awarded by international company ExecutiveSearch, Stanton Chase)

Recognitions

- Recognition for contribution to the development of non-financial reporting (awarded by the Responsible Business Forum)
- Recognition "Captain Miša Anastasijević" for success in business operation of Plant "Construction" Naftagas – Technical Services (awarded by Media Invent)
- Recognition for outstanding contribution to the development, improvement and affirmation of the University in Novi Sad (University in Novi Sad)

Membership

The largest and oldest non-governmental organisation in the field of oil and gas is the World Petroleum Council. The national body of this Council is the National Petroleum Committee of Serbia, whose founder is NIS. The objective of this body is to improve activities in the oil and gas industry in the field of sustainable development. The National Petroleum Committee of Serbia was founded in March 2011. NIS CEO Kirill Kravchenko is also the Vice President and member of the Executive Board of the National Petroleum Committee of Serbia.

NIS is a member of various associations on the territory of Serbia and abroad, as follows:

- The National Petroleum Committee of Serbia, as the national body of the World Petroleum Council (WPC) since 2011,
- Foreign Investor Council (FIC) since 2011,
- The Chamber of Commerce of the Republic of Serbia,
- AmCham Serbia),
- European Virtual Institute for Integrated Risk Management EU-VRI since 2007,
- Bilateral Russian-Romanian Chamber of Commerce (CAMERA DE COMERT BILATERALA ROMANO RUSA) since 2013.

Dialogue with Stakeholders

Values nourished by NIS are ongoing communication and relations in the spirit of trust, partnership and an open dialogue with all stakeholders. Understanding the needs and expectations of stakeholders is fundamental for the Company. Key groups with which NIS cooperates are:

- employees
- shareholders
- trade unions
- investors
- state authorities
- consumers
- local population in the region
- local authorities
- business partners – suppliers and buyers
- business partners – companies in the energy and oil and gas sectors investing in joint projects with NIS
- social organizations
- media

mentation of joint projects in the field of energy under different programs and funds of the EU and other international institutions and organisations.

NIS has developed two-way communication with shareholders and investors. For more information on the Company, shareholders' rights and all issues related to NIS shares are available in the Office for Relations with Minority Shareholders in Novi Sad and Beograd, special Call Center is available at: 011/22 000 55, or by e-mail at: servis.akcionara@nis.eu, as well as the Section for Investor Relations. The Company tends to apply the highest standards in terms of information, while respecting the principles of equal treatment of all users of information and ensuring that published information are equally or easily available to all interested parties in the shortest possible period and, to this end, largely uses its web site. A special segment of the website contains the most important news, authorities' decisions, answers to FAQs of shareholders in the previous period, as well as all the necessary information about shares, shareholders' rights and dividends.

Relations with Investors

Active communication with investors takes place through regular quarterly presentations of achieved results, which allows direct communication with the Company's management, as well as in the form of meetings with investors and participation in investor conferences. All information intended for the investors is published in a special section of the corporate website <https://ir.nis.eu>. This year the Company continues the practice to "open door of the company" to the representatives of banks, brokerage firms, investment funds, as well as financial analysts, informing the investing public about all important aspects of NIS business. This year, two projects were presented: construction of the thermal plant in Pančevo and

Values which have been nurtured by NIS are permanent communication and mutual trust, partnership and open dialogue with all the stakeholders.

NIS cooperates with the aforementioned stakeholders in different ways, based on the share in ownership, cooperation agreements or some other common interest.

The Company continuously works on the establishment and development of effective and mutually beneficial cooperation with state institutions, trade-economic, diplomatic-consular sector, social, religious, political and other non-governmental organisations and associations in the Republic of Serbia, Russian Federation and countries of business presence, which are of business and strategic interest for the Company. Special attention in this dialogue is focused on the issues of reaching European standards in the energy sector, oil and gas industry and ecology. In 2015, NIS actively took part in the efforts of competent Ministries in establishing a relevant legal framework. In addition, the Company actively cooperates with reputable companies, scientific-research institutions, educational institutions, small and medium enterprises, associations and other stakeholders and other actors from the public and private sector from EU countries and beyond through the imple-

mentation of joint projects in the field of energy under different programs and funds of the EU and other international institutions and organisations.

The priority of the Company in relations with business partners is respecting the ethical code and transparency in business. The Company tends to achieve the most professional standards with simplified procedures.

Corporate website

The corporate website www.nis.eu contains data about the Company, its activities, projects, countries in which it does business, as well as products and services that the Company offers. Website visitors can find information on job opportunities, current tenders and business in the field of sustainable development, as well as current news and photography. All information are available in three languages - Serbian (Cyrillic and Latin version), English and



Russian. Also, the site is adjusted for the use on mobile devices. To give the best presentation of company's activities in the field of social and responsible operation in accordance with trends in the field of corporate reporting the company published in 2015 for the first time an online version of the Report on Sustainable Development for 2014 on the website.

The interactive report was adjusted to all mobile devices and it is possible for users to reach desired information with several clicks.

Consumer websites

The consumer websites of petrol stations www.nispetrol.rs and GAZPROM www.gazprom-petrol.rs provide information to the visitors about products, services, shares and operation of retail brands of the Company. The website of the GAZPROM premium brand is active in four countries in which this brand is present (Serbia, Bosnia and Herzegovina, Romania and Bulgaria) and it is accessible in the languages of those countries, as well as in English.

In 2015, a new website of NIS brand oil and lubricant NISOTEC www.nisotec.rs started to operate, which was created in accordance with the world practice and modern trends. A redesigned website contains a full range of NISOTEC products. In addition to detailed information about oils, lubricants and additive liquids,

consumers also have access to: the map of selling points, a list of authorised distributors, recommendations for the selection of a product, and other useful information. A special novelty is the integration of a search engine which enables owners of cars to obtain a recommendation for an appropriate oil or additive liquid from the NISOTEC range of products based on the type and year of production of their vehicle.

A new website with loyalty program "On the Road with Us" www.sanamanaputu.rs was launched at the end of 2015. The website describes detailed rules of the program, ways of collecting and using bonus points, a calculator that calculates the number of gained bonus points, and a map of petrol stations in which the program is active.

Social networks

NIS has pages on the most popular social networks such as Facebook, LinkedIn, Twitter, Instagram and YouTube. In 2015, the number of followers of the Company on social networks increased by 40 percent. In addition to the placement of information on Company's business operations, world news on consumer brands and social responsibility, NIS uses these communication channels to engage the followers to participate in different events and provides them with an opportunity to win numerous gifts and benefits. A large



impact of the Company's presence on social networks is proven by the fact that during public competition "Together for the Community". NIS announced its support of initiatives improving living conditions in local communities and more than 50 percent of website visits were coming from the Facebook.

Consumers can communicate with the Company via a free call to the call center on 08 0000 8888, and send an e-mail to: office@nis.eu.

One of the most important communication channels for the employees, is at the same time extremely efficient and popular is - **the corporate Intranet portal**. Apart from a large number of news on NIS business activities and service information, the employees may familiarise themselves with organisational parts of the Company and their activities, through a forum, feedback links (through Q/A) and topics asked on the Company's Intranet portal where an open dialogue for all the employees has been initiated.

In addition to the portal, the employees may receive information through other electronic media such as: e-news (a weekly review of current information), Infomail, and TV news - an overview of current information distributed through corporate TV sets in business centers.

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

"Energize" magazine is published quarterly in English and deals with both corporate and business issue, and its target audience includes partners, representatives of state authorities, the local and international professional public and the media.

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

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

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

Communication with trade unions is extremely important. A constructive dialogue with trade unions in which important personnel issues are resolved is an inexorable part of NIS' business operations.

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

ECONOMIC DEVELOPMENT

Despite negative trends and worldwide crisis in the global oil producing industry NIS has achieved noteworthy results in 2015. Development aimed to increase energy efficiency and cost reduction at all levels

contributed to positive results revealed in key performance indicators (net profit, payment of dividends, CAPEX), improved company operation and overall prepared us for the future challenges.



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ECONOMIC DEVELOPMENT

Operating Indicators

In 2015, the Company, as well as the economy of the entire region, faced a great number of challenges. Together with the economic crisis in the neighbouring countries, the global crisis in the energy sector had a major impact on the achieved financial result. A significant decline in oil prices represented a severe damage to the entire energy sector. Although the decrease in the price of oil and petroleum products directly caused a fall in sales revenue, reduced costs and increase in operational efficiency, which marked all business processes, would be an adequate response to adverse macroeconomic conditions. Achieved results testify that the taken measures had an effect.

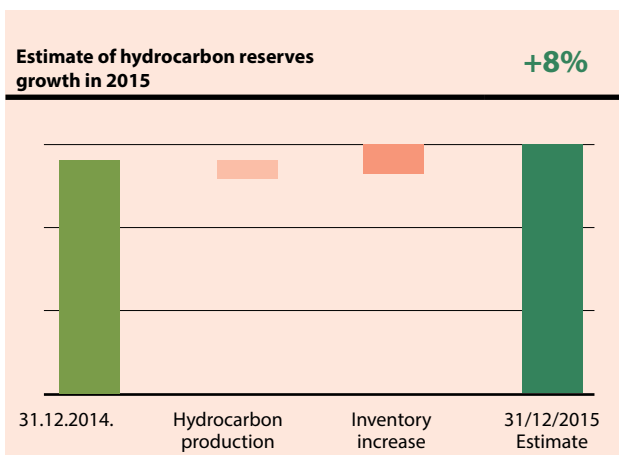
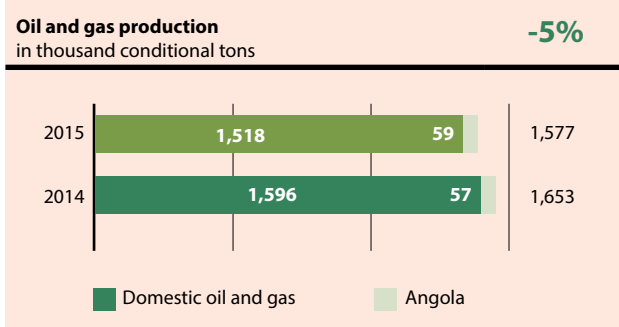
	In thousand RSD	In thousand RSD
	2014	2015
Directly generated value	262,888,984	211,668,432
Distributed economic value	233,198,316	194,780,981
Operating costs	185,476,009	160,013,799
Employee earnings and other remunerations	19,286,286	18,505,343
Interest on loans and dividends	16,170,490	10,635,513
Taxes*	12,097,796	5,562,079
Investments in the community	167,735	64,247
Increase in the economic value of the Company	29,690,668	16,887,451

* Indirect taxes are not included

Exploration and Production

Despite the decline of investments in 2015 the Exploration and Production Block managed to achieve the planned volume of hydrocarbon production, with simultaneous increase in hydrocarbon reserves by 8%. The application of new technologies and innovative solutions such as multiphase fracturing and horizontal drilling marked the year behind us. Compared to the previous year the program of operating efficiency increase and reduction of costs continued. In 2015, five exploration wells (three in production, and two under inspection) were drilled in the Exploration and Production Block.

3D seismic studies were carried out in Turija exploration area. The "multi-stage" fracturing method was for the first time successfully applied on Turija field, in the Pannonian Basin. The fracturing in the

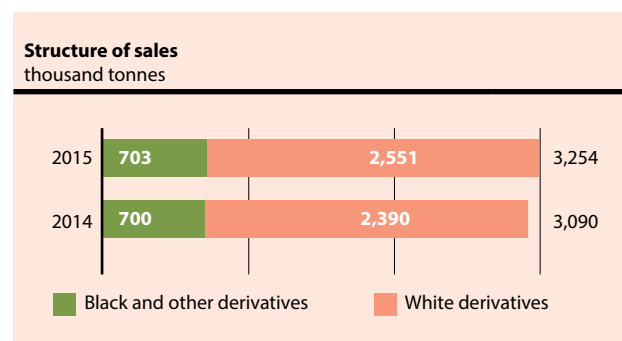
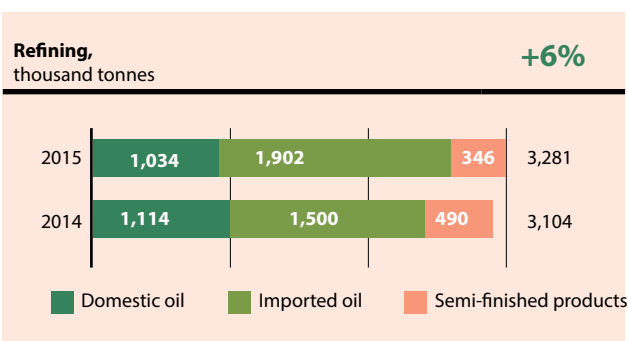
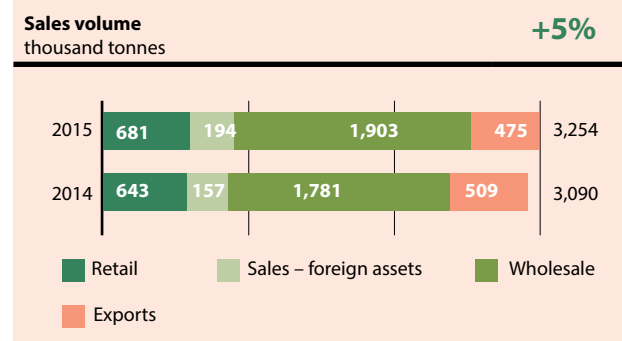
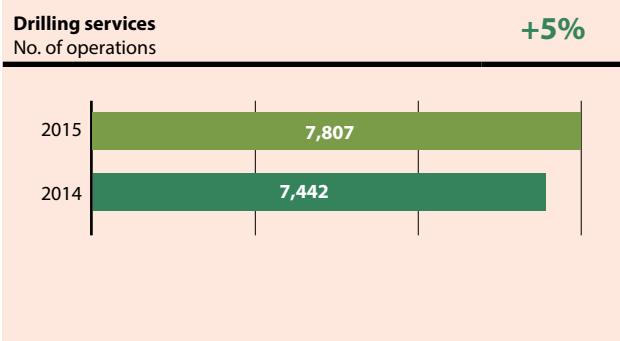


unconventional reservoir gave good results in oil and gas production. For more efficient hydrocarbon production we implemented infrastructure projects such as linking the construction of pipeline with SS Majdan and installation of portable compressors were completed.

Oil Field Services

In addition to achieving the income plan, the Oilfield Services Block also managed to achieve a better result than planned by optimising costs in 2015 (even though there has been a decrease in the value of services primarily provided to the Exploration and Production Block, the largest consumer of services).

Operational efficiency is higher than planned. The Oilfield Services Block has been working on the development of the provision of services outside NIS, to the acceptable extent, i.e. to the extent that does not interfere with the activities performed for NIS.



Refining

The year 2015 was marked with the implementation of project Deep Refining. To develop the base and extended base project (BDP/FEED) for the Deep Refining project a contract was signed with company CB&I. In 2015, CB&I developed a conceptual study of the project and had submitted a base project (BDP).

A planned major overhaul of the bitumen plant was carried out, as well as an overhaul of the FCC complex and SARU plant in September. Earlier this year, a diesel deparaffinisation plant was commissioned in order to improve low-temperature diesel characteristics. The Refining Block proudly points out the record of 515 days without an injury at work.

In 2015 intensified efforts were put in the increase of operational efficiency in all development directions (energy efficiency, reliability, technological improvements, etc.).

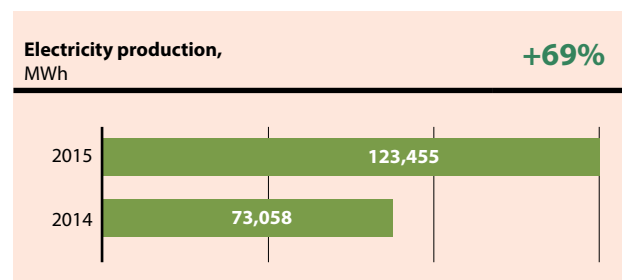
Sales and Distribution

Regardless of the construction and reconstruction of petrol stations, the business success in the operation of the Sales and Distribution Block is reflected in the increasing market share in the retail market of petroleum products in Serbia by 1%. A total of 12 new petrol stations were built in Serbia, 10 of which in Beograd. As well, participation in regional markets has increase. A production range in stores was improved with the introduction of G-Drive

petrol with 100 octane. A total growth in sales volume amounted to 5% compared to 2014.

Energy

Regular operations EBITDA indicator in the amount of USD 12 million is a good indicator of successful operation of the Energy Block. Company "TE-TO Pančevo" was established for the purpose of building a thermal power plant, a heating plant of 140 MW. Moreover a status of an eligible electricity producer was obtained for the wind farm "Plandiste". Projects for the construction of small power plants - Velebit 3 and Sirakovo 2 were completed, as well as stations for the supply of petrol station "Novi Sad 10" with compressed natural gas. In order to deliver thermal energy to new consumers company launched two projects in 2015 (Kanjiza and Bečej) that implemented links to the existing geothermal system.



1) EBITDA in the Energy Block for regular operation in 2015 amounted to RSD 1.4 billion. Old claims from Public Company "Srbijagas" were collected in December 2001 and the effect of this collection for EBITDA in the Energy Block amounted to RSD 4.2 billion.

Corporate security

Specificity of the industry and work with a large number of business partners influenced the fact that NIS pays special attention to the activities aimed at the prevention of any form of unlawful and harmful action, which has or may have adverse effects on the operation of the Company and society as a whole.

In 2015, the Company conducted an analysis and assessment of a risk related to corruption in all its organisational units. The risk analysis and assessment identified that the core corruption-related risk was abuse of a position of a responsible person and other unlawful actions expressed through:

- Irresponsible treatment of Company's assets and its insufficient protection,
- Lack of loyalty and connection with criminal structures,
- Negligence in the work of competent authorities, unlawful conduct of the employees, failures of protection systems, etc.

Constant monitoring of potential corruption indicators was conducted through the process of verification of job applications. This monitoring is applied for the candidates of managerial positions within the company, as well as in the process of verification of business entities when concluding contracts and harmonising contractual documents in the Company.

Trainings for new employees have been conducted in NIS on "Fight against corruption and organised crime" which points to the basic elements of implementation of the anti-corruption policy, preventively acts against corruption, discloses developed corruption capacities, and provides help to entities to be able to recognise elements of corruption.

In 2015 the Company trained 69 employees in the protection of information in the business environment and 14 employees in confidential recording.

A particularly risky area of business operation in relation to corruption is the purchase of goods and services, considering that it is characterised by direct communication with suppliers and a significant cash flow.

However, in addition to the purchase process, the target of corruption activities is characteristic in the field of operation with customers, and it is usually conducted through giving privilege to so called large customers and through the favouritism of a parity, mode of transportation or time of shipment.

For purpose of maintaining and ensuring favourable business environment through preventive and individual action against corruptive and/or illegal activities, all members of NIS' management bodies (the Board of Directors, Advisory Board Council and Advisory Board, as well as members of the Audit Committee, Appointment Commission and Remuneration Commission)

are familiar with legal and internal anti-corruption rules and procedures, as well as with adopted and applied standard form "Agreement on Anti-Corruption Behaviour".

Among all the agreements with business partners, NIS also concludes the Agreement on Anti-Corruption Behaviour. In cases when a business partner refuses to sign the Agreement on Anti-Corruption Behaviour, measures and actions are taken to establish a real reasons that led to the non-signing of the Agreement.

Apart from engagement on the national level, complex activities for the affirmation of economic security on the Serbian market are taken. Thus, representatives of the Company were engaged within the Serbian Association of Corporate Security Managers (SACSM), Beograd Chamber of Commerce, professional magazines on corporate security and direct forms of education of managers in the public and private corporate sector.

Monography "Economic Security of Business Operation" was promoted within SACSM whose authors were the employees in the Company, and a subject on the assessment of economic security risk was presented on the annual conference of that organisation.

As part of the Beograd Chamber of Commerce, managers of the private corporate sector companies saw a presentation on "Economic Security in the Collection of Receivables", and professional magazine "Svet Buducnosti" has a regular article on economic security of business operations. Some parts of these articles were published in magazine "A&S Adria". Parts of the bilateral corporate security cooperation were appropriate lectures, presentations and panel discussions on the topic of economic security of business operations. This was supported by the visits to the management of the public company for underground coal exploitation "Resavica", Bank Postanska Stedionica and company "Sectra Consulting" d.o.o. Beograd.

In 2015, competent managers received 224 proposals for the initiation of disciplinary or criminal proceedings by the Company against the employees who caused detrimental effects to the Company, with corruption motives as a cause (against one senior manager, 2 middle level managers and 241 persons from the category of other employees - engineers, technicians, workers). Corruption acts of the employees are: non-payment of payment orders and their misappropriation, abuse of company cards to gain asset benefits, misappropriation of plant fuel, misappropriation of other tangible assets of the Company (electrical cables, equipment from the site - boundary pillars, tubing, sheet piles, etc.), frauds of foreign drivers in foreign currency conversions in the retail, payment of leased equipment on the sites that are out of use, conflict of interest, etc.

Company identified a total of 28 cases where a business cooperation agreement with business partners was terminated or not renewed.

In the analysis, the term "corruption" is used as defined in the "National Anti-Corruption Strategy" – Corruption is the practice of abuse of authority in the public and private sector with a view to acquitting personal benefit or enabling third parties to acquire such benefits. This involves a broader understanding of the concept of corruption, which cannot be reduced to a general adopted opinion that this involves giving or receiving a bribe, but it also implies any action that originates, partially or fully, from socially unacceptable motives.



The reasons are:

- Non-adherence to contracted deadlines (2 cases);
- Poor quality execution of assumed obligations (5 cases);
- Breach of contractual volumes and schedule of work (1 case);
- Non-compliance with prescribed HSE conditions (1 case);
- Increased prices after conclusion of a business relation (1 case);
- Court procedure against a business partner due to the non-execution of contractual obligations (14 cases);
- Related business activities and managing structures with the company on the List of unreliable suppliers/customers/contractors (1 case);
- Manipulation on Company's auctions (2 cases) and
- Other (1 case).

Out of 28 registered cases, 2 were terminated or did not receive a renew agreement due to the corruption.

When purchasing goods and services, the Company conducts a complex assessment of a potential economic entity with which it may conclude an agreement. In this case Company looks into financial business indicators, professional and technical competencies, human resources, number and nature of management, possible court proceedings (particularly in the capacity of a defendant, especially prosecutor), as well as possible former participation in actions that may be classified as corruption.

In 2015, NIS verified a total of 7.815 business entities with which

it is planning business cooperation. Out of this number, 197 were not approved due to the lack of business capacities, poor results of previous business cooperation with the Company, and a negative experience in current business cooperation, lack of the reference financial statement, blocked account and other things.

Apart from business entities with whom NIS had business relation in the previous period, the company had additionally analysed every new supplier with a total number of 527. Out of the total of 5.248 contracts - 194 were not harmonised.

In order to eliminate business risks, NIS keeps a List of unreliable suppliers, customers and contractors which includes business entities that did not meet contractual obligations during the cooperation with the Company in the previous period (poor quality of executed works, unfair business cooperation, misuse, etc.).

NIS Business Ethics Code is particularly directed to the promotion of anti-corruption at the Company and operation of the SOS line (phone number: 021/481 5005; e-mail address: soslinija@nis.eu) provide an opportunity for the employees and for stakeholders to respond in cases of non-compliance with defined rules.

In addition, a special phone line and e-mail address were introduced for reporting on corruption cases in the Company (phone number: 064/888 5888, e-mail address: dkz.ia@nis.eu).

Future obligations and objectives:

- Raising employees' awareness of recognising damaging forms of corruption,
- Preventive activities which will improve business atmosphere and reduce the possibility of a corrupt activity,
- Training, courses and professional workshops as expert assistance to the management in identifying corruption elements,
- Participation in the development and harmonisation of internal normative documents with a purpose to install control mechanisms to reduce the possibility of corruptive action to a minimum,
- Cooperation, promotion and coordination of measures and activities with competent state authorities related to combating corruption activities,
- Continuing with the monitoring of corruption indicators in the Company with the application of measures for the reduction of corruptive activities in the Company to a minimum.

Suppliers

One of the basis of maintaining NIS competitiveness in the market is successful cooperation with suppliers, who are classified into three categories in geographic terms:

- Local – suppliers from the Republic of Serbia
- Regional – suppliers on the SEE level
- Global – worldwide suppliers

Successful cooperation with the suppliers includes successful completion of procurement processes, i.e. timely provision of materials and services necessary for the implementation of production and business processes in the Company.

The main principles guiding the procurement processes are:

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

These principles and business logic was followed by the standardisation of business processes through adopted documents such as rule-books, policies, standards and instructions. NIS is giving the priority to the competitive selection of suppliers and contractors. In the situation of non-competitive selection the selection must be explained and argued by the procurement initiator or business-users. The com-

petitive selection is based on the analysis of alternative market offers and the selection of a supplier which submits a technically acceptable offer with the price that has, delivery/ completion time, warranty period, securities or additional benefits for NIS. NIS chose and optimal offer in every aspect.

Buyers

One of NIS priorities is to increase customers' satisfaction to the highest possible level. Different forms of researches are conducted in the Company in order to analyse and monitor customers' satisfaction.

In 2015 Trecker was once again used for purposing of monitoring customers'/drivers' satisfaction. Trecker is a continuous research that tracks the use of fuel and work of employees at petrol stations, drivers' habits and attitudes. The research was conducted for the first time in April 2014, and has been conducted 2 times a year since then (April/May and September/October).

Regular service users of NIS petrol stations are fully satisfied with NIS as the main station for supply with petroleum products, with 93% of satisfied regular customers and only 3% dissatisfied. This general level of satisfaction of regular customers with NIS is at satisfactory level since an average level of satisfaction of a petrol station in Serbia is 91%.

NIS' competitive advantages are still seen in the wide network of petrol stations, as well as in the customers satisfaction of its locations and in additional promotions. One of the goals for further development is to increase a loyalty of customers and through the better conversion turned them from occasional users into regular users.

Goals for the future are to further improve the main factors of customer satisfaction like fuel quality, wide range of fuels, prices, petrol station locations, etc.

NIS corporate brand has significantly improved its reputation in recent years (a study conducted in 2012 and 2015). Similar to the findings from 2012, in 2015 NIS was once again seen as a strong, professional, leading company, and on the other hand, unlike in 2012, NIS is now perceived as a responsible company (35% of the population views NIS as a responsible company).

Improving NIS corporate reputation is evident through the increase of trust and an overall attitude towards the Company (62%

Total value of booked liabilities towards suppliers in 2015 excl. Gazprom Neft					
Booked liabilities towards suppliers during the observed period in rsd	Number of suppliers with whom the company cooperates	Booked liabilities towards local suppliers in rsd	Number of local suppliers	Percentage of booked liabilities towards local suppliers in value	Percentage of local suppliers from whom purchase was made during the observed period
107,907,974,461	2,535	68,997,655,816	2,007	64%	79%
Total value of booked liabilities towards suppliers in 2015 incl. Gazprom Neft					
Booked liabilities towards suppliers during the observed period in rsd	Number of suppliers with whom the company cooperates	Booked liabilities towards local suppliers in rsd	Number of local suppliers	Percentage of booked liabilities towards local suppliers in value	Percentage of local suppliers from whom purchase was made during the observed period
173,673,673,673	2,536	68,997,655,816	2,007	40%	79%

in 2015, compared to 48% in 2012). Also, an increased recognisability of the corporate brand has been noticed (99% in 2015 compared to 93% in 2012), with greater knowledge of NIS ownership structure and Gazprom origin.

Product Labelling

Due the nature of its business activities, NIS is dealing with a large number of different chemicals. The Company labels products are in accordance with the regulation and has an objective to provide information with adequate labelling on hazards of possible impact of chemicals on human health and environment. Safety Data Sheet labels (stickers) of materials contains data on the composition and properties of products, manner of storage, handling a product and transport and disposal of waste. Label (packaging) have to contain elements such as pictograms, proper tags and text indicating dangerous properties of a chemical product.

The Safety Data Sheet is primarily intended for professional users. Its content is tailored to their needs and serves to provide information to the professional user about real predictable physical and chemical hazards arising from the properties of the chemical product, as well as about related risks to human health and environment. Also, the Safety Data Sheet contains information that is relevant for other target groups such as, for example, subjects in the transport of dangerous goods or responding to a chemical accident, etc.

Product Liability and Compliance of the Company Operation with European Union Regulations Communication between suppliers and customers is requiring producers and importers to provide information on environmentally-friendly and safe use of their substances or mixtures. The main instrument of such communication is the Safety Data Sheet. Safety Data Sheet (SDS), is a statutory document which use has been mandatory since 2013.

Compliance with REACH (Registration, Evaluation, Authorisation and Chemicals) is a prerequisite for the export of Company products to the European Union. Since a significant part of its products is exported to the European Union market, NIS has undertaken extensive tests and activities with a view to fulfilling its REACH obligations. All REACH obligations have been met in accordance with the set deadlines and a positive decision has been obtained from the European Chemicals Agency on the registration of substances produced by NIS. This has ensured free marketing and sales of NIS products on the European Union market.

According to the REACH regulation, 15 substances were registered, which enables the export of 22 Company's products to the EU. In 2015, final registration of liquefied petroleum gas (LPG Autogas) was done in the European Union.

Amendment to Safety Data Sheets for Company products and Safety Data Sheets (SDS) for the export of products into the EU was conducted in accordance with the new European regulation that became effective on 1 June 2015.

During the year there were no initiation of inspection proceedings due to the non-compliance with legal regulations defining the provision of information on products and/or services of the Company. Company activities resulted in the fact that in 2015, no proceedings were initiated against NIS and the Company participated in no disputes, i.e. there were no cases claiming that



products and services had any impact on the health and safety of customers.

It is especially significant that there were no cases of non-adherence to regulations and unwritten codes related to marketing communications or any breach of customer's privacy.

Transport

The last link in the chain of supply with petroleum products is distribution to end-users, where the transport of goods is done by road freight vehicles of the Sales and Distribution Block. A series of preventive actions was conducted in order to increase the safety of the employees but also of other road users and the environment.

With the modernization of the fleet, NIS has positively influenced on the reduction of negative impacts on the environment caused by road vehicles (which transport goods in the territory of Republic of Serbia and in the territory of the neighbouring countries). Vehicles that were purchased meet the technical requirements in terms of noise and pollutant emissions, as well as technical and exploitation requirements in terms of safety of vehicles with Euro 5 engines. Most importantly the quantity of emitted pollutants into the atmosphere was reduced, and reduction of the average consumption of fuel improved energy efficiency of the Company. The optimisation of the structure of the fleet resulted in the re-

and trailers equipped with EURO VI engine and are certified as a safe vehicle.

Taxes and Other Public Revenues

A total amount of public revenue liabilities payable by NIS and its subsidiaries developed from the NIS organizational structure in Serbia amounted to RSD 141,2 bln in 2015, which was 13,1 bln, i.e. 10 percent more than in the same period last year. A total amount of public revenue liabilities payable by the NIS Group in 2015 amounts to RSD 151,9 bln, which is by 15,7 bln, i.e. 12 percent more than in the same period in 2014.

Investments

The Business Plan for 2015 and mid-term investment program was adopted on the 49th session of the Board of Directors, held on 5 January 2015. The Plan contains a CAPEX investment plan for period 2015–2017. In 2015, RSD 30,32 bln was allocated to investment funding, which is 23% less than the amount allocated in 2014.

The most important investments in oil and gas production in

With a series of new measures NIS has responded to the market challenges while protecting main strategic directions of the Company development. In the forthcoming period the Company will remain coherent in its compliance with the principle of socially responsible operation.

duced level of transport noise made by the drive unit on motor vehicles, the flow of air around the body of the vehicle and interaction of the tire tread and road surface of motor vehicles and trailers. Modernisation of the fleet resulted in the fact that 62% of the total number of trailers has been certified as a safe trailer. Normative frameworks for managing fuel and tire consumption were defined with the adoption of consumption norms and definition of the procedure for the control of tires during their life cycle.

Vehicles that are used for the transport of dangerous goods have the ADR certificate of the ability of a vehicle to transport certain hazardous cargo, which implies that there are only technically functional vehicles on the road, fitted with the equipment for the prevention of discharge of cargo in case of an accident.

Fleet modernisation was done in the previous period, and new generation vehicles make 43% of the total fleet and make 56% of the total envisaged distance. Optimisation of the fleet structure (disposal of old generation vehicles) and planning of deliveries resulted in the fact that new generation vehicles made 67% of the total covered distance in 2015, which resulted in the reduction of CO₂ emission by 12%.

Fleet modernisation is expected to take place in 2016 with the procurement of an additional number of new generation trucks

2015 were:

- Drilling development wells
- Investments in geological and technical measures
- 3D seismic exploration program and drilling exploration wells in the Republic of Serbia
- Gas business projects
- Investments in concession rights.

The most important capital investments related to the environment in the Oil Refinery Pančevo were:

- Mixing a bio-component with diesel fuel
- Construction of a closed drainage system
- Reduction of NO_x emission in smoke gases from the Energy Plant



Strategic Goals

Adverse macroeconomic trends in the environment will according to forecasts remain in the following years which represent new challenges for the oil industry. The Middle East aggressively develops oil and gas production and its processing facilities. As a result, low prices of crude oil and increased refining of petroleum products jeopardise the global stability of the industry.

NIS responds to market challenges, with a set of measures while preserving basic strategic directions of Company's development. In the future, all Company's efforts will be focused on the maintenance of profitability and maximisation of yield for shareholders in the conditions of deteriorated macroeconomic environment, while establishing foundations for further development. Special emphasis was placed on the optimisation of overall operational performance indicators of the Company.

Exploration and Production

In the field of exploration and production the special focus shall be put at following issues:

- Conservation of indicators of resource base increment
- Further increase in the efficiency of existing reservoirs
- Measures for the reduction of production losses
- Continuation of activities in the field of research on the territory of Serbia
- Potential exploration of unconventional resources in the mid-term period.

With a view to ensuring long-term sustainable growth, NIS continually explores possibilities in concession projects, and analyses new business opportunities in the region and beyond.

Oilfield Services

The development of oilfield services will be as before focused on the support of the implementation of Company's plans in the field of safe and efficient operation of plants, equipment and infrastructure. Improvement of the quality of provided services, increase in the utilisation of capacities and increased work efficiency

are key priorities for the development of oilfield services.

Refining

Continuous developments of global refining capacities, particularly of those in the Middle East, lead to the situation that only the most complex refineries in the Mediterranean region and Europe could remain compatible and profitable. Accordingly, it will continue with the modernisation of refining capacities, followed by increasing operational efficiency and effectiveness of all relevant indicators of the refining process.

Sales and Distribution

In this field of business activities, NIS shall focus on further development of the retail network. NIS will continue to operate in the regions where it is currently presented and will try to spread its operation in those regions taking into account market opportunities. NIS will work hard to increase the operational efficiency of the network and to implement innovation formats of sale in the retail to make an offer as attractive as possible for customers.

Energy

The main directions of investments in the field of energy in the following period will be implementation of the project for thermal-power plant Pančevo and cogeneration projects. A number of options development plans related to Serbia have been considered, which imply full monetisation of its own natural gas. These projects should, together with further development of power plants running on gas and production and sale of compressed natural gas, help in maximising effects of their own product and meet internal energy demand, with the sale of surplus energy to external customers. The Energy Block develops diversified sources of energy - from conventional to renewable sources, from which electrical and thermal energy will be generated for market needs.





HUMAN RESOURCES

Responsibility for employees represents the very top of NIS's priority pyramid. In addition to the focus on the development of innovative technologies and implementation of the excellent business achievements, human factor remains the drive which directs our company towards the future. Permanent investment in our personnel through continual

training, programs of social care and occupational health and safety, is only one segment of our concern for the employees. In 2015 all the members of NIS community were enabled to make their own proposals through our corporate program titled „I Have an Idea”, and thus to initiate changes at the level of the entire company.



NIS
GAZPROM NEFT

**FUTURE
AT WORK**



NIS.EU



HUMAN RESOURCES

High standards in human resource management represent an imperative for NIS. Therefore, many activities are directed to attract and select the best candidates. After becoming part of NIS our goal is to provide the environment in which our employees are able to express their potential. The system of qualitative and continuous training enables NIS to provide its employees with an opportunity to acquire high qualifications that meet European and international standard, the system of tangible and intangible rewarding recognises the way to promote and valorise this.

Equal Opportunities

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

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

HR processes.

Fluctuating in the number of employees

On 31 December 2015, NIS employed the total of 5,258 employees. Through the "NIS Chance Programme", 14 people were employed on 31 December 2015. The number of employees is presented in the Oilfield Services Block, which includes also the employees in subsidiaries Naftagas – Naftni Servisi, Naftagas – Tehnički Servisi and Naftagas – Transport. The number of employees in the Exploration and Production Block includes also the employees in subsidiary NTC NIS Naftagas.

On 31 December 2015, NIS had 5,203 permanent employees (which made up 98.9 percent of the employees), and 55 temporary employees working full-time. There are no part-time or underage employees in NIS.

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

Qualification structure as of the last day in the year												
		PhD	M.Sci	B.Sci	College	HS	Elem	HQ	Q	SQ	NQ	Total
2014	Permanent employment	15	165	2,178	393	1,745	5	286	800	0	4	5,591
	Temporary employment	0	1	123	3	15	0	0	1	0	0	143
	Total	15	166	2,301	396	1,760	5	286	801	0	4	5,734
2015	Permanent employment	16	100	2,202	327	1,557	6	248	746	1	0	5,203
	Temporary employment	1	3	33	2	9	0	0	7	0	0	55
	Total	17	103	2,235	329	1,566	6	248	753	1	0	5,258

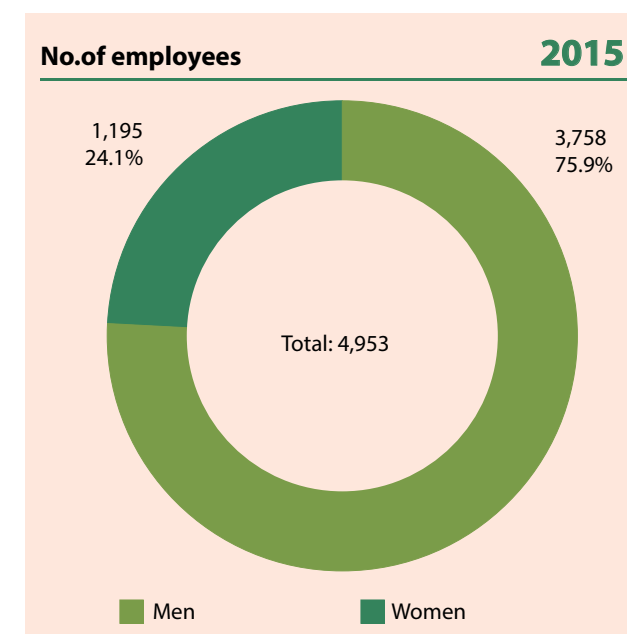
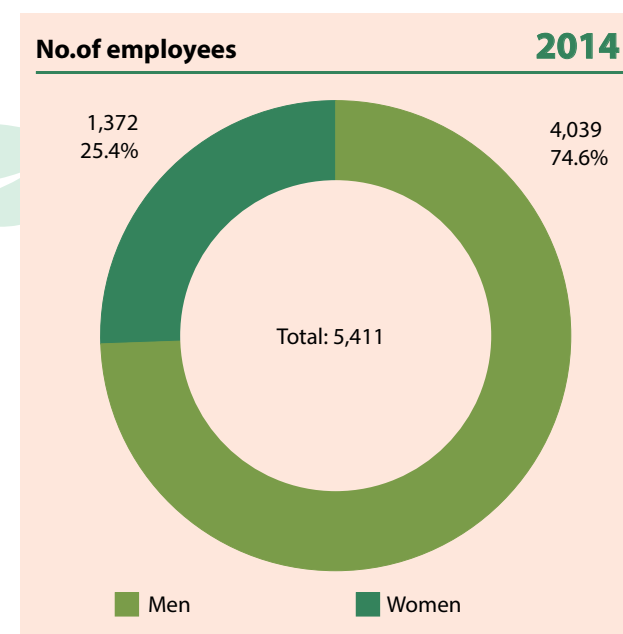
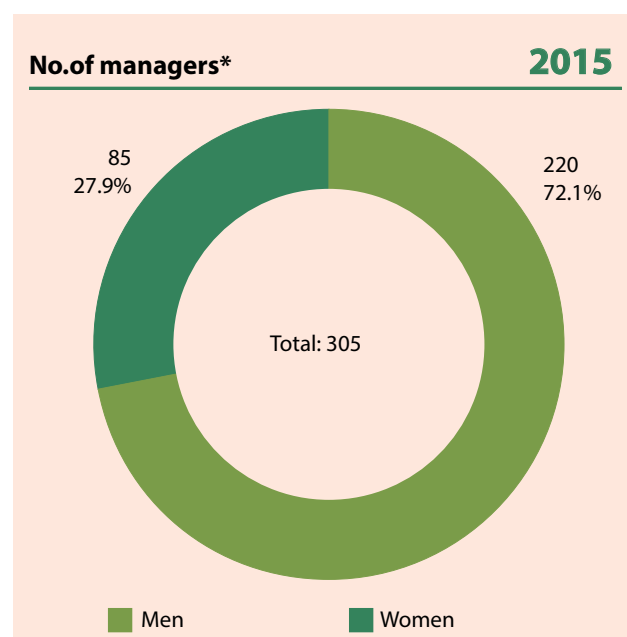
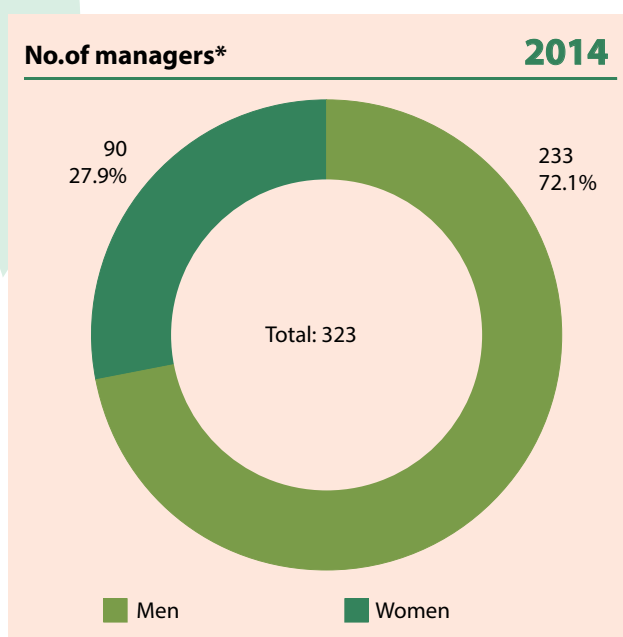
Employees to the department director level								
	No. \ level	General manager	GM Advisers and Deputies	Function /Block Director	Function/Block Director Advisors and Deputies	Subsidiary Director	Department Director	Department Director Advisors and Deputies
Age	<30	0	0	0	0	0	0	0
	30-50	1	4	12	13	4	65	3
	>50	0	3	3	5	0	4	0
Gender	Women	0	3	1	1	0	16	0
	Men	1	4	14	17	4	53	3
Nationality	National	0	3	2	7	3	41	1
	Foreigner	1	4	13	11	1	28	2
	Total	1	7	15	18	4	69	3

* This includes I, II and III tier managers

Organisational unit	2014	2015
NIS – Professional Services	1,350	1,036
Exploration and Production	1,043	1,057
Oilfield Services	1,277	1,191
Refining	870	799
Sales and Distribution	959	941
Energy	235	234
Total	5,734	5,258

Permanent and temporary employees by gender				
		Men	Women	Total
2014	Permanent employment	4,189	1,402	5,591
	Temporary employment	83	60	143
	Total	4,272	1,462	5,734
2015	Permanent employment	3,934	1,269	5,203
	Temporary employment	44	11	55
	Total	3,978	1,280	5,258

Ratio between the management and employees



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

Age structure							
	18-19	20-29	30-39	40-49	50-59	above 60	Total
Management* 2015	0	4	120	127	45	9	305
Employees 2015	0	529	1,383	1,683	1,239	119	4,953
Total 2015	0	533	1,503	1,810	1,284	128	5,258
Management* 2014	0	13	139	121	43	7	323
Employees 2014	1	686	1,530	1,822	1,281	91	5,411
Total 2014	1	699	1,669	1,943	1,324	98	5,734



Employees' fluctuation						
	Men		Women		Total	
	2014.	2015.	2014.	2015.	2014.	2015.
Employed	298	95	159	46	457	141
Employment terminated	336	389	134	228	470	617

Age fluctuation														
	up to 19		20-29		30-39		40-49		50-59		above 60		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Employed	1	0	250	60	134	53	52	19	19	6	1	3	457	141
Employment terminated	0	0	159	119	97	116	99	170	86	192	29	20	470	617

Maternity leave dynamics in 2015							
Employees whose leave started in 2014	Employees returning from the leave in 2014	Employees whose leave started in 2015	Employees returning from the leave in 2015	Employees returning to work after the leave by 31 December 2014 and 31 December 2015	Remaining number of employee expected to return from leave in 2016 and 2017	Left the Company within less than a year after return from the maternity leave	Employees returning to work after the leave and remaining employed with the Company 12 months after the return from the leave
67	52	75	68	120	80	19	40

In 2015 617 employees left NIS, nine of whom retired and 85 employees left the Company by mutual agreement and receiving a severance package. The employment of 523 employees was terminated for the following reasons - the employer terminated their employment agreements, employment was terminated at the request of the employee, completion of a temporary employment period, death of the employee, etc.

The Company intends to provide support to the employees who leave the company as redundant, providing workshops in Pančevo and Novi Sad with the representatives of the National Employment Service. The purpose of organising workshops is to familiarise the employees with their rights and opportunities after leaving the Company. This involves the information regarding the registration in the records of unemployed persons and the role of National Employment Service (informing them about the possibilities and conditions for employment, vocational guidance, vocational rehabilitation of persons with disabilities, monetary compensation for the duration of unemployment, in accordance with the law). The employees are instructed to cooperate with a counsellor for employment and they are familiarised with the importance of their active role in job search, as well as with active employment measures.

In case there is a need to transfer an employee to other jobs or change other important elements of the employment contract,

the Company was obliged to submit to the employee an offer for the conclusion of an annex to the employment agreement, with a validity date for stating an opinion about the offer within eight working days from the date of receiving the offer.

Trade Union Cooperation

NIS supports the freedom of trade union association and collective bargaining; therefore it continues its intensive cooperation with the representative employee trade union in 2015.

NIS has several representative trade unions in subsidiaries (Naftagas – Naftni Servisi, Naftagas – Tehnički Servisi, Naftagas – Transport and NTC – NIS Naftagas):

On 31 December 2015, 65 percent of NIS' employees were members of representative trade unions.

Employees' rights specified in the Collective Agreement and the Labour Law are exercised, inter alia, through a constructive relationship with the trade union, daily consultations and regular meetings. These meetings are improving social dialogue and presents the results of business operations. Moreover Employee's

Reason for employment termination		
	2014	2015
Retirement	6	9
Consensual termination of employment followed by a severance package	178	85
Other	286	523
Total	470	617

Number of employees in representative trade unions	2014	2015
Uniform union organisation at NIS a.d.	3,643	2,651
UUO Oilfield Services	0	293
UUO NTC NIS Naftagas	0	61
UUO Special works (Naftagas – Oilfield Services)	0	199
UUO Technical Services	0	221
UUO Transport	0	53
Total	3,643	3,478

rights are exercised through the task forces, which include union and employer representatives and which aim is to monitor the implementation of the Collective Agreement.

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

The new Collective Agreement signed on 17 December 2014 for NIS a.d. Novi Sad, as well as Collective Agreements of subsidiaries, signed in January 2015, retain the employees' rights corpus and it is harmonizing the provisions of the Collective Agreement with the provisions of the Labour Law (as are the provisions on higher remuneration per work hour, the so-called years of service, which are considered only as related to the current employer, as well as the issue of severance package only in reference to the current employer).

Some of the rights guaranteed in the Collective Agreement and other internal documents of the Company include:

- Special protection of the people with work-related illnesses and of those suffering from work-related disabilities, as well as preventive recuperation of the employees working at high-risk positions, as well as of all the other employees with a goal to preventing professional illnesses and disabilities,
- Wide range of solidarity assistance paid out to employees (in case of an illness/death of the employee or a member of his/her nuclear family, destruction or damage of their households, birth of a child in families with several children, etc.),
- Scholarships during the regular education of the children of killed and deceased employees,
- Collective employee insurance in case of accidents, Voluntary retirement insurance paid by the Company to the Fund for all the employees,
- Resolving employee accommodation issues by allotting housing loan subsidies.

An HR portal has been created to inform the employees on all benefits, terms and conditions of the abovementioned benefits under the Collective Agreement and internal documents of the Company.

Candidate Recruitment and Selection

The recruitment and selection of candidates is a process in which the Company search for candidates that are best-fitted for a certain position. The recruitment is processed in a highly transparent and best quality manner. Priorities are given to internal candidates, and afterwards to external ones.

We aim to improve the recruitment process through the develop-

ment of our team and working methods so that NIS would hire the best candidates in competition with other successful companies. For the purpose of developing and improving the recruitment NIS is expanding the network of contacts and associates, expanding selectional canals. NIS also exchange ideas and experiences when it more than successfully organized the Recruitment Conference 2015. This is the first conference in Serbia that deals exclusively with the issues of recruitment and selection.

Program "Return to Serbia" continued to develop in a year 2015. With this program NIS provides support to professionals who obtained their education and work experience abroad and would like to pursue their career at NIS. Additionally the implementation of program "Student Practice" continued in 2015 where more 100 students obtained an opportunity to get familiarized with the Company.

Moreover around 564 university students and secondary school students attended the one-day professional visit to NIS in order to know more about the Company and their potential future employer.

NIS Chance

"NIS Chance" is the program which offers employment to the young people who graduated from technical high schools or universities and have no experience in the field. In 2015 program underwent through certain modifications what resulted in new jobs opportunities. Engineers received their first job in the profession at the beginning of 2016 that matches the core activity of the Company. Over 690 employees started their career at the Company as part of this program and 32 candidates were employed in program year 2016/2018.

Professional Development of Employees

With continuous investment in human resource development, NIS strives to ensure that employees are ready to respond to all the challenges in everyday business. In 2015, over 250 million RSD was invested in the development of the employees with the cooperation with educational and professional institutions.

A total of 1,290 trainings were held in cooperation with external providers, with 6,502 participants, and also a significant number of in-house trainings were conducted.

An increase in hours of training in 2015 for male employees is largely the result of theoretical and practical trainings in Technical High School Zrenjanin, which are primarily aimed at workers in wells. In December 2015, NIS was presented with a prestigious award organised by Stanton Chase company, for "The Most Complex Approach in Talent Management 2015". This award distinguishes NIS

	Hours of training per gender		Hours of training per category		Training costs	Total no. of hours
	Men	Women	Managers	Employees	RSD	Total
Total number of hours of training and training cost	172,813	29,558	25,227	177,144	203,022,564	202,371
Number of employees	3,978	1,280	305	4,953	5,258	5,258
AVERAGE NUMBER OF HOURS/COST	43	23	83	36	38,612	38

from other companies in dealing with talents and developing their potentials.

In order to create and improve corporate culture, and in cooperation with the British Academy for coaching "Academy of Executive Coaching UK", coaching was promoted as a management style. As part of the program, NIS employees attended trainings after which they received internationally recognised "Coaching Skills Certificate".

In cooperation with the Center for Managing Projects and Internal Resources of the Company, more than 150 of the employees passed the trainings within program "Project Management". In addition to presenting basic concepts, necessary for project management, they perfected in the areas of risk management, time schedule of activities and costs on projects.

Leadership skills have been strengthened so far. Organised by Mokra Gora Management School and agency Pro Consulting, our employees attended trainings where they gained knowledge of new approaches to leadership; differences between a modern leader and manager. Through the examples of the most successful companies and individuals, our employees improved their knowledge of modern leaders and techniques, and also how they can implement this knowledge in everyday work.

In addition to abovementioned knowledge necessary for every manager's performance, we are raising the awareness of the rights of the employees, particularly in the field of mobbing. The training was first passed by the employees in human resources with a tendency to present innovations in the Law on Mobbing to all the employees in the Company.

Large investments were made in building technical knowledge of the employees. Important world conferences presenting trends and best international practice in the field of operation of our Company were

followed. We were also hosts for large international companies such as: Euromoney Training, Aspen Tech, Vector Leaderstva, which transferred their experiences to our employees.

As part of cooperation with Technical High School from Zrenjanin, the professional training program was used to provide 493 employees from the Exploration and Production Block and Naftni Servisi necessary skills for profile: Oil and Gas Plant Operator.

An activity that particularly excelled compared to the previous year is the rotation program. In 2015, the rotation program was successfully implemented with 16 employees from the Exploration and Production Block and GPN, whereas one colleague from GPN improved his knowledge in our company. The idea is to develop the rotation program within the Company, i.e. to encourage expansion of knowledge and development of the employees by rotating them to other positions within the Company.

In addition to the stated activities, there was also an improvement in the existing corporate programs whose objective is to develop specific skills necessary for the performance at key positions. The following particularly stood out among them:

"Lead 2016" program included 24 employees who have a potential to assume leading managing positions in the Company. Program participants are included in the implementation of projects with the aim to increase motivation and innovative skills of the employees, but also to develop their own skills of working on projects. The projects in which the employees are involved are supported and monitored by a mentor (selected manager from the Company) and they are introduced to the General Manager at the end of the program. The objective is to



apply the best project in everyday work, and program participants to master the knowledge and skills necessary for the highest leadership positions in the Company.

With "Staff Reserve" program NIS implemented the program for the development of leadership skills. It is focused on the development of managers that are in the position to assume serious manager functions in less than a year. It is organised by Mokra Gora Management School. 100 managers attended a series of workshops with the objective that in 2016 other participants of program "Staff Reserve" more intensively participate in trainings which will contribute to the development of their management skills.

Program "Learning Foreign Languages" ensured that 284 employees, due to the needs of their work, improved their knowledge of a foreign language. Over 150 employees are included in the program of group learning of the English language; the same number attends an individual course of learning English, Russian and Serbian (aimed at foreigners in our company).

Incentive System

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

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

- Earnings system (basic and variable earnings, benefits, premiums, non-financial incentives, etc.),
- Regular assessment of work performance and assessment of employees' competencies,
- Employee development,
- Balanced ratio of work hours and leisure time.

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

Basic Salary

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

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

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

Minimum monthly basic gross salary in NIS is, defined in the Col-



lective Agreement, amounts to RSD 45,000 and is higher than the minimum gross salary in Serbia, which amounted to RSD 30,129 in December 2015.

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

Variable Part of the Salary

Employee work performance assessment is performed on a monthly, quarterly and annual basis, which is measured through collective and individual results that are assessed with the awarding system through the variable part of the salary. The variable part of the salary is not a legal obligation but is the strategy of the Company to motivate and award efficient employees.

be connected with the objectives of the organisational unit. The annual bonus is based on the assessment of the employees per competencies. The payment of the annual bonus in the administration is directly related to the business success of the Company and organisational unit (in Blocks), with the other words, with the realisation of EBITDA. In addition to regular incentive systems, there is a premium system in NIS for special achievements which is used for motivating proactivity of the employees that had a positive effect on the activity of the Company, as well as the system of project premiums which is used for rewarding successful work on CAPEX and OPEX projects.

In 2015, the second regular employee competence assessment cycle was undertaken, which included all NIS' employees classified into 3 main categories – managers, specialists and workers. All employees receive quality and structured feedback on assessment results.

The Company has adhered to the principle of anti-discrimination when defining wages of its employees.

There are three basic forms of variable remunerations in the Company for the employees: variable remunerations in the production and technical organizational units, variable remunerations in sales and variable remunerations in administration. Conditions in which every employee has the right and opportunity to influence his/her personal income with his/her work.

The variable part of the salary in production and technical organisational units includes employees from all Company's blocks, except from the Sales and Distribution Block. Currently, there are more than 10 such variable salary schemes. Each Block has its specialty. Therefore, schemes of variable parts of salaries are different and adjusted to specific business. In the Refining Block, the variable salary is paid quarterly, whereas in Exploration and Production; Oilfield Services and Energy blocks they are paid monthly, which depends on the operation process.

Organisational units of the Sales and Distribution Block, which are included in the sales activity, are covered with the same salary variable system in sales. There are two schemes of variable salary in sales - the scheme in Wholesale and scheme in Retail sale. The employees in the Retail sale have their salary variable system which represents participation of the employees in the profit of their petrol station. This type of salary variable is paid on a monthly basis. The employees in the Wholesale also have their salary variable schemes that is based on key performance indicators related to the sales process. This type of salary variable is paid quarterly and calculated per similar conditions as in the schedules of salary variables in production and technical organisational units.

When it comes to the motivation of the employees in the Administration (Parent Company and administrative parts in Blocks), there is a scheme of quarterly variable salary and an annual bonus. The calculation of quarterly variable salary in the Administration is based on the collective assessment of an organisational unit and (for certain activities) on the achievement of individual objectives of the employees. Collective assessment is based on the fulfilment of key performance indicators of the organisational unit in which the employee works. Individual objectives of the employee are specifically defined at the level of the employee, but they have to

Non-financial Incentives

In modern business conditions, non-financial incentive became far more significant in the overall motivation of the employees compared to the tangible one, through a sense of self-realisation, recognition, respect and belonging to the collective. The aim of non-financial incentive is to show to the employees their social and professional recognition. In our Company, the programs for non-financial incentive are supported by best practices. Non-financial incentive programs help line managers to influence motivation of their employees through the following programs:

- "Best in Field" – the best employees are selected every month at the Block, i.e. Function level, whose names are published on the Company's Internal Portal and in corporate magazine "Moj NIS".

- "HSE Awards" – a program intended to increase personal safety and safety of colleagues. This program assesses each implemented HSE activity, suggestions for HSE improvements, as well as reporting for medical examinations and HSE trainings.

- "Instant Rewarding" – a direct-line manager receives a certain number of vouchers (gift-cards), which they may distribute to the employees who demonstrate outstanding results and proactivity in their work. The main criterion for rewarding the employees is behaviour in accordance with corporate values: professionalism, initiative and responsibility, positivity and cooperation, common result.

- "Open Door" – this program implies that senior management defines the time when they are available for the employees who want to ask questions or solve a potential problem in direct communication. The aim of the program is to improve communication between the employees and managers to effectively solve everyday business challenges.

- "Discount System" – a program that envisages discounts to NIS' employees for various purchases or a possibility to purchase in several monthly instalments, mostly in trade, tourism or cultural events (discounts on food, clothes, footwear, travel arrangements, tickets for cultural events, etc.)

The same as in other fields, we constantly want to improve and develop the existing practice, but also modernise non-financial in-

centive programs in accordance with global trends. Therefore, in 2015, NIS participated and organised several roundtables in order to find new ideas and exchange experiences with other companies. In June 2015, we participated in an HR meeting where we exchanged the best practices on the topic of "Employee motivation". Roundtables "I Have an Idea" in August and "Non-Financial Incentive" in September were organized in cooperation with influential companies in the region, where NIS once again proved as the leading company in term of innovations. The manager's role in raising awareness and importance of non-financial incentives for employees, through active communication and better employee promotion, was identified as key in non-financial incentive development.

Occupational health and safety

The nature of the oil industry requires a high level of concern for safety and health protection, as well as for physical safety of the employees, contractors, third parties and local population. Safe working conditions for all employees and business partners are one of the strategic objectives of the Company and this area is high priority for NIS. Leading carriers of occupation health and safety are top managers, as well as all level managers. The Company applies prevention principles and strives at continuous improvement of working conditions, reduction of the number of occupational injuries and occupational diseases.

In terms of occupational health and safety, Company's standards

and existing practice go beyond the existing legal obligations to ensure efficient risk management. To ensure the wellbeing of hired contractors, they are required to strictly adhere to Company's standards.

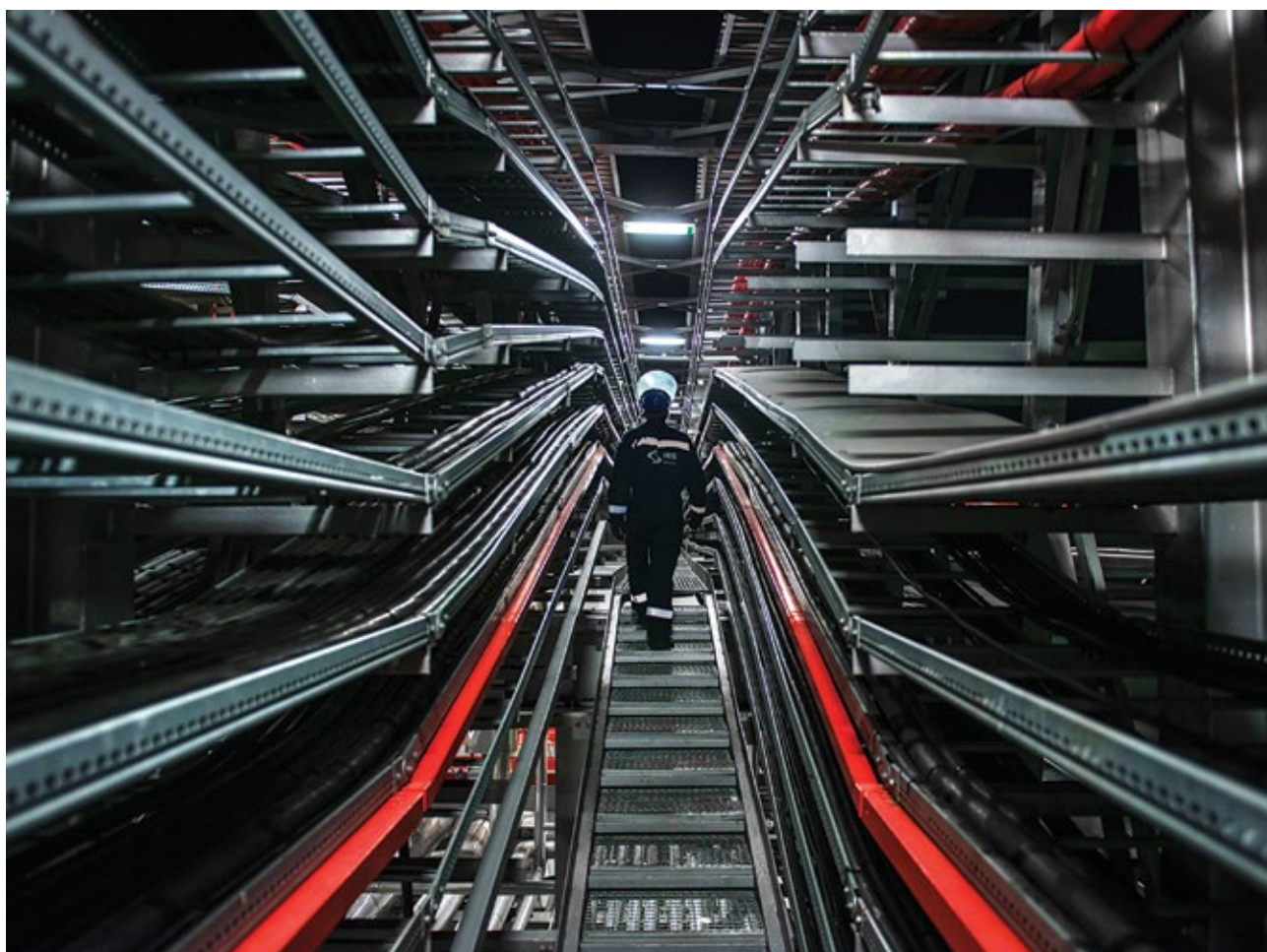
The analysis of HSE data and key indicators, for a five-year period, between 2010 and 2015, determined that taken measures and activities contributed to the increased safety in the Company. Thus, the number of traffic accidents (from RAR category) was reduced by 48%, the number of environmental accidents by 18%, the number of work injuries with lost days by 50%, whereas the number of fires was reduced by 44% in spite of the constant increase in the transparency of reporting on negative phenomena.

HSE Indicator Review

In 2015, NIS continued the practice of recording HSE indicators from two perspective – events that are under direct influence of the Company, and those that are outside NIS' direct influence, i.e. NIS-oriented records, and contractor-oriented records.

The analysis of the data presented in the table and comparison of the value of HSE indicators obtained in 2014 show that there has been significant improvement in all the categories, particularly, the number of the indicator of absence due to an injury at work was reduced by 50% (LTIF injuries) compared to 2014.

Activities of the Board for Occupational Health and Safety



Considering amendments to the provisions of the Collective Agreement, NIS has established new Boards for Occupational Health and Safety (BOHS) in all organizational units:

- BOHS NIS
- BOHS Exploration and Production
- OHS Refining
- BOHS Sale and Distribution
- BOHS Oil Field Services (OFS) and
- BOHS Energy

Each Board for Occupational Health and Safety has seven members now (prior to the amendments to the Collective Agreement, each had five members): four employee representatives (labour union) and three employer representatives, and in 2015 more than 99% of employees were covered.

Reports on the activities of these Block Boards are submitted to the Board on the NIS corporate level. The Boards meet at regular intervals during the year, and their role is extremely significant, especially in the following areas:

- Analyzing the condition in the OHS field and proposing measures for its improvement,
- Analyzing and conducting periodical machinery and device inspections, and controlling physical and chemical hazards of the working environment micro-climate; proposing emergency tests and controls, if necessary,
- Initiatives for determining which jobs entail higher risks and for protection programs of the employees at such jobs,
- Reviewing employee health reports on the basis of periodical medical check-ups, and controlling the regularity of conducted medical check-ups of the employees,
- Considering OHS issues and making relevant proposals,
- Reviewing work-related injuries and professional illnesses, their sources and causes, and proposing measures for their prevention,
- Reviewing drafts of special documents that have significant impact on work conditions and work health and safety,
- Considering and participating in the preparation of a Special Document on Personal Protection Equipment and Means,
- Cooperating with professional services in the OHS field and monitoring the implementation of the provisions of the Agreement regulating this area,
- Proposing and requesting the introduction of preventive employee protection measures,
- Mediating in the reimbursement negotiations related to the damage suffered by the employees due to work-related injuries or professional illnesses,
- Reviewing other issues significant for the achievement of employees' occupational health and safety

In 2015, NIS top management continued quarterly theme meetings chaired by the General Manager and HSE management, ensuring safe working conditions for all our employees and business partners as well as environmental protection.

Regular revision of the Work and Work Environment Risk Assess-

HSE indicators	2014	2015
Workplace injuries	87	53
Workplace injuries – with sick leave	51	18
Number of lost days	2,112	567
Days of Sick Leave due to Workplace Injuries	23,368	12,120
Number of days of absence from work	232,447	216,295
Number of hours of regular operation	9,781,976	11,030,972
Injury Rate (IR)	8.89	4.80
Absence rate (AR)	23.76	19.61
Lost Day's rate (LDR)	2.39	1.10
Number of fires	41	23
Number of traffic accident	27	14
Number of environmental accidents	67	55
Number of visits to the inspection of organs	1,090	902
Number of measures undertaken by inspection authorities	453	354

Type of injury	2014	2015
Employees fall	30	15
Thermal and hemical injuries	2	4
Mechanical injuries	35	17
Traffic	9	5
Long Falls	1	3
Other	10	9
Total	87	53

ment document was continued in 2015. The conclusion of the Act on Workplace and Work Environment Risk Assessment proved that NIS has 549 risk increased positions.

NIS strives to reduce the number of identified risks with the introduction of new technological improvements.

The OHS issues are covered within a formal agreement with the labour union and defined in the Collective Agreement. The Company's management and employees improve HSE performances with their personal example and actions, and demonstrate commitment to HSE principles.

Some of the areas covered by the Collective Agreement are:

- Exercising and protection of employees rights
- Work hours, vacations and leaves
- Employee redundancy
- Education, professional trainings and development
- Occupational Health and Safety
- Damage reimbursement
- Accommodation needs
- Employee strike rights

The Company's commitment to do business by adhering to the principles of socially responsible behaviour and only the suppliers (and their subcontractors) that meet the legislation of the Republic of Serbia have an opportunity to participate in tenders and procurements conducted by the Company.

NIS performs the process of HSE prequalification of suppliers in order to improve the practice in the field of OSH, EP and FP. This has contributed to the fact that many suppliers have raised the level of

safety in their companies to a higher level. Until now, 1805 contractors have obtained the HSE qualification.

In 2015, a total of 14 monitoring site visits to the contractors were conducted, and which included assessment of the introduction and application of risk management instruments in contractors companies, suggestions and immediate assistance, as well as support by expert teams which carried out the audit.

Three contractor forums were also organised. They were held at NIS premises, for the purpose of raising contractors' and third parties' awareness of HSE. Contractors from different branches of industry participated - from maintenance, i.e. machinery and assembly works, to construction industry and transport.

The revision of Company's normative documents resulted in the increased number of assessments conducted by HSE personnel and personnel in charge of contractor monitoring. This created an added value which ensured additional input information to the Purchase Sector when selecting a contractor in the future period.

The companies which deal with exploration, production, refining and distribution of oil and gas are, by the nature of work, companies that carry enormous risks of the situations which may result in catastrophic consequences, such as multiple deaths, widespread impact on the environment, significant damage to property, a huge economic impact on society, and a great impact on the local community.

One of the ways to prevent these accidents is to define safety methods for carrying out regular tasks based on immediate risk assessment.

This is achieved by creating a whole set of instructions for safe operation on the basis of identified dangers and hazards that existed during the performance of standard activities.

Safety instructions are created according to the needs of line management expressed in the Standardisation Plan, by introducing new work technologies and corrective measures, which are the result of investigated HSE events.

HSE Training, Development of HSE Competencies and Raising Employee Awareness

Employee Training

In 2015, activities aimed at improving knowledge, raising awareness and development of employee competencies continued at all levels.

Both internal and external trainings were organised at the corporate level, aimed at improving knowledge and raising awareness of employees in the field of HSE.

In 2015, three main directions of improvement referred to: the improvement of the quality of investigations of events, increased participation of managers in site visits and communication with the employees on safe and unsafe activities, raising awareness and improving knowledge of the employees of basic risks that surround them in every day work, in order to help them perceive and recognise them. Support in the achievement of these objectives was also provided through the training of the employees at the corporate level.

In addition to other training, there were also trainings aimed at improving the process of investigation of events, where 160 employees from all organisational parts, managers and professionals, undergone the basic training for the investigation of events, and 29 employees underwent the additional training for the chief investigator.

A large number of HSE events, caused by unsafe activities, may be prevented with active participation of managers in regular site visits, active communication with the employees who conduct activities, and with joint viewing and pointing to safe and unsafe actions. In 2015, "Management Walk Around" training was organised and conducted for 298 managers at all levels with an objective to explain to training participants the model why the employees work in an unsafe manner, why it is relevant to establish a dialogue, and how to provide feedback information to the employees in an efficient manner and ensure that detected unsafe activities are not repeated.

Detection, reporting and elimination of unsafe situations and dangers may act preventively and reduce the likelihood of injuries. To improve their competencies, 1804 employees underwent trainings that were aimed at highlighting the main risks in cer-

Overview of HSE trainings	Number of trainings	Number of attendants	Time used (h)
M1 – Introductory training	92	1,037	2,074
M2 – Workplace training	143	1,140	2,055
M3 – HSE system management training	283	2,417	8,013
M4 – External training	28	198	5,574
Total	546	4,792	17,716



tain organisational parts, raise awareness of the employees of the dangers surrounding them, to be able to recognise them and define adequate corrective measures.

Contractor Training

Considering that hired contractors perform different daily activities on Company locations, special attention is paid to the knowledge or promotion of the knowledge and HSE skills of hired contractors. During the training, contractors are familiarised with both risks and basic requirements of internal NIS HSE standards and procedures which enable them to raise their activities to a higher level in terms of safety.

Overview of held trainings for contractors in 2015 per organisational units	Number of attendants of M1 module for intro trainings for contractors
Energy	1,239
HSE Function	1,324
Exploration and Production	1,461
Sales and Distribution	2,062
Refining	3,746
Oilfield Services	1,791
NTC	390
TOTAL	12,013

HSE Campaigns

In 2015, NIS implemented 19 different HSE campaigns, divided into three segments: Health, Safety and Environment. HSE campaigns were conducted in the form of direct dialogues between professionals and employees, visitors and contractors at the Company, with the execution of certain specific field activities, as well as by developing and distributing educational posters, brochures and newspapers.

HSE Quiz

In 2015, HSE Quiz was conducted in three cycles with an aim to educate the employees in an interesting, colourful and interactive way on the issue of recognising hazards and knowledge of HSE rules and procedures. Before the start of the quiz, the employees received educational material which enabled them revise or learn something new and prepare them for giving better answers to questions. The questions occurred during the first log in on the computer during the day. In this manner, about 4,500 employees from all organisational units were included, and at the end of each cycle, the employees with the best results were awarded.

Sports Activities Team

Although in 2015, the price of oil hampered business, NIS continued to support employees in order to improve mental, physical and emotional health, but also to create a positive working environment.

In accordance with the plan, the management created a new section for preventive protection of employee health through physical activities and a balanced diet within the HSE Function, in order to plan and consolidate operations of all organisational parts of the Company from the highest company level, and the following was conducted:

- Educational activities - presentations organized on the necessity of physical activities and healthy diet to improve health, as well as on the method of coping with stress from the psychological and social aspects in main business centres in 3 cities.

- Preventive activities - based on the indicators of employee' sick days related to workplaces, a project for providing support to fire brigades was created and initiated in order to raise employees' awareness for the purpose of raising the working ability and also determining employees' motivation for doing physical activities. More than 200 employees were examined and they received individual plans for health improvement as well as plans for a balanced diet and, while exercise rooms were set up in Company buildings in three cities.

- Recreational weekly activities contribute to the implementation of plans for the improvement of health and, therefore, raise the level of work productivity – last year more than 3,100 employees participated in more than 10 cities across Serbia and all planned activities were implemented with great saving of Company's costs.

- Promotional activities with different institutions - the employees and members of their families, especially children, have had a possibility to freely engage in the schools of sports and freely attend different sports events. Also, many organisational units diverted the organisations of team meetings to sports fields, which gave an additional impetus to the promotion of physical activities.

At the end of the year, 314 employees were recorded to have contributed to the development of a healthy life in the corporate environment with their engagement in accordance with the instructions of health experts, and, thus, were placed on the list of awards, whereas 10 colleagues were praised for achieved sports results on the Company's Day.



БУДУЋНОСТ
НА ДЕЛУ

A photograph of children holding colorful umbrellas (pink, blue, orange) at an outdoor event. In the background, there is a building and a banner with the text "Нови Сад" and "5 ЈУН 20".

RESPONSIBILITY TOWARDS THE COMMUNITY

“Together for the Community” is the program of social responsibility which has been organized by the company for the 8th consecutive year, and it is one of the most relevant indicators of NIS’s focus on the community in which it performs its business activity. Through different programs covering areas of sports, culture, environmental protection, science and relief for socially vulnerable groups, and with 401

million Serbian dinars invested in 2015, cooperation with local governments, institutions and individuals, resulted in completion of 152 projects in eleven cities.

By opening ten physics and chemistry laboratories in areas affected by the flood, as well as by implementing smaller and larger projects across Serbia, we gave incentive to the entire community to initiate changes and influence its own progress.



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AT WORK**



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RESPONSIBILITY TOWARDS THE COMMUNITY

Being the largest company in Serbia, NIS has a significant impact on different aspects of the functioning of the society - through the supply of oil and petroleum products to the market, they contribute to the state budget through taxes and other financial obligations, but also ensure secure incomes for their employees.

NIS contributes to the wider community by involving its employees in the development of public policies and by volunteering in local communities, participating in and supporting local projects, donating and sponsoring, and through a number of projects and activities related to youth and employment.

In cooperation with domestic suppliers, NIS provides support to the strengthening of domestic economy and 79% of the total number of suppliers with whom the Company cooperates are local suppliers. The suppliers that want to cooperate with NIS have to fill in a qualification questionnaire, in which it is necessary to list all certificates they have, possible debts towards the state, as well as the relationship with the environment and corruption.

The Company tries to recruit as many members of the local population as possible at management positions - up to the level of Di-

and encourage development of the entire community in which the Company operates.

Corporate social responsibility is part of NIS' strategic operations which are conducted through the following programs: Culture without Borders, Energy of Sports, Energy of Knowledge, Humanitarian Projects and Together for the Community.

In 2015, through these five programs, the Company invested RSD 401 million in the community.

Energy of Sports

Sport holds a special place in NIS' social responsibility policies. By investing in sports, the Company invests in the future of the country, promotes professional sports and young sports talents, as well as a healthy way of life which is particularly important for physical and

NIS has supported five programs of investment in the community: "Energy of Sport", "Culture without Borders", "Energy of Knowledge", "Humanitarian Activities", and "Together to the Community".

vision directors, 49% of managers come from the local community.

In all significant projects, NIS estimates the potential impact on the environment and local communities in the vicinity of the plants, and takes actions in order to avoid negative impact.

All necessary permits for construction, reconstruction or any other works are obtained in accordance with legal regulations, and consultations with the representatives of local authorities are also carried out.

Future at Work

NIS is a modern, regional company which, in accordance with global practices, applies high standards in all business segments. In the area of social responsibility, in accordance with the platform "Future at Work" with the same slogan, strategic orientation of the Company is to provide support and encourage talented young people to realise their potential, improve their knowledge and skills, and strengthen

mental development of children and youth.

As the general sponsor of the Tennis Federation of Serbia, the Company supported numerous events and activities that promote further development and popularity of tennis in Serbia.

First of all, the tennis team of Serbia and the best male and female tennis players who competed in the world's most prestigious tennis team competition - Davis and FED Cup.

Through event "NIS Open Tennis School, more than 15,000 children across Serbia had the opportunity to familiarise themselves with the "white sport" through a one-day free school of tennis. The children were in this manner motivated to do sports and develop sport spirit.

The popularisation of tennis among children continued through the event "Sports against Violence" aimed at schoolchildren. Together with the Tennis Federation of Serbia and the Ministry of Education, Science and Technological Development, the event was held in more than 30 cities throughout Serbia, with the participation of more than 20,000 children from first to fourth grade of primary school.



This year International Basketball Festival "Rajko Žižić" was held for the 15th time, which is the trademark of cooperation with the Basketball Federation of Serbia. More than 200 teams and about 3,000 boys and girls from Serbia and the region participated and competed in 5 mini basketball fields and 2 basket field on the grass.

Confirmation of long-term successful cooperation with the Basketball Federation of Serbia is also the award which was, on that occasion, awarded to NIS for traditional support to the tournament and contribution to the development of children basketball.

For the occasion of the European Basketball Championship, and together with the Basketball Federation of Serbia, a basketball tournament for the junior categories was organised in front of the Business Centre NIS in Novi Beograd called "So Called European Championship in 2015". About 300 children had the opportunity to show their talent on five fields by playing basketball according to the system used on Euro Basket 2015 based on basketball rules "street ball 3 x 3".

The support for the sport of basketball was again this year showed through the general sponsorship of the Partizan Basketball Club in order to promote the highest sports values, team spirit and top results. As a member of NIS Petrol Racing Team, Dušan Borković, the best Ser-

bian car driver, successfully continued to win in 2015 when he won the second European championship title in car racing.

In 2015, NIS invested RSD 178 million through the "Energy of Sport" programme.

Culture without Limits

As part of the program intended to support culture, NIS has remained true to the promotion of national and international festivals of highest value, cultural institutions, as well as affirmation of cultural values and support of talented young people. In this way, the Company promotes art and superior artistic values, as well as cultural projects of national and international importance.

Thus, the 43rd FEST, the largest and most prestigious international film festival in this part of Europe, was traditionally held in 2015, and supported by the general sponsorship of NIS, with which the company contributed to the quality of cultural and artistic production, preservation of cultural heritage, and encouragement of young and new ideas and initiatives. With slogan "We're Here! In the Constellation of



Winners", there were more than 90 premieres and more than 250 projections at the Festival.

Jazz Festival "Nišvil", which became one of the most important regional cultural events owing to, inter alia, traditional support of NIS, brought together about 100,000 admirers of this music genre in the city of Niš. This year, in addition to financial support, Niš has, for the purpose of promotion of young and talented musicians, organized the competition "Vote for Nišvil" aimed at aspiring and talented jazz singers. The winners of the competition, four young musicians, were given an opportunity to present themselves to the audience and perform at the Youth Stage of the largest regional jazz festival.

As a regional company that provides support to European integrations of the countries in the Balkan region, NIS has, for the first time, supported "Balkan Traffic, a music festival dedicated to the promotion of the culture and art of this part of Europe. The festival was held in Brussels, with the participation of well-known regional artists such as Goran Bregovic, brass band of Kristijan Azirović from Serbia, musical ensemble "Divanhana" from Sarajevo, and Bulgarian folklore ensemble "Botevgrad". In addition to the music program, special part of the festival was dedicated to Balkan film.

In 2015, NIS invested RSD 18.3 million through program "Culture without Limits".

Energy of Knowledge

As a part of the "Energy of Knowledge" programme in 2015, new agreements on strategic cooperation were signed with the Universities in Novi Sad and Beograd, the cooperation with partner faculties was continued, and 3 new partnerships were established - with Mechanical, Civil and Chemical Engineering Faculties at the University in Beograd.

A new interdisciplinary study program "Industrial Engineering in Oil and Gas Exploitation" was accredited at NIS' initiative at Technical Faculty "Mihajlo Pupin" in Zrenjanin, which is implemented in cooperation with Ukhta State Technical University from the Russian Federation, with NIS' support.

Intensive investments were made in the exchange of knowledge of theory and practice. Faculties shared their knowledge and experiences through a series of lectures and workshops for NIS' employees. Also, our employees transferred their practical experiences to faculty students and professors.

In the 2014/2015 school year, the Company concluded 47 scholarship agreements with the best students that study at target faculties of the University of Beograd and Novi Sad, but also at the universities abroad (25 students at universities for oil and gas in the Russian Federation and 1 student is receiving scholarship at the Cambridge University). A number of student visits to our Company were organised, out of which the following are emphasized: 30 Stanford University MBA students visited the Oil Refinery in Pančevo.

This year as well, one of objectives of program "Energy of Knowledge" is to improve working conditions in national schools by adapting and equipping computer rooms and laboratories, and by supporting talented high school students who represented our country at prestigious International Olympics.

Special attention was paid to the activities and projects that contribute

to the reaffirmation and popularisation of the Russian language in our country. The third NIS Olympics in Russian Language were organised, and a total of 3 bilingual Serbian-Russian divisions were opened in 3 schools in Aleksinac and Novi Sad. In cooperation with Gazprom Neft and Novak Djokovic Foundation, a number of laboratories for physics and chemistry were equipped in primary and secondary schools devastated in flooded areas.

Petnica

In 2015, the Company continued to support the work of Petnica Research Station, a unique scientific institution in Europe.

The support to Petnica started in 2009, when the work of the station was brought into question, due to financial difficulties. Since then, NIS contributes to smooth organisation of seminars in this institution every year, by donating RSD 12 million.

Owing to NIS' help, 154 programs were held in 2015, and attended by 1,550 participants, assistants and lecturers.

Together for the Community

In order to improve the quality of life in local communities in which the Company operates, and because of an idea that success is not complete until it is shared with others, NIS has been implementing "Together for the Community" programme for the seventh consecutive year, which is implemented in cooperation with 11 cities and municipalities: Beograd, Novi Sad, Niš, Pančevo, Zrenjanin, Kikinda, Novi Bečej, Žitište, Kanjiža, Srbobran and Čačak.

In 2015 as a part of a public contest, a total of 152 projects were selected, with the aim of developing the local community and improving the quality of work of cultural, educational and sports institutions at the local level.

In 2015, as a part of cooperation with the City of Beograd, theatre for children and young people "Boško Buha", inter alia, received new audio and video equipment in the value of RSD 4,000,000. Funds in the amount of RSD 1,500,000 were allocated to the reconstruction and equipping of the Laboratory for Atomic Physics at the Faculty of Physics in Beograd. In addition, RSD 1,552,236 were invested in the renovation of the school gym in the Grammar School in Mladenovac, through the support of project "Playground - practice site, a place for proper development of children", and two children playgrounds "Vrtić" and "Stadion" were equipped in Lazarevac municipality (RSD 900,000).

In the territory of the city of Niš, NIS supported a project for the rehabilitation of the stage of the puppet theatre for children (RSD 600,000), and construction of sports fields in village Medosevac near Niš (RSD 700,000). The planning and upgrading of Niš promenade involved an investment of RSD 400,000, and the same amount was allocated to the formation of a multi-media centre within Electro-Technical School "Mija Stanimirović".

Cooperation with the city of Čačak has continued and, last year, attention was directed to the building of "Eco field for the stimulation of the development of psychomotor movements of persons with disabilities" as part of SOSO "1. Novembar" (RSD 1,240,605), and

funds in the amount of RSD 750,000 were allocated to the equipping of computer science rooms for the needs of the students talented in mathematics, computer sciences and natural sciences in the Grammar School in Čačak. A project for the construction of a volleyball sports field in Primary School "Tanasko Rajić" was implemented in the value of RSD 720,400. This is a sports facility which will, in addition to school students, be used by the athletes at the Special Olympics of Serbia.

As a part of the support to the local community in Novi Sad, a project for the construction of a children playground in the local community Kisac should be mentioned, as it is designed for the youngest population of all ages, as well as for the children with disabilities (RSD 1,000,000). The project for equipping "Educational and employment centre for the training of young people with autism" was completed through Company funds in the amount of RSD 800,000. In 2015, NIS also helped the project for the installation of solar photovoltaic panels in the yard of Electro-Technical School "Mihajlo Pupin" for the Novosadski Park in the value of RSD 700,000.

In Zrenjanin municipality, an adaptation of the physical education hall in Primary School "Svetozar Marković Toza" was conducted (RSD 1,200,000), as well as rehabilitation of the toilets at the Elderly and Adults Club (RSD 1,000,000). Also, NIS supported the project for the reconstruction of Cultural Centre "Aradac" in the value of RSD 300,000.

In Pančevo, RSD 800,000 were invested in the reconstruction of the Ceremonial Hall of the National Museum in Pančevo. This project was aimed at restoring all painted surfaces into their original condition which led to this Hall regaining its aesthetic, representative and useful function. The same amount was allocated to the implementation of the project for the adaptation and reconstruction of existing facilities for the storage of hazardous, non-hazardous and other waste of the Health Centre in Pančevo.

In the territory of Kikinda municipality, a reconstruction of pavilions and Sports Centre "Jezero" was conducted, and funds in the amount of RSD 2,000,000 were allocated for this purpose, which created conditions for the best quality organisation of both international and local sports events. In addition, within the school for elementary education of students with disabilities "6. Oktobar", parts of the space of the facility for the education of students with disabilities were adapted (RSD 1,200,000). With financial support from NIS, Primary School "Milivoj Omorac" obtained a new hall for physical education (RSD 1,000,000), whereas the Centre for professional training Kikinda had its outdoor classrooms, e.g. "Science Park", built and equipped by setting up three-dimensional teaching facilities in the amount of RSD 750,000.

In Srbobran municipality in 2015, children playgrounds in the value of RSD 800,000 were built in Roma settlement "Gedanka", which were adapted to younger children. Also, by setting safety devices, multi-purpose ladders and swings for children in the value of RSD 650,000, yards in three kindergartens in pre-school institution "Radost" were also equipped.

As part of support to projects in Žitište, an outdoor kickboxing ring was built, with the investment of RSD 510,000. In addition, a classroom in Primary School "Sveti Sava" (RSD 370,000) was equipped and adapted with adequate information technologies. Sports Fishermen Association "Karadjordjevo" obtained new educational space, and the amount of RSD 350,000 was invested in the adaptation project.

In the territory of Kanjiža, three new EKG devices were provided for the needs of paediatrics and emergency department of the Health Centre in the value of RSD 464,400, and an outdoors children playground in the Centre for Social Work Kanjiža was also equipped, which created conditions for children games at the day centre "Gnezdo" (RSD 390,000).

In Novi Bečej, an amount of RSD 300,000 was invested in equipping the Youth Centre primarily for the needs of young people, but also for all residents of Kumane, and the Company also supported the reconstruction of the Culture Centre in Novi Bečej municipality - Gallery "Selo", located in this cultural institution, was also adapted and equipped (RSD 300,000).

In the program of cooperation with local communities, NIS invested RSD 110.5 million in 2015.

Humanitarian activities

Through humanitarian projects, NIS provides support and help for vulnerable categories of the population, and several significant projects were implemented within this programme in 2015.

Company "Gazprom Neft" and NIS together with the Novak Djokovic Foundation in 2015 refurbished and restored ten school physics and chemistry cabinets in primary and secondary schools throughout Serbia in the areas affected by floods last year. Funds in the amount of RSD 30 million, collected by Gazprom Neft and NIS, as well as by the employees of these two companies, were directed to the reconstruction of school laboratories and this is a project that represents a significant contribution to the education of young people in Serbia, which is one of the main priorities of socially responsible business operations of both NIS and our majority share-holder. As part of the joint activity of Gazprom Neft and NIS, and in cooperation with the Foundation of the best tennis player in the world, new physics and chemistry cabinets were made in schools in municipalities of Obrenovac, Svilajnac, Lazarevac, Krupanj, Ub, Petrovac na Mlavi, as well as in towns Valjevo, Šabac, Paraćin and Smederevska Palanka.

NIS employees donated school supplies, toys and clothes for the needs of the Shelter for Children and Youth in Novi Sad within the corporate humanitarian event in mid-December 2015, in order to assist their inclusion in the educational system and contribute to their best social integration.

At the end of 2015, humanitarian event "Future is Written with Heart" took place, when the Company and its employees provided more than RSD 4,5 million for the Department of Gynecology and Obstetrics of the Clinical Centre of Vojvodina in Novi Sad (maternity hospital "Betanija"). The funds raised are directed to the purchase of modern ultrasound diagnostics which enables continuous monitoring of the condition of pregnant women in this health institution.

The Company contributed RSD 35.3 million through humanitarian projects in 2015.

НАШЕ ВРЕДНОСТИ

ПРОФЕСИОНАЛНОСТ

ПОЗНАТЕЛНОСТ
И СЪВЕЩАТЕЛНОСТ



HEALTH AND ENVIRONMENTAL PROTECTION

As a company which operates in compliance with the European and global environmental standards, NIS focuses on environmental protection through the development of new technologies and the process of production and trade of goods and derivatives. During 2015, we made a big step forward in the energy sector by reducing consumption and, along with

Serbian public utility - Electricity Distribution, we became the first and only market provider of electricity. On the other hand, through projects of social responsibility, we implemented numerous initiatives, either on our own, or through projects; and that contributed to an increase of our business activity to a new, more mindful, more accountable, and before all, greener level.



NIS
GAZPROM NEFT

**FUTURE
AT WORK**



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ENVIRONMENTAL PROTECTION

In 2015, NIS continued its business operations in accordance with the „HSE Policy“ (adopted in 2013), HSE Policy Statement (November 2014) and principles of sustainable development, reduction of adverse effects of Company's activities on environment and human health, as well as constant improvement and efficient environmental management system.

Adherence to the sustainable development principle in conducting the core activity in NIS, entails concern for environmental protection through the implementation of projects for the reduction of pollutant emissions into the air, water and soil, waste reduction, increase of energy efficiency and use of renewable sources, eradication of historical and accident-related pollution, as well as the implementation of technical and technological measures in accordance with the best available techniques.

In order to adjust Company's business operations to the consequences caused by climate changes and to the EU energy and climate legal framework, Institute for Energy and Environmental Protection EKOENERG has prepared a Climate changes impact analysis on NIS business operations. The analysis identified sources and production activities that may lead to emissions of gases causing greenhouse effect. Analysis defines responsibilities of Company's organizational units participating in EU ETS (European Union Emissions Trading System), and methodology for determining and monitoring emission of gases causing greenhouse effect. Preliminary assessment of costs and measures that can lead to reduction of CO₂ emission (increase in energy efficiency, energy savings, construction of cogeneration modules, the use of natural gas as energy resource, etc.)

In order to increase energy efficiency and reduce adverse environmental effects, the Company implements energy efficiency project in all its organisational units. Construction of amine plant for CO₂ extraction from natural gas within gas wells has been completed. Extracted gas will be injected into the underground reservoirs, via compressors, which will prevent CO₂ emission into the atmosphere. The „Energy“ Block has implemented a project for the construction of small cogeneration plants for the utilisation of energy from captured gas that is normally torched, thereby reducing the required amount of natural gas for the production of thermal energy and for simultaneous production of electricity.

Environmental Investments

During the year 2015, the Company has continued allocating funds for the implementation of environmental projects. The projects are focused on modernization of equipment and reduction of emissions of pollutants into the environment, remediation and re-cultivation of polluted sites, as well as monitoring of environment. During 2015, NIS has invested RSD 627 million into environmental projects. The decrease in investments by 36%, in comparison to 2014, is a result of changing conditions in the global oil market.

In 2015, projects initiated in the previous years were completed. In Exploration and Production Block a project for the construction of the system for collecting and burning fluids (LPG) has been completed. The project aims to increase the safety of processes and protect the air. With the construction of this system, separated gas phase is torched, which prevents easily vaporous hydrocarbons to reach the atmosphere.

In 2015, the Refining Block in the Oil Refinery Pančevo completed projects related to the construction of the closed drainage system (S- 100/ 300/ 400/ 500/ 2100/ 2300/ 2400/ 2500/ 2600), recovery and separation of oil and atmospheric sewerage (phase I and II) and blending bio components with diesel fuel.

Construction of the closed drainage system enables hydrocarbons to be sent directly into the slope tank, which results in the reduction of the emission of hazardous gases into the atmosphere.

Completion of phase I and II of the project for the recovery and

Current environmental protection expenses in 2015 (in million RSD)

Waste treatment and management	163
Emission treatment	78
Investments in purchase and maintenance of equipment and related costs of professional staff	126
Costs of rehabilitation (remediation) of land	196
Environmental education and training	2
External services of environmental effect management	220
External services of management system certification	1
Additional costs of installing green technologies	241
Other costs	322
Total	1,349



separation of oil and atmospheric sewerage resulted in the prevention and control of environmental pollution (of water and soil) with oily substances, by bringing the oil and atmosphere sewerage system into the functional state. Implementation of the project resulted in reduced quantities of collected oil waste water in the API separator and reduced costs of secondary treatment of oil waste water.

Completion of the project that enables blending of produced diesel fuel with bio components represents Company's contribution to Serbia's European integration, and it is in accordance with the requirements of the European Union.

In order to protect Company's interests, the process of joining the European Union is actively monitored, as well as the negotiations in relations to the Chapter 27 - Environment. A permanent working group has been established, at the NIS level, in order to analyse relevant EU regulations and consider future obligations, risks and opportunities resulting from their application.

NIS has participated in the IPA project for the establishment of the system for monitoring and reporting on the emission of greenhouse gases in the Republic of Serbia, as well as participated in the development of the Draft Law on Reducing Greenhouse Gas Emissions. Draft Plans for CO₂ monitoring were developed at the Company's level for the organizational units that were identified as participants in the scheme of trade in CO₂ emission units (EU ETC). Current environmental protection expenses amount to RSD 1,349 million, which is 2% increase in comparison to 2014.

Other environmental protection costs include significant funds related to taxes and fees, costs of chemical management, accident response, and development of a study for the assessment of environmental impact.

Materials Used

Materials used in the refining process are raw materials used for the production of petroleum products in 2015 in the production plants of our Company. They originate from non-renewable sources and can be found in the final product. Due to the nature of business, our Company does not use recycled materials as raw materials for production. Natural mineral water Jazak is used as raw material in production – produced within the Water Bottling Plant.

As in previous years, in addition to crude oil which derives from oil fields of the Republic of Serbia, quantities required for production and meeting market demands are imported.

Used materials			
Raw materials/Materials	MU	Quantities used	
		2014	2015
Crude oil – domestic	t	1,112,301	1,033,646
Crude oil - imported	t	1,499,400	1,901,903
Natural gas	m ³	133,502	138,495
Geothermal water	m ³	441,063	458,144
Raw water	m ³	50,093	30,433

Types of crude oil that are processed in production plants of the Oil Refinery Pančevo are presented in the table below. What is evident is that the trend of the processing of paraffin and naphthenic oil has remained, and that the increase in crude oil refining in RNP plants is covered with imported crude oil.

Overview of crude oil – domestic and imported per type:			
Raw material/materials	MU	Used quantities	
		2014	2015
Crude oil – paraffin light	t	561,113	532,416
Crude oil – paraffin heavy	t	213,035	212,160
Crude oil paraffin – Bosnia	t	0	59,447
Crude oil – naphthenic	t	339,706	289,070
Crude oil REB	t	1,222,859	1,745,308
Syrian Light Crude Oil	t	0	0
Siberian Light Crude Oil	t	79,412	0
Crude oil CPC BLEND	t	197,120	156,535

Semi-finished products presented in the following table are obtained in the processes of oil refining and after blending, and they are distributed to the RS market and to the neighbouring countries. The largest quantity of used packaging materials is plastic packaging used for bottling drinking water "Jazak", as well as for motor oils and additional liquids produced.

NIS, as a socially responsible company, complies with the legislation when marketing and managing packaging and packaging waste.

Overview of Semi-Finished Products			
Semi-finished products /materials	MU	Used quantities	
		2014	2015
Platformate	t	71,489	66,444
Naphtha fraction S8+	t	54,449	67,765
Light and catalytic cracked gasoline LCCG	t	84,267	88,811
Heavy and catalytic cracked gasoline HCCG	t	116,088	101,366
Alkylate	t	18,098	66,272
Naphtha	t	6,616	356
Light gasoline	t	34,800	62,121
Raffinate	t	40,741	50,721

Packaging materials	MU	Used quantities	
		2014	2015
Paper and paperboard	t	126	112
Wood	t	100	117
Plastic	t	572	534
Metal container	t	87	82

Energy Consumption

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

NIS' Activities in the Field of Energy Management

In order to introduce the practice of saving and rational consumption of energy in all segments of Company's operation, in 2013, Company's management system was upgraded in accordance with international standard ISO EN 50001:2011, i.e. SRPS EN ISO 50001:2012 for the energy management systems (EnMS). Control of compliance of EnMS with the requirements of this standard (certification audit)

was conducted by certification body Bureau Veritas. The validity of the certificate issued until 3 March 2017 was confirmed through two supervised audits, which will be carried out in December 2014 and January 2016.

NIS achieves increased work efficiency and utilisation of gas resources with the implementation of the cogeneration capacity expansion program. The use of cogeneration plants that transform captured oil gas into electricity and thermal energy results in the reduction of cost of procurement of energy products for the needs of infrastructure facilities, and ensures the presence of NIS on the energy market of Serbia. In addition, due to the termination of burning of captured gas, environmental burden was reduced.

In 2015, construction of the cogeneration plant continued, and two smaller power plants were put into operation, i.e. Sirakovo 2 and Velebit 3, of the total installed electrical power of 3 MWe. A total of 13 smaller power plants were constructed, and the total installed electrical power increased to 11.5 MWe. NIS currently has at its disposal capacities for the production of electricity which meet 34.4% of its needs, and this represents an increase by 14.4% compared to 2014. In 2016, NIS has planned to build two new power plants (Sirakovo 3, Majdan) with the total power exceeding 6 MWe.

In 2014, NIS sold its first quantity of electricity and, next to the Elektroprivreda Srbije, became the first manufacturer in Serbia which supplies electricity on the free market. A total of 64,235 MWh of electricity was sold in 2015, which is three times more compared to 2014. In order to increase efficiency of the use of Company's commercial gas, as well as reliability and efficiency of supply of the Oil Refinery Pančevo in relation to electricity and thermal energy, during 2015 implementation of the project for the construction of TE-TO Pančevo of designed electrical power above 140 MWe was initiated, in co-operation with "Gazprom Energoholding". The plan is to market the remaining electricity amount on the energy market of Serbia. Completion of the construction of TE-TO is planned for 2018.

The first station for compressed natural gas on gas and oil fields of the Company was commissioned in mid 2014. The measuring dispatching station Palić produces 5,500 kg of compressed gas daily in order to meet the wholesale needs. CNG sale in retail facilities commenced in 2015, with the construction and commissioning of the first station on petrol station Novi Sad 10.

Based on the results of the conducted energy review (an analysis of the use and consumption of energy in 2014) and planned energy consumption, expected values of defined energy indicators (EnPI) were determined, which are used for monitoring of the execution of set objectives and controlling of performance (energy performance). Planned energy consumption in 2015 compared to 2014 increased due to:

- Increased utilisation of plants due to the production of high volumes of petroleum products;
- Costs of the new plant for amine washing in the Plant for the preparation and transport of oil and gas;
- Costs of the new line for the production of fruit juices in Jazak Plant.

In the energy management system, established consumption norms are corrected in accordance with improved energy performance achieved in the previous period. In the process of consumption planning, adjusted norms will be used in the following period.

Consumption of purchased energy in 2015 amounted to

14,768,755 GJ, which is 2% less than the planned value for 2015.

The program for energy saving and increase in energy efficiency defines measures, responsibilities and necessary resources whose implementation was planned in the period 2015-2017. The Energy Efficiency Action Plan for 2015 was prepared on the basis of this document, which also plans execution of 63 measures from which the largest number refers to the most important energy customers in the Company (Refining Block and Energy Block).

Execution of measures defined in the Action Plan, as well as additional measures executed in 2015 resulted in energy savings of 610,000 GJ, which made about 3.3% of the total energy consumption in 2015.

The Energy Efficiency Action Plan for 2016 includes plans for execution of 65 measures, which are expected to save about 150,000 GJ. Energy consumption per unit of product in 2015 reduced by 7.7% compared to the planned value for 2015.

EII (Energy Intensity Index) – in accordance with the strategic orientation of the Company in terms of constant work on the improvement of operational efficiency, NIS' refinery has been, since 2008, included in the program of comparative analysis of key business indicators according to the "Solomon" methodology, the most transparent methodology for comparative analysis of oil refineries in the world.

As part of the stated study, the energy efficiency index is monitored in the Company.

Based on the achieved results, detected deficiencies are analysed and efficiency improvement programs defined.

It may be stated that, practically since the establishment of this system, the refinery has made notes on results that are on the level or better than objectives set in adopted business plans. A positive trend in the improvement of energy efficiency continued in 2015.

If 2012 is used as a reference year, it may be said that a total increase in energy efficiency is 25% in the period 2012-2015, out of that 3% in 2015.

Activities in the Field of Renewable and Alternative Energy Sources

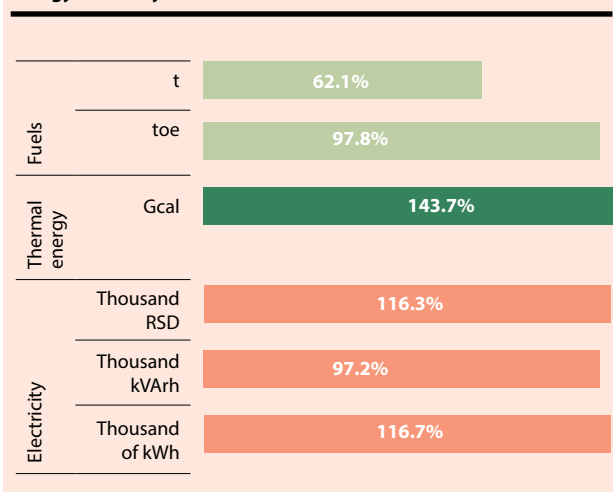
The Serbian economy largely depends on fossil, non-renewable sources of energy (oil, coal), which represent a potential danger to the environment. An analysis of resources showed that the Sector for development of renewable energy sources is the main partici-

Implemented projects/measures or the implementation commenced in 2015

Rehabilitation of reservoir space
Change in the heating system on the plant for chemical water treatment
Optimisation of the cooling water system
Construction of the system for the optimisation on furnaces in Refining
Replacement of the pump and steam turbine of electric motor in the Refining Block
Installation of frequency regulators on cooler engines
Installation of the reactive energy compensation system in the Exploration and Production system
Operating measures:
• Daily control of leaks in steam pipelines, drainage and vents
• Maintenance of optimum temperature in drainage and associated equipment
• Rational use and regular servicing of steam pipeline in the Sales and Distribution Block

Organisational unit	Number of planned measures	No. of executed measures*	Level of execution [%]
Exploration and Production	6	6	100.0
Refining	37	35	94.6
Energy	10	6	60
Sales and Distribution	8	5	62.5
Business centers	2	0	0
TOTAL	63	52	82.5

Energy consumption in the Company								
Energy type	UoM	Used material		Used materials GJ		Energy per source (produced/consumed/sold) for the current year		
		Planned 2015	Reporting year 2015	Planned 2015	Reporting year 2015	Internally produced	Bought from suppliers	Sold
Natural gas + associate gas	m ³	352,152,979	218,094,574	10,083,621	6,908,282	217,636,155		209,432,179
Fuel own consumption (gasoline, diesel)	t	2,808	3,346	122,743	146,260	3,346		
Fuel own consumption (fuel oil, refinery gas, coke)	t	81,262	147,614	3,656,619	6,494,815	147,614		
LPG	t	269	259	12,104	11,655	259		
Steam	t	2,133,864	2,086,694	6,892,382	6,740,022	2,086,694		1,944
Electrical energy supplied externally	MWh	324,117	325,690	1,166,820	1,172,486		325,690	
Produced electric power	MWh	129,700	123,455	466,920	444,438	123,455		64,235
Thermal energy	MWh	9,644	9,794	34,718	35,258			

The degree of the execution of planned measures for the increase in energy efficiency


pant in the execution of the plan for environmental protection development, energy generation and energy efficiency at the global level, and it is a great challenge for the future.

NIS pays special attention to the development of renewable energy sources, primarily, with the utilisation of geothermal resources and implementation of projects for the expansion of geothermal capacities. Utilisation of geothermal energy for heating buildings, heating water, outdoor and indoor pools, greenhouses, and in the industry, has significantly increased in recent years. The production of electricity from geothermal energy is also planned. The Company has at its disposal significant resources in the form of deep wells

Period	Realised value of EII indicator
2012	100 %
2013	12 %
2014	10 %
2015	3 %

that are negative for oil and gas. Utilisation of geothermal energy helps reducing costs of procurement of energy products for heating of infrastructure facilities and ensuring the presence of NIS at the energy market of Serbia.

Projects in the field of renewable energy sources have a significant impact on the increase in energy efficiency. The objective of the program is to introduce the practice of rational utilisation of energy and increase energy efficiency, and to implement new technologies that reduce energy consumption.

The use of geothermal energy in 2015 was performed in 8 geothermal systems, i.e. on 11 wells, which reached the total projected capacity of 8.5 MW. The share of generated thermal energy in the total consumption of thermal energy in 2015 increased by 1.6% compared to 2014. The quantity of energy generated from renewable sources in 2015, in a total amount of 26.5 MWh, fully refers to the energy obtained from geothermal sources.

In 2016, the plan is to include in work 2 new users of the total designed capacity of about 0.8MW.

Water Management

Total Captured Water by Intake

Responsible attitude to water resources consumption is one of the priorities of the Company in terms of environmental protection and use and utilisation of natural resources. The use of water resources is a prerequisite for production and technological processes (steam production, functioning of cooling systems), fire protection provision, bottling of drinking water, as well as for sanitary purposes. Total water abstraction for Company's needs increased by 16% compared to 2014, which is a consequence of increased production of refined oil by approximately 7% and installed flow meters in several facilities of the Sales and Distribution Block, which enabled accurate monitoring, instead of an earlier estimate on the basis of hours of work of the pumps. Capturing of surface waters increased by 18%, groundwater by 38%, whereas the use of water from the public water supply system decreased by 6%.

Intake Significantly Burdened by Water Capturing

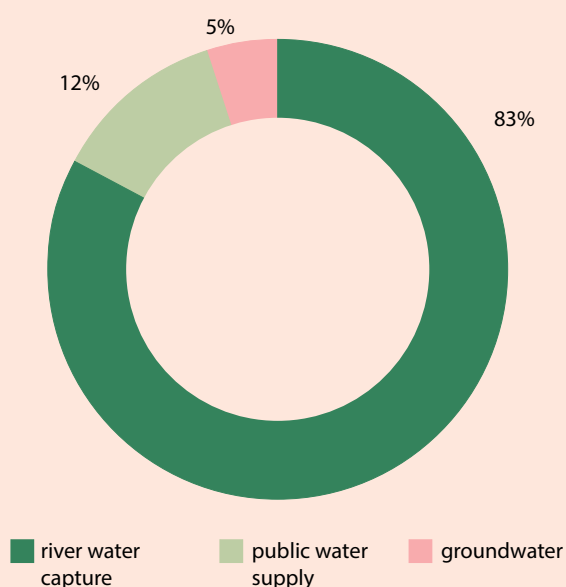
As in the previous years, the major part of water used comes from the Danube and the Danube-Tisa-Danube Canal (84%), whereas the use of water from public supply systems amounts to 10% and water from wells 6%. The above said structure reflects our responsible treatment of water resources, since the Company uses water from the least sensitive source:

- Capturing water from the Danube for the functioning of the Oil Refinery Pančevo in the amount of 3,351,980m³ in 2015 was at capturing level of 0.106m³/s, which represents 0.002% of the average Danube flow,
- Capturing water from the Danube-Tisa-Danube Canal for the Oil Refinery Novi Sad in the amount of 187,100m³ in 2015 was at capturing level of 0.006m³/s, i.e. 0.01% of the flow of the DTD canal near Novi Sad.

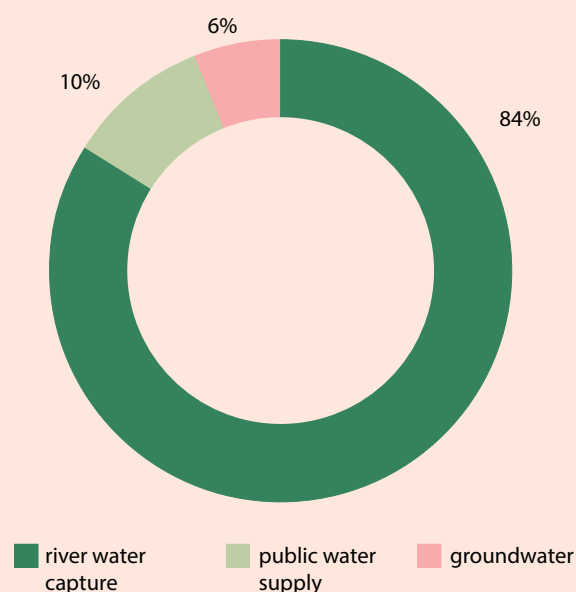
Capturing the specified quantities from the Danube and Danube-Tisa-Danube does not threaten their potentials, considering that this is considerably under 5% of their average annual flow.

Quantity and share of captured water by intake	2014 (m3)	%	2015 (m3)	%	2015/2014 (%)
River water intake	3,050,303	83	3,588,852	84	+18
Public water supply	456,107	12	428,588	10	-6
Groundwater	191,639	5	263,832	6	+38
Total captured water	3,698,049	100	4,281,272	100	+16

Structure of captured water in 2014



Structure of captured water in 2015



Percentage and Total Quantity of Recycled and Reused Water

In 2015, the amount of recycled water, condensate return, returned from production processes, amounted to 1,190,698 t, i.e. the intake of raw water from the Danube was reduced by 35.52% on the Pančevo Oil Refinery level. The quantity of recycled water is about 34,000 t smaller than the previous year, but it is still at the level of 27.85% of the total captured water in NIS.

Total Water Discharge by Quality and Recipient

In 2015, a total of 18 separators were installed for oiled atmospheric water at the fuel supply stations in the Sales and Distribution Block. At the end of 2015, a total of 267 petrol stations were equipped with the devices that separate mineral oils from water, before they are released into the recipient. In the following period the plan is to install remaining separators, where technical and safety conditions were met for instalment. In some facilities, waste water is collected in collecting pits, which are periodically emptied in accordance with the regulations.

At the end of 2015, there was a total of 310 waste water treatment facilities registered within the Company.

At the end of 2015, a reconstruction of existing waste water treatment plants was carried out in the Plant for the production of Jazak drinking water.

The largest quantity of waste water is created in the Oil Refinery Pančevo. The increase in the total amount of waste water in 2015 is partly a result of increased refining compared to 2014. The quantity of primarily treated industrial waste water from the Refinery, sent for external treatment to the HIP Petrohemija, reduced by about 53,000 m³ (4%) compared to last year. In the total quantities of waste water in 2015, waste water that is externally treated represents 55% of the total waste water. The quantity of treated atmospheric water discharged to the Azotara canal increased in about 220,000 m³. In terms of the Plant for the production of Jazak drinking water, the quantity of discharged waste water was reduced by 50% compared to the previous year, due to production optimisation. The quantity of sanitary water discharged to the public sewerage system from commercial buildings is at the same level as last year.

Quantity of Produced and Disposed Layer Water

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

List of discharged waste waters in m3 by treatment and recipient

Treatment	Waste water released to	2014 (m ³)	2015 (m ³)	2015/2014 (%)
External treatment	watercourse	1,268,876	1,215,921	-4
Physical, physical-chemical	watercourse, public sewerage	673,200	960,531	+43
Sanitary waste water	Public sewerage	43,535	43,474	0
Total		1,985,611	2,219,926	+12

hydrocarbons, suspended and dissolved particles, and treated layer water is injected into selected wells out of function, to a certain depth, using the preparation and injection system. This avoids a possibility of contamination of water and geological layers.

In 2015, the total of 5,656,228 m³ layer water was injected into wells, i.e. approx. 5% more than in 2014.

Quantity of Hydrocarbons Discharged into the Air

In 2015, the quantity of burned gas in the flares in the Exploration and Production Block amounted to 56,147,491 m³, and estimated quantity of freely released gas in the atmosphere, without burning in Bačka Plant amounted to 100,000 m³.

Compared to the previous year, it may be concluded that the

Quantity of produced and disposed layer water	2014 (m ³)	2015 (m ³)	2015/2014 (%)
Layer water	5,387,692	5,656,228	+ 4.98

amount of burned gas is considerably lower, which is a result of the commissioning of new cogeneration plants, as well as plants for the extraction of CO₂ from natural gas in the Plant for the preparation and transport of oil and gas Elemir. Extracted carbon dioxide in the amine plant is injected by a compressor unit for compressing, transport and disposal to the Rusanda reservoir, through wells selected for this purpose, which increased the level of utilisation of a reservoir with the maintenance of the reservoir pressure, and increases oil production, whereas treated natural gas is distributed to consumers in the PC "Srbijagas" network.

Environmental Accidents

Total Number and Volume of Major Spills

In 2015 the company continued to improve accident response procedures, and all environmental accidents were effectively re-

mediated in the shortest possible time.

In 2015, the trend of reducing the number of environmental accidents continued. The total of 55 environmental accidents were recorded, which is 18% less than in 2014, when 67 accidents were registered. According to the level of severity of consequences, environmental accidents in NIS are classified as major, moderate or minor. Classification was based on the severity of the incident, and classification criteria is elaborated in the Incident Classification Register of NIS. Majority of incidents in 2015 were classified as minor, 51 of them, while 4 incidents were classified as moderate. There were no major events.

As in the previous years, according to the type of accidents, the most frequent one refers to spilling of oil and petroleum products on the soil (75%), gas emissions (11%) and spills of chemicals on the soil (7%).

The total volume of spilled substance in 2015 amounted to 41.48 m³, which represents a significant reduction (88%) compared to the previous year, when a volume of 373.07 m³ of substance was spilled.

Impact on Biodiversity

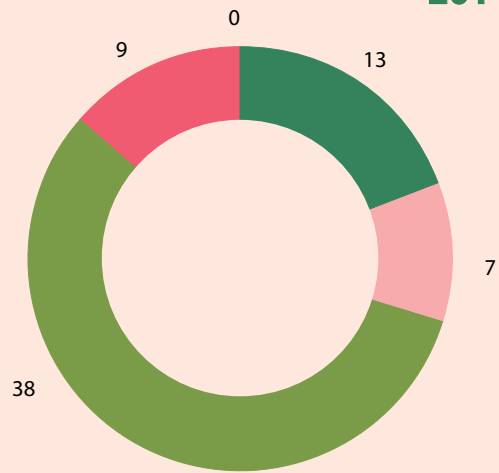
Protected areas include protected natural assets characterized by prominent geological, biological, ecosystem and/or landscape diversity.

Volume of spilled substance		
Volume of spilled substance (m ³)	2014	2015
Refining	45.96	1.39
Sales&Distribution	295.65	16.04
Upstream	29.16	24.05
Oilfield Services	2.31	0.00
Energy	0.00	0.00
Total	373.07	41.48



No. Of Environmental Accidents

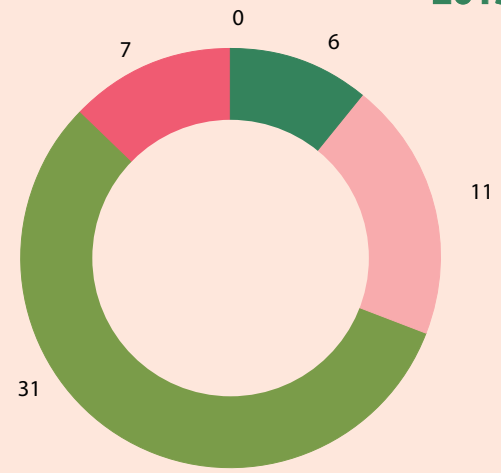
2014.



Refining Sales&Distribution Upstream
Oilfield Services Energy

No. Of Environmental Accidents

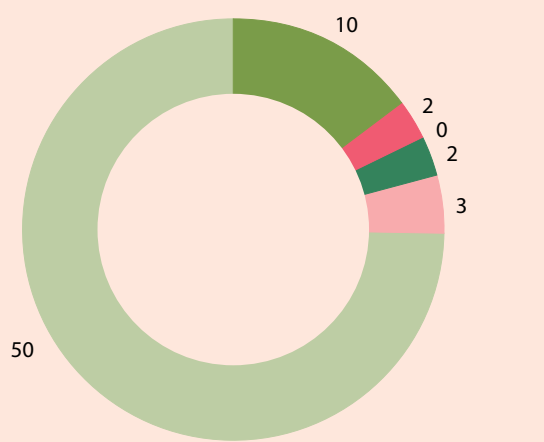
2015.



Refining Sales&Distribution Upstream
Oilfield Services Energy

Type of environmental accident

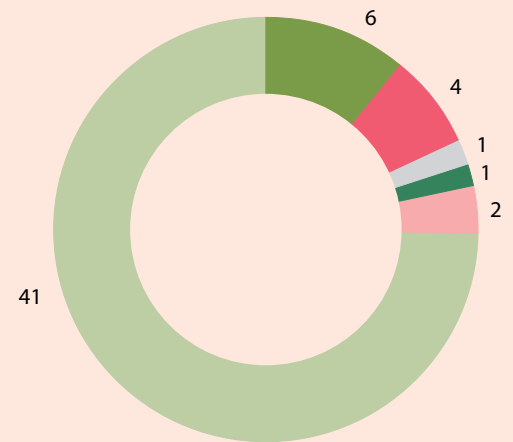
2014.



Gas emission Spilling of chemicals (offsite) on soil Spilling of chemicals (onsite) on soil
Spilling of waste water on soil Spilling of oil and petroleum products into water Spilling of oil and petroleum products on soil

Type of environmental accident

2015.



Gas emission Spilling of chemicals (offsite) on soil Spilling of chemicals (onsite) on soil
Spilling of waste water on soil Spilling of oil and petroleum products into water Spilling of oil and petroleum products on soil

Causes of environmental accidents

	No. incidents 2014	%	No. incidents 2015	%
Perforated oil pipeline	23	34	21	38
Perforated gas pipeline	7	10	0	0
Perforated ancillary lines	2	3	0	0
Damaged structural facilities	0	0	0	0
Operating activity – failure or defect	5	7	3	5
Operating activity – human factor	9	13	9	16
Technological defect or failure - process	11	16	19	35
Other	10	15	3	5
Total	67	100	55	100



Responsibility for environmental accidents				2015		
Blocks	Employee Responsibility	Third Party Responsibility	Technical factor	Employee Responsibility	Third Party Responsibility	Technical factor
Refining	5	1	7	0	1	5
Sales and Distribution	2	2	3	2	2	7
Exploration and Production	0	0	38	0	7	24
Oilfield Services	2	0	7	0	0	7
Energy	0	0	0	0	0	0
NIS	9	3	55	2	10	43

The company obtains opinions and the requirements of the competent authorities (Department of Nature Conservation of Serbia, Provincial Institute for Nature Protection), which are an integral part of the Impact Assessment Study of the project, implements the prescribed measures for the protection of the environment and monitors environmental impacts.

The sites where the Company performs its business activities, and which are located inside protected areas, or in their vicinity are:

1. The Special Nature Reserve "Deliblatska peščara" - SGS Tilva (out of operation in 2015) and HTS "Devojački bunar"
2. The Special Nature Reserve "Okanj" Iaje – nearby Plant for preparation and transport of oil and gas in the area, and the well Eli-1 in the reserve (out of operation in 2015)
3. In the vicinity of the Special Nature Reserve "Pašnjaci velike droplje" - SMS Mokrin west and KS-2 Mokrin West
In the vicinity of the Special Nature Reserve "Koviljsko-petrovaradinski rit" - SSG Novi Sad 6
4. In the vicinity of the Nature park – "Paličko jezero" XTS Palić 1, Pć-24 and LPG Storage Subotica
5. In the vicinity of the Natural monument forest Junaković - HTS Prigrevica
6. In the vicinity of the Natural monument – "County Park", town garden in Zrenjanin - SSG Zrenjanin 1

Outside Vojvodina, SSG Donji Milanovac is located in the national park Djerdap.



Graphic representation of the sites of NIS facilities in relation to the „Pašnjaci velike droplje“ (SMS Mokrin west and KC-2 Mokrin west)

Source: Regulation on categorization of protected natural areas, Off. Gazette of RS, no. 30/92.<http://www.pzzp.rs/sr/>

Facilities of the Block "Promet" - SSG "Iriški venac" in the national park Fruška Gora, and SSG Golubac near the national park Djerdap were removed during 2015, in accordance with the Decisions previously obtained from the competent authorities.

Biodiversity is important for a healthy and safe development of society and it is our duty to preserve it for future generations. As the threat to biological species and ecosystems is greater than ever before, we need to make further efforts towards the conservation of the existing and revitalization of endangered biodiversity, wherever possible.

Description of Significant Impacts on Biodiversity in Protected Areas

Business activities of NIS do not affect the biodiversity in protected areas, given the fact that the activities are carried out in a very limited number of facilities within or near protected areas.

During the exploration, construction works, exploitation of oil and gas wells, repairs, storage of crude oil and oil products and other activities, the imposed conditions are fulfilled, as defined by the Decisions concerning the protection of nature adopted by the competent authorities and Impact assessment studies for the project.

After the damage to the oil pipeline that runs through the Special Nature Reserve "Ludoško jezero", Pereš subunit, which is under protection regime III, on 25 March 2015 around 200kg of oil spill. Provincial Institute for Nature Protection issued the Decision on establishing the conditions of nature protection for the purpose of execution of works on rehabilitation of the oil pipeline from the oil well inside the boundaries of the Special Nature Reserve "Ludoško jezero" and the Decision on establishing the conditions of nature protection for the purpose of the preparation of the Design on detailed hydrogeological explorations for the purpose of groundwater quality control in the pipeline zone near the oil well in the Oil Field Palić. At the site in question and in the immediate surroundings there are no protected plant species, nor priority habitat types for protection. In order to monitor the hydrogeological characteristics of the terrain and the groundwater quality after rehabilitation of the oil pipeline, the placement of piezometer wells was ordered, which will be used for the control of pollution of soil and groundwater, in order to protect the "Ludoško jezero" and river Kireš. Design-technical documentation has been prepared and implementation is expected in early 2016.

Habitats That are Protected or Restored

By remediation of the soil where activities of exploration and oil and gas well drilling were conducted, as well as the activities of oil and gas exploitation, the risk to the health of local residents and employees at these facilities, due to the pollution of soil, ground-water and air is being eliminated.

During 2015, the activities on the remediation of historic pollution and restoring of the agricultural land to its original state were continued. A total of 25 primary mud pits, 14,963 m² in surface, were remediated. Out of the total number of remediated mud pits 11 mud pits are due to historical pollution, of the total area of 886 m², while 14 remediated mud pits, of 6,077 m² in area, were created in 2015.

Thus the total number of rehabilitated primary mud pits increased to 150, and the total area of the recultivated soil amounts to 106,026 m², i.e. more than 10 ha. The majority of the primary mud pits is located in Vojvodina, in the municipalities of Srbobran and Kikinda, while the remaining ones are distributed in Banat and Bačka, as well as around Požarevac.

Species from the IUCN Red List Whose Habitats are Located in the Vicinity of the Sites Where the Company Operates, According to the Level of Threat

The IUCN Red List of Threatened Species provides an overview of endangered species at the global level. The Red List of the International Union for Conservation of Nature (IUCN) has established criteria of vulnerability for about 49,000 species, subspecies, varieties and subpopulations, based on which endangered species are classified into IUCN categories.

According to the information we have, in the vicinity of the sites where the company operates, according to data on natural species from the IUCN Red List, near Mokrin, in the Pastures of the Great Bustard, there is the habitat of a strictly protected species of birds - the Great Bustard (*Otis tarda*), with about 30 birds.



Emissions of Pollutants

The operation of process units, boilers in Power Plants of Pančevo Oil Refinery and Novi Sad Oil Refinery is primarily based on combustion of fossil fuels-petroleum products and natural gas. During these processes the formation of NO_x, SO₂ and particulate matter (PM) and air emissions occur. NIS, being committed to sustainable development and meeting the requirements of legislation seeks, through best management practices, to contribute fully to environmental protection. Measuring of the emissions of pollutants is carried out by legal entities that are authorized and accredited for the measurement of emissions by prescribed manual or automatic methods. Increased amount of pollutants emitted into the air is a result of using liquid fuel, fuel oil, as the predominant fuel in process plants and the boilers in 2015, unlike in 2014 when natural gas was used.

Amounts of air pollutants emitted		
	2014	2015
Emission of SO ₂ (t)	1,475	3,464
Emission of NO ₂ (t)	601	1,064
Dust emission (t)	30	74

Reduced Impact of Product to Environment

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

In order to reduce the environmental impact, NIS produces and sells AdBlue, which is a 32.5% aqueous urea solution that is used to reduce vehicle exhaust gases, i.e. of nitrogen oxides, by converting them into an unarmful gas - N₂. Nitrogen oxides are hazardous both for the environment and for the human health. AdBlue is stored in a special tank in the vehicle, wherefrom it is injected into the exhaust gas treatment device, the so-called SCR (Selective Catalytic Reduction) system.

Biodegradable lubricants are oils that in contact with the environment cause minimal harmful effect. In addition, biodegradable lubricants are produced from renewable resources (vegetable oil), which is the basic principle of ecotribology. The interest in environmentally friendly lubricants is increasing by year t both in Serbia and in the entire Balkan region, particularly in the application areas in which mineral (petroleum) -based lubricants are in direct contact with the environment, and thus may cause significant damage to it, such as oil losses during operation of chainsaws, agricultural, forestry and construction machinery, railway and tramway turn-outs, outboard motor boats, formwork oil in construction industry, steel ropes and chains.

Therefore, since its establishment the Lubricants Department is working on development of "ECO-FRENDLY" range of products - environmentally friendly lubricants. In 2015 the development of a biodegradable product NISOTEK Biotesterol was completed, which is intended for lubricating chain saws. After the completion

of laboratory tests also the exploitation – application testing was performed in close cooperation with the customer, by which the formulation was verified. The drafting of technical documentation has also been completed and the production is launched. The product will be distributed and made available to customers at NIS petrol stations.

Waste Management

The Company regulates the management of all types of waste (classification, monitoring of quantities and types of waste, prevention of waste generation, storage, final disposal, reporting) in accordance with the internal Standards that are in compliance with the legislation of the Republic of Serbia. By performing its business operations NIS generates both non-hazardous and hazardous waste which is treated in accordance with legal regulations. During 2015, less waste was generated and disposed than in 2014.

In 2015, the generated hazardous waste mostly consisted of mud and sludge, as well as oil-contaminated wastes resulting from maintenance and cleaning of tanks, separators and clean-

Waste character	01.01.2015. (t)	Waste Generated in 2015 (t)	Waste Disposed in 2015 (t)	31.12.2015. (t)
Non-hazardous	6,279	7,970	7,805	6,444
Hazardous	2,647	6,357	8,213	791
Total	8,926	14,327	16,018	7,235

ing of oil sewage. Out of all types of non-hazardous waste which were generated in 2015, metal waste accounted for 83% of total generated quantity.

Different types of waste require different methods of treatment. Most waste was handed over for recycling, primarily metals and packaging waste, while hazardous waste (mud, sludge, and oil-contaminated waste), depending on the concentration of hydrocarbons, was handed over for co-combustion, solidification and bioremediation.

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

Overview of disposed waste according to the type and operator	
Disposal Methods	2015 (t)
Bioremediation	1,214
Composting	3
Disposal	182
Recycling	7,739
Re-refining (reuse of waste oil)	39
Storage	149
Solidification	1,758
Co-combustion	4,933

Quantity of Drilling Waste

Drilling waste (waste mud) is a mix of material from drilled rocks (sandstone, marl, lime-stone, etc.) and drilling mud, i.e. liquid, viscose fluid pumped into an oil well during drilling in order to flush out the drilled material and equalize the pressure of drilled layers. All mud types that the Company uses (bentonite, Duratherm system and KCI system) are water-based. The chemical composition of these is fluids based on suspension of very active absorbent clay (bentonite), with certain additives (biopolymers and synthetic polymers).

Waste mud is mostly non-hazardous waste and, as such, is disposed of at non-hazardous waste landfills. In 2010, the Company commissioned the Novo Miloševo Waste Mud Landfill, which was designed and constructed for permanent and safe disposal of waste muds. Before the implementation of the "Dry Locations" project drilling waste materials were temporarily disposed in the primary mud pits, which were dug next to the wells and rehabilitated after the completion of drilling. As a part of the implementation of the "Dry Locations" project, all eight drilling rigs which the Company possesses were equipped with metal or concrete pools used for collection of waste mud during drilling, i.e. flocculation systems used for the recirculation of the liquid phase of drilling mud and its recovery, in order to reduce the total amount of waste. Implementation of this project created conditions for all waste generated during drilling to immediately be collected and disposed at the waste mud landfill Novo Miloševo, instead of temporary landfills. This prevents the harmful effects of any mud waste materials on the environment, because of the realization of the conditions for their swift and safe disposal immediately after generation.

In 2015, during the regular activities of new oil well development (a total of 52 wells were drilled) around 35,000 t of mud waste was generated and disposed of immediately after generation.

NIS business operations include bottled water production facilities in Jazak, as well as facilities for the production of different brands of oils and lubricants at the Lubricants Department in Novi Sad.

In accordance with the Law on Packaging and Packaging Waste ("Official Gazette of RS" No. 36/2009), as the supplier of packing, NIS is required to take care of the packaging waste remaining after the use of its products, i.e. the Company must ensure the pick up and collection, as well as its re-use, recycling or disposal.

NIS has hired operators responsible for the packaging waste system management, Ekostar pack and Ceneks, that possess all necessary permits for the performance of this activity.

In order to meet the defined national objectives for 2015, NIS required from the operators to ensure that the packaging waste they take over and collect in 2015 is re-used, recycled or disposed of by the end of the year.

In cooperation with Ekostar pack packaging waste management operator, the Company has organized the collection of packaging waste in branded containers (paper and PET packaging) in Business Centres in Novi Sad and Beograd. In the coming years, this initiative is planned to be expanded to include the collection of aluminium cans, as well as to all the Blocks of our Company.



Overview of the packaging placed onto the market of the Republic of Serbia in tons			
Type of packaging	Type of Packaging Material	Quantity of Packaging Released onto the Market (t)	
		„Jazak“	Lubricant Division
Plastic	PET	266	88
	Other Types of Plastic	46	134
Metal	Iron	0	83
Paper and Cardboard	Paper and Cardboard	59	53
Wood	Pallets	53	64
Total		424	421

Biofuels

The introduction of biofuels as one of the components for motor fuel blending is the obligation of all oil companies in the Member States of the European Union. As a leader in the energy sector in the region, NIS is completely committed to the legal channels on the market and thus actively participates in the establishment of a clear legal framework for the placement of biodiesel and other biofuels in Serbia.

The project of “Blending of bio components with diesel fuel in Pančevo Oil Refinery”, will ensure the automatically regulated blending of bio components with Euro Diesel from minimum of 2 to a maximum of 9 percent, and the shipment of the blended fuel

will be implemented from the car-filling stations, railway and newly designed loading dock on the Danube terminal. The completion of the project of “Blending of bio components with diesel fuel will allow NIS to fulfil the expected requirements to the full extent, at the moment of future biofuel legislation enactment. In 2015, at the Pančevo Oil Refinery there was no Blending of bio components in the Euro Diesel, and consequently no production of Euro Diesel B7.

GRI indicators

Profile	Description	Status	Page number
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	●	6
G4-3	Report the name of the organization.	●	12
G4-4	Report the primary brands, products, and services.	●	14
G4-5	Report the location of the organization's headquarters.	●	14
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	●	14
G4-7	Report the nature of ownership and legal form.	●	18
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	●	14
G4-9	Report the scale of the organization, including: Total number of employees, Total number of operations, Net sales (for private sector organizations) or net revenues (for public sector organizations), Total capitalization broken down in terms of debt and equity (for private sector organizations), Quantity of products or services provided	●	14, 24, 36
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	●	38
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	●	41
G4-12	Describe the organization's supply chain.	●	30
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	●	8
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	●	AR 30
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	●	19
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: Holds a position on the governance body, Participates in projects or committees, Provides substantive funding beyond routine membership dues, Views membership as strategic	●	19
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	●	8
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	●	8
G4-19	List all the material Aspects identified in the process for defining report content.	●	76
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	●	76
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	●	77
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	●	8
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	●	8
G4-24	Provide a list of stakeholder groups engaged by the organization.	●	20
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	●	20
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	●	20
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	●	9
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	●	10
G4-29	Date of most recent previous report (if any).	●	10
G4-30	Reporting cycle (such as annual, biennial).	●	10
G4-31	Provide the contact point for questions regarding the report or its contents.	●	90
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	●	86

Profile	Description	Status	Page number
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	•	86
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	•	18
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	•	16

Indicator	Description	Status	Page number
EC1	Direct Economic Value Generated And Distributed	•	26
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EC 4	Financial Assistance Received From Government	•	83
EC 5	Ratios Of Standard Entry Level Wage By Gender Compared To Local Minimum Wage At Significant Locations Of Operation	•	45
EC 6	Proportion Of Senior Management Hired From The Local Community At Significant Locations Of Operation	•	38
EC 7	Development And Impact Of Infrastructure Investments And Services Supported	•	54
EC 8	Significant Indirect Economic Impacts, Including The Extent Of Impacts	•	54
EC 9	Proportion Of Spending On Local Suppliers At Significant Locations Of Operation	•	30
EN 1	Materials Used By Weight Or Volume	•	64
EN 2	Percentage Of Materials Used That Are Recycled Input Materials	•	64
EN 3	Energy Consumption Within The Organization	•	66
EN 5	Energy Intensity	•	67
EN 6	Reduction Of Energy Consumption	•	67
EN 8	Total Water Withdrawal By Source	•	67
EN 9	Water Sources Significantly Affected By Withdrawal Of Water	•	67
EN 10	Percentage And Total Volume Of Water Recycled And Reused	•	68
EN 11	Operational Sites Owned, Leased, Managed In, Or Adjacent To, Protected Areas And Areas Of High Biodiversity Value Outside Protected Areas	•	72
EN 12	Description Of Significant Impacts Of Activities, Products, And Services On Biodiversity In Protected Areas And Areas Of High Biodiversity Value Outside Protected Areas	•	72
EN 13	Habitats Protected Or Restored	•	73
EN 14	Total Number Of IUCN Red List Species And National Conservation List Species With Habitats In Areas Affected By Operations, By Level Of Extinction Risk	•	73
EN 20	Emissions Of Ozone-Depleting Substances (Ods)	•	83
EN 21	Nox, Sox, And Other Significant Air Emissions	•	73
EN 22	Total Water Discharge By Quality And Destination	•	68
EN 23	Total Weight Of Waste By Type And Disposal Method	•	74
EN 24	Total Number And Volume Of Significant Spills	•	69
EN 25	Weight Of Transported, Imported, Exported, Or Treated Waste Deemed Hazardous Under The Terms Of The Basel Convention2 Annex I, Ii, Iii, And Viii, And Percentage Of Transported Waste Shipped Internationally	•	83
EN 27	Extent Of Impact Mitigation Of Environmental Impacts Of Products And Services	•	73
EN 28	Percentage Of Products Sold And Their Packaging Materials That Are Reclaimed By Category	•	75
EN 29	Monetary Value Of Significant Fines And Total Number Of Non-Monetary Sanctions For Non-Compliance With Environmental Laws And Regulations	•	83
EN 30	Significant Environmental Impacts Of Transporting Products And Other Goods And Materials For The Organization's Operations, And Transporting Members Of The Workforce	•	32

Indicator	Description	Status	Page number
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LA 1	Total Number And Rates Of New Employee Hires And Employee Turnover By Age Group, Gender And Region	●	38
LA 2	Benefits Provided To Full-Time Employees That Are Not Provided To Temporary Or Part-time Employees, By Significant Locations Of Operation	●	42
LA 3	Return To Work And Retention Rates After Parental Leave, By Gender	●	41
LA 4	Minimum Notice Periods Regarding Operational Changes, Including Whether These Are Specified In Collective Agreements	●	41
LA 5	Percentage Of Total Workforce Represented In Formal Joint Management-Worker Health And Safety Committees That Help Monitor And Advise On Occupational Health And Safety Programs	●	47
LA 6	Type Of Injury And Rates Of Injury, Occupational Diseases, Lost Days, And Absenteeism, And Total Number Of Work-Related Fatalities, By Region And By Gender	●	47
LA 7	Workers With High Incidence Or High Risk Of Diseases Related To Their Occupation	●	47
LA 8	Health And Safety Topics Covered In Formal Agreements With Trade Unions	●	47
LA 9	Average Hours Of Training Per Year Per Employee By Gender, And By Employee Category	●	42, 48
LA 10	Programs For Skills Management And Lifelong Learning That Support The Continued Employability Of Employees And Assist Them In Managing Career Endings	●	41
LA 11	Percentage Of Employees Receiving Regular Performance And Career Development Reviews, By Gender And By Employee Category	●	45
LA 12	Composition Of Governance Bodies And Breakdown Of Employees Per Employee Category According To Gender, Age Group, Minority Group Membership, And Other Indicators Of Diversity	●	18
LA 13	Ratio Of Basic Salary And Remuneration Of Women To Men By Employee Category, By Significant Locations Of Operation	●	38
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HR 4	Operations And Suppliers Identified In Which The Right To Exercise Freedom Of Association And Collective Bargaining May Be Violated Or At Significant Risk, And Measures Taken To Support These Rights	●	41
HR 5	Operations And Suppliers Identified As Having Significant Risk For Incidents Of Child Labor, And Measures Taken To Contribute To The Effective Abolition Of Child Labor	●	38
HR 6	Operations And Suppliers Identified As Having Significant Risk For Incidents Of Forced Or Compulsory Labor, And Measures To Contribute To The Elimination Of All Forms Of Forced Or Compulsory Labor	●	38
HR 8	Total Number Of Incidents Of Violations Involving Rights Of Indigenous Peoples And Actions Taken	●	83
HR 12	Number Of Grievances About Human Rights Impacts Filed, Addressed, And Resolved Through Formal Grievance Mechanisms	●	83
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SO 4	Communication And Training On Anti-Corruption Policies And Procedures	●	28
SO 5	Confirmed Incidents Of Corruption And Actions Taken	●	28
SO 6	Total Value Of Political Contributions By Country And Recipient/Beneficiary	●	83
SO 7	Total Number Of Legal Actions For Anti-Competitive Behavior, Anti-Trust, And Monopoly Practices And Their Outcomes	●	83
SO 8	Monetary Value Of Significant Fines And Total Number Of Non-Monetary Sanctions For Non-Compliance With Laws And Regulations	●	83
SO 9	Percentage Of New Suppliers That Were Screened Using Criteria For Impacts On Society	●	28
SO 10	Significant Actual And Potential Negative Impacts On Society In The Supply Chain And Actions Taken	●	28
SO 11	Number Of Grievances About Impacts On Society Filed, Addressed, And Resolved Through Formal Grievance Mechanisms	●	29
PR 2	Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning The Health And Safety Impacts Of Products And Services During Their Life Cycle, By Type Of Outcomes	●	32
PR 3	Type Of Product And Service Information Required By The Organization's Procedures For Product And Service Information And Labeling, And Percentage Of Significant Product And Service Categories Subject To Such Information Requirements	●	31
PR 4	Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning Product And Service Information And Labeling, By Type Of Outcomes	●	31
PR 5	Results Of Surveys Measuring Customer Satisfaction	●	30
PR 6	Sale Of Banned Or Disputed Products	●	83
PR 7	Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning Marketing Communications, Including Advertising, Promotion, And Sponsorship, By Type Of Outcomes	●	32
PR 8	Total Number Of Substantiated Complaints Regarding Breaches Of Customer Privacy And Losses Of Customer Data	●	32

Indicator	Description	Status	Page number
PR 9	Monetary Value Of Significant Fines For Non-Compliance With Laws And Regulations Concerning The Provision And Use Of Products And Services	•	83
OG 1	Volume And Type Of Estimated Proved Reserves And Production	•	83
OG 3	Total Amount Of Renewable Energy Generated By Source	•	67
OG 4	Number And Percentage Of Significant Operating Sites In Which Biodiversity Risk Has Been Assessed And Monitored	•	72
OG 5	Volume And Disposal Of Formation Or Produced Water	•	69
OG 6	Volume Of Flared And Vented Hydrocarbon	•	69
OG 7	Amount Of Drilling Waste (Drill Mud And Cuttings) And Strategies For Treatment And Disposal	•	74
OG 8	Benzene, Lead And Sulfur Content In Fuels	•	83
OG 10	Number And Description Of Significant Disputes With Local Communities And Indigenous Peoples	•	83
OG 12	Operations Where Involuntary Resettlement Took Place, The Number Of Households Resettled In Each And How Their Livelihoods Were Affected In The Process	•	83
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OG 14	Volume Of Biofuels Produced And Purchased Meeting Sustainability Criteria	•	75

Topic	Indicator	Description	Status	Page number
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	EC 2	Financial Implications And Other Risks And Opportunities For The Organization's Activities Due To Climate Change	•	62
	EC 3	Coverage Of The Organization's Defined Benefit Plan Obligations	•	83
	EC 4	Financial Assistance Received From Government	•	83
	EN 31	Total Environmental Protection Expenditures And Investments By Type	•	62
Occupational health and safety	LA 5	Percentage Of Total Workforce Represented In Formal Joint Management-Worker Health And Safety Committees That Help Monitor And Advise On Occupational Health And Safety Programs	•	47
	LA 6	Type Of Injury And Rates Of Injury, Occupational Diseases, Lost Days, And Absenteeism, And Total Number Of Work-Related Fatalities, By Region And By Gender	•	47
	LA 7	Workers With High Incidence Or High Risk Of Diseases Related To Their Occupation	•	47
	LA 8	Health And Safety Topics Covered In Formal Agreements With Trade Unions	•	47
	OG 13	Number Of Process Safety Events, By Business Activity	•	46
Product Quality	EN 27	Extent Of Impact Mitigation Of Environmental Impacts Of Products And Services	•	73
	PR 3	Type Of Product And Service Information Required By The Organization's Procedures For Product And Service Information And Labeling, And Percentage Of Significant Product And Service Categories Subject To Such Information Requirements	•	31
	PR 4	Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning Product And Service Information And Labeling, By Type Of Outcomes	•	31
	PR 6	Sale Of Banned Or Disputed Products	•	83
	OG 8	Benzene, Lead And Sulfur Content In Fuels	•	83
Corporate governance	Is not related to any specific indicator	Is not related to any specific indicator	•	18
Corruption	SO 3	Total Number And Percentage Of Operations Assessed For Risks Related To Corruption And The Significant Risks Identified	•	28
	SO 4	Communication And Training On Anti-Corruption Policies And Procedures	•	28
	SO 5	Confirmed Incidents Of Corruption And Actions Taken	•	28
Lobbying	SO 6	Total Value Of Political Contributions By Country And Recipient/Beneficiary	•	83
Environmental impact	EN 1	Materials Used By Weight Or Volume	•	64
	EN 2	Percentage Of Materials Used That Are Recycled Input Materials	•	64
	EN 8	Total Water Withdrawal By Source	•	67
	EN 9	Water Sources Significantly Affected By Withdrawal Of Water	•	67
	EN 10	Percentage And Total Volume Of Water Recycled And Reused	•	68
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	EN 23	Total Weight Of Waste By Type And Disposal Method	•	74
	EN 24	Total Number And Volume Of Significant Spills	•	69

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	EN 25	Weight Of Transported, Imported, Exported, Or Treated Waste Deemed Hazardous Under The Terms Of The Basel Convention ² Annex I, II, III, And VIII, And Percentage Of Transported Waste Shipped Internationally	●	83
	EN 28	Percentage Of Products Sold And Their Packaging Materials That Are Reclaimed By Category	●	75
	OG 4	Number And Percentage Of Significant Operating Sites In Which Biodiversity Risk Has Been Assessed And Monitored	●	72
	OG 5	Volume And Disposal Of Formation Or Produced Water	●	69
	OG 6	Volume Of Flared And Vented Hydrocarbon	●	69
	OG 7	Amount Of Drilling Waste (Drill Mud And Cuttings) And Strategies For Treatment And Disposal	●	74
Relations with employees	EC 5	Ratios Of Standard Entry Level Wage By Gender Compared To Local Minimum Wage At Significant Locations Of Operation	●	45
	EC 6	Proportion Of Senior Management Hired From The Local Community At Significant Locations Of Operation	●	38
	LA 1	Total Number And Rates Of New Employee Hires And Employee Turnover By Age Group, Gender And Region	●	38
	LA 2	Benefits Provided To Full-Time Employees That Are Not Provided To Temporary Or Part-time Employees, By Significant Locations Of Operation	●	42
	LA 3	Return To Work And Retention Rates After Parental Leave, By Gender	●	41
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	LA 9	Average Hours Of Training Per Year Per Employee By Gender, And By Employee Category	●	42, 48
	LA 10	Programs For Skills Management And Lifelong Learning That Support The Continued Employability Of Employees And Assist Them In Managing Career Endings	●	41
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	HR 3	FORMAL GRIEVANCE MECHANISMS	●	38
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	HR 5	Operations And Suppliers Identified As Having Significant Risk For Incidents Of Child Labor, And Measures Taken To Contribute To The Effective Abolition Of Child Labor	●	38
	HR 6	Operations And Suppliers Identified As Having Significant Risk For Incidents Of Forced Or Compulsory Labor, And Measures Taken To Contribute To The Elimination Of All Forms Of Forced Or Compulsory Labor	●	38
Supplier relation management	EC 9	Proportion Of Spending On Local Suppliers At Significant Locations Of Operation	●	30
	SO 9	Percentage Of New Suppliers That Were Screened Using Criteria For Impacts On Society	●	28
	SO 10	Significant Actual And Potential Negative Impacts On Society In The Supply Chain And Actions Taken	●	28
Customer relation management	PR 5	Results Of Surveys Measuring Customer Satisfaction	●	30
	PR 8	Total Number Of Substantiated Complaints Regarding Breaches Of Customer Privacy And Losses Of Customer Data	●	32

Topic	Indicator	Description	Status	Page number
Legal issues	PR 9	Monetary Value Of Significant Fines For Non-Compliance With Laws And Regulations Concerning The Provision And Use Of Products And Services	●	83
	EN 29	Monetary Value Of Significant Fines And Total Number Of Non-Monetary Sanctions For Non-Compliance With Environmental Laws And Regulations	●	83
	LA 16	Number Of Grievances About Labor Practices Filed, Addressed, And Resolved Through	●	83
	HR 8	Total Number Of Incidents Of Violations Involving Rights Of Indigenous Peoples And Actions Taken	●	83
	HR 12	Number Of Grievances About Human Rights Impacts Filed, Addressed, And Resolved Through Formal Grievance Mechanisms	●	83
	SO 7	Total Number Of Legal Actions For Anti-Competitive Behavior, Anti-Trust, And Monopoly Practices And Their Outcomes	●	83
	SO 8	Monetary Value Of Significant Fines And Total Number Of Non-Monetary Sanctions For Non-Compliance With Laws And Regulations	●	83
	SO 11	Number Of Grievances About Impacts On Society Filed, Addressed, And Resolved Through Formal Grievance Mechanisms	●	29
	PR 2	Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning The Health And Safety Impacts Of Products And Services During Their Life Cycle, By Type Of Outcomes	●	32
	PR 7	Total Number Of Incidents Of Non-Compliance With Regulations And Voluntary Codes Concerning Marketing Communications, Including Advertising, Promotion, And Sponsorship, By Type Of Outcomes	●	32
Oil and gas reserves	OG 1	Volume And Type Of Estimated Proved Reserves And Production	●	83
Investment into the local community	EC 7	Development And Impact Of Infrastructure Investments And Services Supported	●	54
	EC 8	Significant Indirect Economic Impacts, Including The Extent Of Impacts	●	54
	OG 10	Number And Description Of Significant Disputes With Local Communities And Indigenous Peoples	●	83
	OG 12	Operations Where Involuntary Resettlement Took Place, The Number Of Households Resettled In Each And How Their Livelihoods Were Affected In The Process	●	83
Energy consumption management	EN 3	Energy Consumption Within The Organization	●	66
	EN 5	Energy Intensity	●	67
	EN 6	Reduction Of Energy Consumption	●	67
	OG 3	Total Amount Of Renewable Energy Generated By Source	●	67
	OG 14	Volume Of Biofuels Produced And Purchased Meeting Sustainability Criteria	●	75
Transportation management	EN 30	Significant Environmental Impacts Of Transporting Products And Other Goods And Materials For The Organization'S Operations, And Transporting Members Of The Workforce	●	32

● complete

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Overview of subsidies in years 2014 and 2015				
Program name:	Subsidy amount as per agreement	Funds paid (in RSD)		
		2014	2015	Total
Agreement on establishing mutual rights and obligations in the implementation of program NIS Chance with the Town of Pančevo for year 2013	11,235,141	6,167,898	92,336	6,260,233
Agreement on establishing mutual rights and obligations in the implementation of program NIS Chance with the Town of Zrenjanin for year 2013	10,207,537	8,494,866	-	8,494,866
Agreement on establishing mutual rights and obligations in the implementation of program or measures of active policy of employment with the Autonomous Province of Vojvodina for year 2014	12,237,755	12,237,755	-	12,237,755
Agreement on establishing mutual rights and obligations in the implementation of program NIS Chance with the Town of Zrenjanin for year 2014	6,256,381	-	1,925,040	1,925,040
Total		26,900,519	2,017,376	28,917,894

EC 3 - The company calculates accruals for severance and retirement pay, as well as jubilee awards.

EN 20 - The Company does not engage in production, import, or export of substances which deplete the ozone layer

EN 25 - In 2015 there was no transported, imported, exported and/or treated waste deemed hazardous under the Annex of Basel Convention I, II, III and VIII.

EN 29 - In 2015, two legal disputes regarding air pollution in Pančevo were concluded, and resulted in RSD 2,250,000 of paid fines.

LA 16 - In 2015, there is a total of 334 new labour litigations against the company (not including litigations for mobbing), with another 1,802 active labour litigations from the prior period. Out of the total number of labour litigations, a total of 147 were resolved in 2015 (92 disputes ended in favor of the company, and 55 to the detriment of the Company), as well as 13 litigations from the current period (all ended in the favor of the Company). Total value of the disputes ending to the detriment of the company is RSD 7,533,303.

HR 8 - In 2015 there were no court proceedings concerning violations of the rights of indigenous peoples

HR 12 - In 2015, 6 new mobbing-related disputes have been launched against the Company, and existence of 23 other disputes from the previous reporting period has been established. Out of the total number of disputes in 2015, 4 disputes from the previous period have been resolved (all 4 to the Company's detriment). The total value of all disputes which have been completed to the Company's detriment amounts to RSD 1,343,600.

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

SO 7 - In 2015, there were no open legal proceedings or legal actions against the Company on account of anti-competitive and monopolizing behaviour.

SO 8 - In 2015, no significant penalties or fines were imposed against the Company on account of non-compliance with the laws and regulations.

PR 6 - In 2015, the Company did not sell products which are prohibited or subject to public debate in certain markets.

PR 9 - In 2015, there were no penalties due to non-compliance with laws and regulations relating to the provision of services and use of Company products.

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

OG 8 - The quality of the fuels produced by the Company is in line with the prescribed quality according to the requirements of the national legislation.

OG 10 - In 2015, 8 new disputes have been initiated stating damages from the non-use of land due to occupation or recultivation, in addition to the three existing disputes from the previous periods. Out of the total number of disputes in 2015, 2 disputes have been resolved, both from the previous reporting period. One dispute has been finalized by settlement, while the other's claim has been rejected.

OG 12 - In 2015, there were no actions taken or ongoing against the Company on account of dislocating of population or affecting their lives in the process

Glossary

REACH	Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals.
Grade	level allotted to certain positions based on task assessment. Jobs allotted the same grade have approximately the same relative value in the Company regardless of the function or organizational part they belong to
MAC	Maximum Allowed Concentration
ELV	Emission Limit Value
PCB	polychlorinated biphenyls
GDP	Gross domestic product
GRI (Global Reporting Initiative)	The Global Reporting Initiative GRI is an international non-profit organization founded in 1997 in order to achieve the highest quality of corporate reporting on sustainable development. GRI standards are improved each year and since 2006 G3, a so-called third generation of reporting on sustainable development has been applied. G3 consists of the principles and indicators which define the frame for the content and quality of reports on sustainable development, as well as guidance for setting the limits in reporting. G3 principles can be used by small companies, big multinational companies, public sector, non-governmental and other organizations throughout the world.
Stakeholders	all private individuals and legal entities interested in the business activities of the Company who have influence on the business results of the Company or are under its influence
Directly Generated Value	income from sale + financial revenue + lease revenue + interest revenue + net result on the basis of the sale of capital assets
Operating Costs	procurement cost of the sold goods + cost of material + other business expenses – various kinds of taxes
Remediation	a term generally used for cleaning and renewal-restoration (recultivation, revitalization, regeneration) of a polluted spot – area or otherwise damaged environments as a result of human activity
EBITDA	earnings before interest, taxes and depreciation and amortization
MHC/DHT	mild hydrocracking / hydro treating unit
NO ₂	nitrate oxide
SO ₂	sulphur (IV) oxide
H ₂ S	hydrogen sulfide
CO ₂	carbon dioxide
Drilling mud	drilling fluid with multiple purpose in the wellbore during the drilling process of oil wells (bringing the drilled material to the surface, control the layer pressure, prevent inflow of layer fluids into the wellbore, prevent the fall of the bore wall)
Drill Cuttings	particles of drilled rocks carried out by the drilling mud from the bottom of the well to the surface
Waste drilling mud	spent drilling mud during the well drilling process which is disposed in the primary mud pits near the well
FCC (Fluid catalytic cracker)	Fluid catalytic cracker
Injuries Rate (IR)	Total number of injuries / total number of work hours*1000000
Lost Days Rate (ODR)	Total number of lost days /total number of work hours *1000
Absence rate (LDR)	Sick leaves due to work-related injuries / Total number of work hours *1000
Association	voluntary and NG organization based on freedom of association of several private individuals or legal entities, founded with a view to achieving or improving certain mutual or common goals and interests, which is not prohibited under the Constitution or any law





Ernst & Young d.o.o. Beograd
 Španskih boraca 3
 11070 Beograd, Srbija
 Tel: +381 11 2095 800
 Fax: +381 11 2095 891
 ey.com/rs

INDEPENDENT ASSURANCE STATEMENT

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

The 2015 Corporate Responsibility Report ("the Report") of Naftna Industrija Srbije a.d. 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 G4 Sustainability Reporting Guidelines ("GRI G4"). 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.

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"), 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 G4 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 G4 Disclosures on Management Approach) related to the GRI G4 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 G4 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 2015, 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 G4 General and Specific Disclosures under the scope of our engagement, for internal and public reporting purposes.
- Reviewed data reported to corporate level from the reporting entities (branches and management buildings) or from the Company's subsidiaries, to test completeness of coverage (depending on assigned boundaries) of reporting entities and to examine for selected reporting entities the checks which have been applied at corporate level.
- Reviewed relevant documentation and reporting systems, including collation tools, templates used, and guidance documents.
- Reviewed the Report for the appropriate presentation of the GRI G4 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 G4 Content Index and the references included therein, against the GRI G4 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) 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 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 G4 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 G4 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 G4 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 G4 General Standard Disclosures, as these are presented in the Report and no 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 G4 Disclosures on Management Approach) related to the GRI G4 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 G4 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 G4 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 G4 Disclosures on Management Approach) related to the GRI G4 Specific Standard Disclosures, as presented in the Report and no misstatements came to our attention.
3. Does the Report meet the GRI G4 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 G4 Content Index.

INDEPENDENCE

We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements that the members of the engagement team, as well as the assurance Firm, are independent of the client, including not being involved in writing the subject under review. EY has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. The Firm and all professional personnel involved in this engagement have met these independence requirements.

Belgrade, 21 June 2016

Olivera Andrijašević
 Olivera Andrijašević
 Authorized Auditor
 and for Ernst & Young d.o.o. Beograd



Contacts

NIS J.S.C. Novi Sad
e-mail: office@nis.eu

12 Narodnog Fronta Street
21000 Novi Sad
(021) 481 1111

1 Milentija Popovica Street
11000 Belgrade
(011) 311 3311

Investor Relations
e-mail: investor.relations@nis.eu

12 Narodnog Fronta Street
21000 Novi Sad, Serbia

Minority Shareholders Sector
e-mail: servis.akcionara@nis.eu

12 Narodnog Fronta Street
21000 Novi Sad, Serbia
Info Desk: (011) 22 000 55



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NIS a.d. Novi Sad
Narodnog fronta br. 12, Novi Sad, Srbija

www.nis.eu