SUSTAINABLE DEVELOPMENT REPORT

2021

NIS
GAZPROM NEFT
FUTURE AT WORK

Sustainable Development Report

2021

NIS GAZPROM NEFT FUTURE AT WORK

NIS Sustainable Development Report presents the company's performance in 2021. It explains how we follow sustainable development principles to achieve our strategic goals and is intended for all stakeholders.

The Report has been prepared in compliance with the international standards of the Global Reporting Initiative with an addendum on the Oil and Gas Sector. The compliance of the Report with the GRI standard and the accuracy of information provided in the Report were assessed and verified by Ernst & Young, an independent auditing company.

This Sustainable Development Report has been prepared in Serbian, English, and Russian. In the event of any inconsistency, the Serbian version shall prevail.

Contents

Contents 3
CEO's Foreword 4
NIS Group 8
Awards and recognition 8
Mission, Vision and Values 12
On the Report and Reporting Principles 16
Materiality Matrix 16
Dialogue with Stakeholders 19
Corporate Responsibility 25

Sustainable Development Goals 28
3 Good health 30
4 Quality Education 36
5 Gender Equality 42
6 Чиста вода и санитарни услови 48
7 Affordable and Clean Energy 54
8 Decent Work and Economic Growth 60
9 Industry, Innovation and Infrastructure 66
11 Sustainable Cities and Communities 72
12 Responsible Consumption and Production 78
13 Climate Action 84
15 Life on Land 90
16 Peace, Justice and Strong Institutions 96

Company Profile 102
GRI Sustainable Development Indicators 104
Auditor’s Opinion 158
Glossary 164
Contact Information 166

CEO'S Foreword

Dear friends,

Despite the fact that the COVID-19 pandemic remained a strong influence in 2021, NIS managed to maintain good financial performance and even reach record volumes of refining and sales. We owe this success to our employees, who easily adjusted to the new circumstances and helped the company maintain its liquidity and reliable fuel supply despite the slowing market.

Early in 2022, we again faced challenges that may seriously affect our business. In the current situation, we remain focused on the same objectives – reliable supply of fuel to the market, environmental safety, and support to the local communities.

NIS actively promotes twelve of the seventeen UN sustainable development goals, and will keep doing so despite the current challenges.

In 2021, we continued developing our business and made new steps towards energy transition. We invested 20.2 billion dinars in new projects, the amount almost equal to our last year's net profit. In this way, we helped the domestic market overcome the effects of the COVID-19 pandemic. We remain among the biggest contributors to the state budget of Serbia. In 2021, NIS paid 190.4 billion dinars in taxes and other fees in Serbia, which was the largest amount paid since 2009. Additionally, NIS allocated over a billion dinars as dividends to its shareholders for 2020.

At the same time, we continued our efforts to diversify the business. We signed a strategic partnership agreement with the Serbian Ministry of Economy and HIP Petrohemija. This strategic partnership will be our priority for the nearest future. Together with our partners, we will modernize the Serbian petrochemistry industry just as we have been doing with NIS over the last 13 years. In 2021, we completed the construction of a new heat and power plant in Pancevo, which has significantly increased our power generation capacity. Our rule is for all our business projects have to have a positive environmental effect. This project is not an exception. We will produce electricity from gas using a technology that ensures the reduction of harmful emissions.

It is important to point out, that in NIS we care not only about financial and operating successes, but also about the ways we achieve them. This is why since 2009, we have invested 900 million euro in environmental protection and emission reduction. This will remain our commitment going forward. Last year, our Pancevo refinery started producing biodiesel, thus entering a new era of fuel production that along with financial effect will ensure new

Kirill Tyurdenev
CEO
NIS j.s.c. Novi Sad

environmental benefits. Our employees support the company's environmental focus and last year planted 500 maple and plane trees around the refinery. As part of our environmental activities, we implement measures to reduce energy consumption and improve energy efficiency. This helped us save over 285 million dinars. Despite all challenges, last year we also managed to improve our HSE performance. Lost-time incident rate was 10% lower than in 2020. Health and safety of our employees always remains our top priority.

None of these achievements would be possible if we did not consistently invest in our people. Our employees are the driving force that moves NIS forward, so it is of primary importance to encourage their professional development and create a productive work environment. Strictly following all COVID safety protocols, in 2021 we held over 2870 trainings attended by over 5220 employees. NIS also keeps providing scholarship to talented students, many of whom then join the company. So far, we have helped over 130 students across Serbia. Almost 60 of them have since completed their studies and started their careers in NIS. We have also successfully completed the first season of our new NIS Energy program that offers job opportunities to recent graduates with no professional experience. In 2021, all fifteen participants were hired to work in NIS. We hope that this young talents will contribute their ideas and energy to further development of the company.

We remain a reliable partner to the communities we work in. In 2021, we invested over 315 million dinars in various social responsibility projects and partnerships. We are excited about the ambitions environmental projects we will implement this year as part of our Common Cause Community program in multiple towns across Serbia. We are proud we had a chance to support the true heroes of our time – healthcare workers, whose selfless work helped us through the COVID pandemic.

We entered 2022 with ambitious goals and an investment portfolio worth 25 billion dinars. We hope that our future achievements will drive the development of the local communities, improve the environmental situation across Serbia, ensure process safety, and help educate our employees. Our commitment and effort will help us overcome the new challenges and create value for our shareholders, clients, employees, and the society.

NIS Group

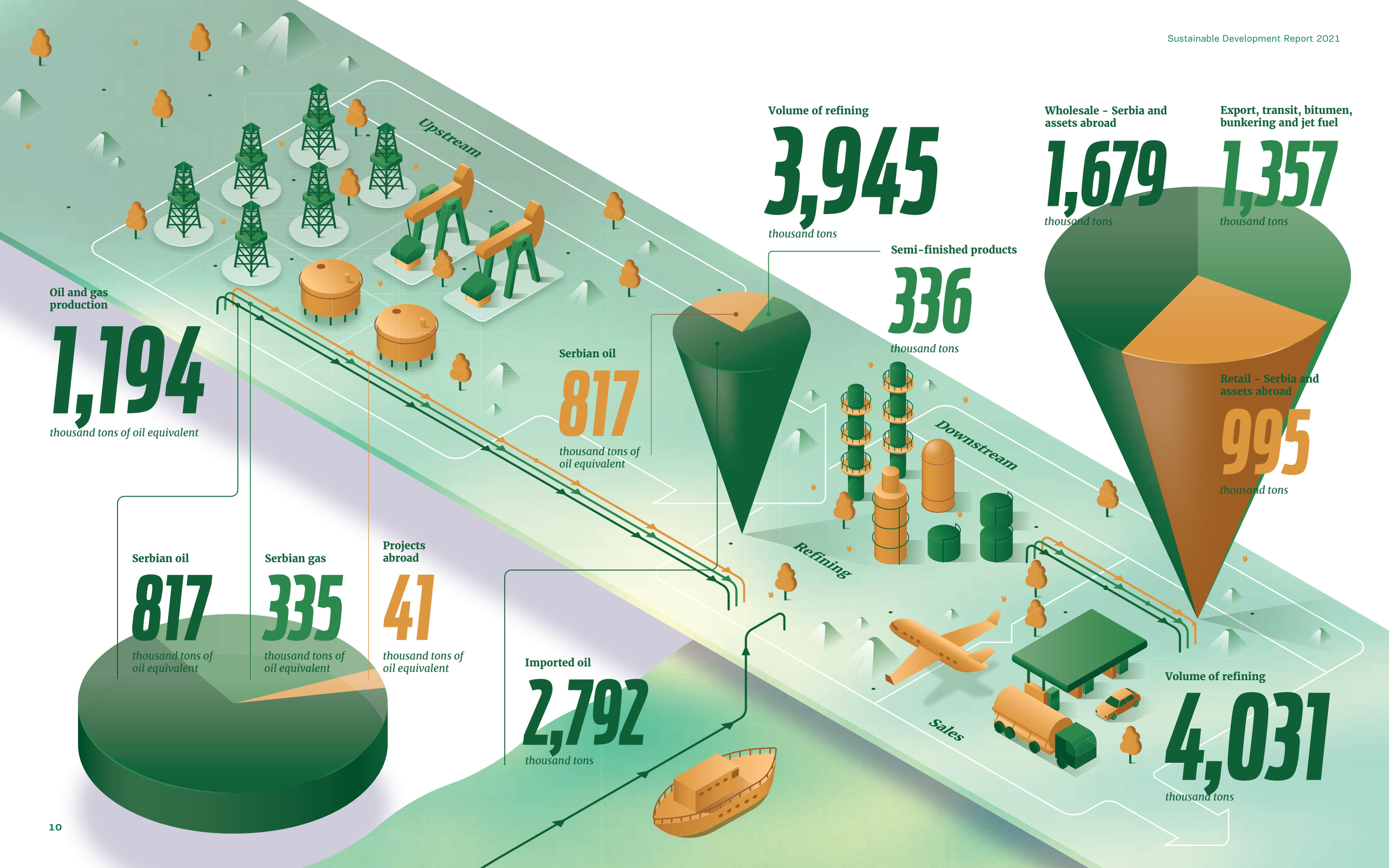
The NIS Group is one of the largest vertically integrated energy systems in Southeast Europe, employing over 11 thousand people in Serbia and countries of the region. Most production capacities of the NIS Group are located in the Republic of Serbia, but the Company also has subsidiaries and representative offices in several other countries.

NIS Group's core business activities are exploration, production and refining of oil and natural gas, sale of a broad range of petroleum and natural gas products, and implementation of petrochemical and energy projects.

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

Awards and recognition

- Vladimir Gagic, Director of the NIS Refining Block received an award from the Serbian Chamber Of Commerce as the best business leader.
- The Defence Ministry of the Republic of Serbia awarded Gazprom Neft, NIS majority shareholder, with a special award for the contribution to the efforts against the COVID 19 virus.
- NIS was named the most desired Serbian employer according to the TalentX study held by the employment platform Poslovi.infostud.com.
- National HSE Award dedicated to the World Day for Safety and Health at Work given by the Ministry of Labor, Employment, Social Affairs and Veterans Affairs.
- Quality Oscar in two nominations: NIS was declared the Quality Champion, and the Deputy CEO for Petrochemistry Goran Stojilkovic was declared the Leader of Business Excellence. The award is organized by the Foundation for Quality Control and Excellence and the Serbian Chamber of Commerce under the auspices of the Ministry of Economy of the Republic of Serbia.
- Innovation Award for the Drive.Go app from Hot Spot e-Commerce Awards.
- Silver award from Serbian Association for Business Communications for the NIS New Values campaign.
- A plaque on the building of the Electronic Faculty of Nis for outstanding contribution to the development of this institution.
- PC Press Magazine award for best LinkedIn account in the category Top 50 Best Online Accounts.
- Honors and Mobile Excellence awards of www.awwards.com for the Jazak website.
- Generous Heart award for the most human environment given to the Red Cross foundation of Pančevo to the Pančevo Refinery and HIP.
- Benefactor 2022 award for social responsibility activities in 2020 and 2021 from the My Serbia Association in cooperation with the Serbian Consumer Center under the auspices of the City of Belgrade.
- Kirill Tyurdenev, NIS CEO received the Order of St. Sava in 2021 for outstanding contribution to the development of educational and scientific institutions by supporting talented students and promoting science.
- Top three desired employees for young people according to a study by Manpower Group.
- Top three desired employees for young people according to a study by AIESEC.
- Respect Above All platform chosen as one of the top three Serbian HR projects by the Infostud Group.


Upstream
Oil and gas production
1,194
thousand tons of oil equivalent
Serbian oil
817
thousand tons of oil equivalent
Serbian gas
335
thousand tons of oil equivalent
Projects abroad
41
thousand tons of oil equivalent
Serbian oil
817
thousand tons of oil equivalent
Imported oil
2,792
thousand tons
Volume of refining
3,945
thousand tons
Semi-finished products
336
thousand tons
Refining
Downstream
Wholesale - Serbia and assets abroad
1,679
thousand tons
Export, transit, bitumen, bunkering and jet fuel
1,357
thousand tons
Retail - Serbia and assets abroad
995
thousand tons
Sales
Volume of refining
4,031
thousand tons

MISSION

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

VISION

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

RESPONSIBILITY

Our result and safety are my responsibility!

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

INNOVATIVENESS

Awaken your curiosity!

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

TRANSPARENCY

Open towards each other!

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

EXPERTISE

Knowledge creates our future!

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

On the Report and Reporting Principles

Materiality Matrix

This Report focuses on the challenges NIS faced throughout 2021 and the key aspects of the company's performance relevant for the stakeholders as defined by the Materiality Matrix.

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

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

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

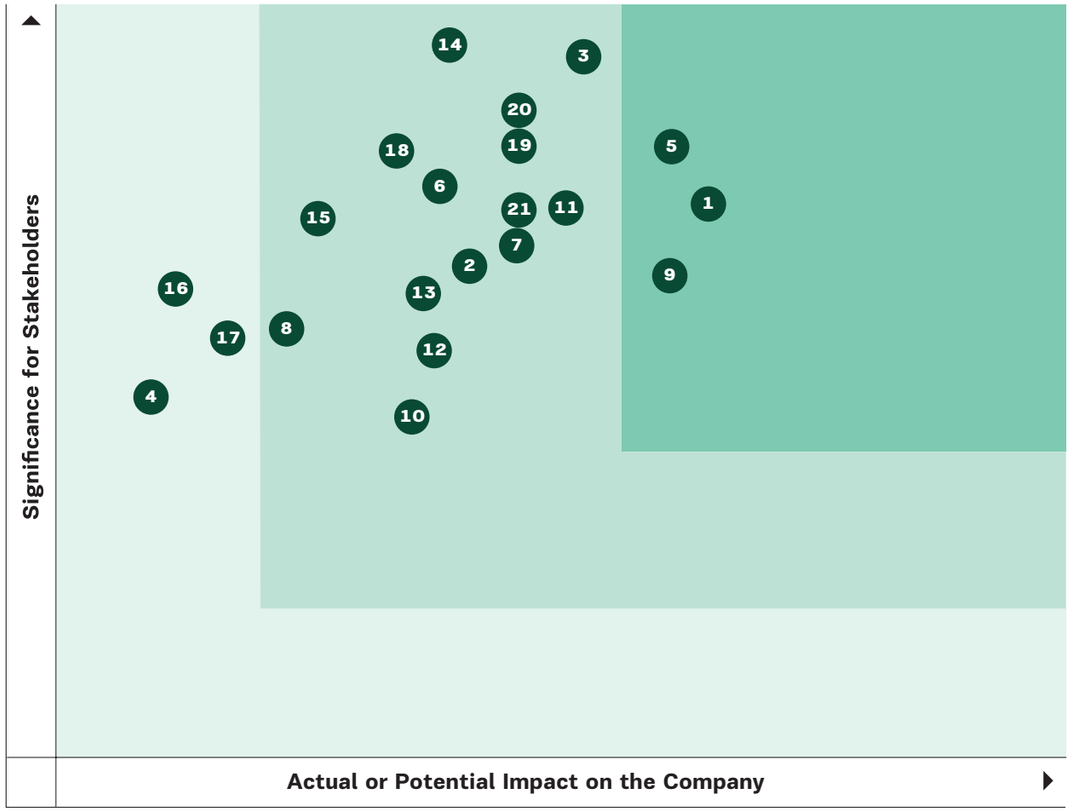
Materiality

The Report covers the topics that may materially affect the assessments and decisions of governing bodies and stakeholders.

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

Inclusion

All stakeholders are represented in the Report. Our communication with them is described in the section titled "Dialogue with stakeholders".



TEMA	GOAL*
1 Accidents	6, 15
2 Economic Indicators	8, 13, 16
3 Air emissions	12
4 Materials used	3, 8
5 Product quality	15
6 Renewable energy sources	12
7 Relations with employees	8
8 Supplier relation management	7
9 Customer relation management	5, 8
10 Legal issues	12, 16
11 Oil and gas reserves	16

TEMA	GOAL*
12 Cooperation with educational institutions	8, 16
13 Investments and impact on local communities	
14 Waste management	4
15 Energy consumption management	9, 11
16 Technical management	6, 12
17 Transport management	6, 12
18 Water management	7
19 Impact on biodiversity and ecosystems	3
20 Occupational health and safety	
21 Land protection and remediation	15

* Циљ одрживог развоја

Sustainability

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

Completeness

The data presented in the Report refer to 2021. Where possible, comparable data for 2020 are included. Financial and economic indicators are derived from the consolidated financial statement (source: Annual report 2021, NIS).

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

Balance

Information contained in the Report for 2021 reflects the results and achievements of the Company as well as the challenges it encountered during the year. Unbiased representation of data provides an opportunity for both positive and negative assessments.

Comparability

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

Accuracy

In its reports, NIS strives to present qualitative and quantitative data with the highest possible degree of accuracy. The Report lists the sources and methodology used for data collection, while financial and economic data can be found in the NIS' Annual Report 2021.

Timeliness

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

Clarity

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

Reliability

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

Dialogue with Stakeholders

The COVID-10 pandemic persisted throughout 2021. This underlined the importance of transparent reporting under the new conditions. Through various communication channels all stakeholders could swiftly receive all information on the measures NIS takes to protect the health of its employees, partners, and clients and to create a safe environment. Consistent dialogue and transparent reporting on all activities is the basis for our relations with shareholders, investors, and other stakeholders.

Memberships

In 2021, NIS actively participated in several business associations and chambers of commerce in Serbia and abroad, including:

- National Petroleum Committee of Serbia of the World Petroleum Council (WPC) – since 2011
- Foreign Investors Council (FIC) – since 2011
- Chamber of Commerce and Industry of Serbia – since 1991
- American Chamber of Commerce and Industry in Serbia (AmCham Serbia) – since 2014
- EU Research and Innovation Platform Vision 2020: The CrowdHelix Network – since 2017

NIS subsidiaries abroad in 2021 worked as part of the following associations:

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

Relations with Shareholders and Investors

NIS remains committed to establishing and maintaining healthy long-term relations with the shareholder and investor community. In our communications we make sure that all users of information are treated equally and that the information is made available to all interested parties as soon and as simply as possible.

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

- Sector for Relations with Minority Shareholders, servis.akcionara@nis.eu (with a special call center for minority shareholders at 011-22-000-55)
- Section for Investor Relations, investor. relations@nis.eu.

'Investors' segment on the corporate website http://ir.nis.eu; we regularly update it with new presentations on the latest results, financial reports, audit reports, fiscal calendars, important news, information on shareholder rights and dividends, as well as other content. When it comes to reporting, NIS goes a step further and company or- ganizes presentations of its results every quarter. In 2020, these presentations were held online for the first In 2021, these presentations were again held online in line with the prescribed COVID safety measures. During such events representatives of the top management and investors work closely together to carefully analyze business activities and their effects. Moreover, NIS participates in investor conferences and is always willing to accommodate those who wish to obtain more information at face-to-face meetings.

Media Relations

Transparent and timely communication with the media remained the priority for the NIS Press Service throughout 2021. Our goal is to keep the wide public fully informed on our business performance and other activities. We are open to the media and other interested parties in sharing the information about NIS as one of the crucial business enterprises in Serbia. In 2021 the NIS Press Service continued developing tools and channels for communication with the public keeping an eye on the current trends in the media and on social networks. At the time of the COVID pandemic we implemented another concept of media cooperation, press tours to NIS facilities. This format allowed us to effectively show the company's achievements to a limited number of media outlets that regularly cover the company while following all COVID-19 safety measures. NIS has launched a monthly newsletter covering the most significant business and social activities. We send the newsletter to a wide circle of media, industry experts, and other stakeholders. The NIS Press Service maintained active contact with the media, published regular updates on the company's activities and replied to requests. Further development of media relations and improvement of the media material the company offers will be one of the Press Service's priorities for 2022.

Corporate Website

In 2021, NIS further improved the content of its corporate website www.nis.rs. The company has launched a digital press center where the media and the public can easily access all important information regarding th NIS Group, its business results and social responsibility projects. The content is available in Serbian, Russian, and English. The NIS website is designed following the latest trends and supports all devices. The corporate website contains information for investors, information about the key development projects, career opportunities NIS offers, as well as the updates on tenders and procurement procedures. There are digital versions of annual reports and the Magazine section, where readers can access tests on culture, education, environmental protection, sustainable Development, and HR and learn more about NIS. In 2021, the readers PC Press magazine rewarded the quality of our digital media by including out website into the top 50 of best sites. The recognition will motivate us to further improve our digital communications.

Consumer Websites

In the retail markets in Serbia and the region, NIS operates under two brands – NIS Petrol and GAZPROM. Our websites ww.nispetrol.rs, www.gazprom-petrol.rs, and www.sanamanaputu.rs contain up-date information on the services we offer, locations of our petrol stations, as well as the products, services, and promos in the largest Serbia petrol station network.

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

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

NIS shows its appreciation for customer loyalty through its On the Road with Us loyalty program. The website www.sanamanaputu.rs contains information on how to join this program, collect and use bonus points, and lists the benefits of this loyalty card and the current offers. Clients can also use the On the Road with Us mobile app, which they can use anytime to check their bonus points and transactions. In cooperation with Sber Bank, known as Naša AIK Banka since 2022, NIS has created a Sa Nama na Putu payment card that offers the possibility of 45-day payment deferral. From 2021 our clients can use the app to sign up for the loyalty program online, use QR codes to collect and spend bonus points, view the status of accumulated bonus points, transactions, card level, and other data. The app also includes a map of all NIS Petrol and Gazprom filling stations where users can see opening hours, distance from the current location, and a route to the nearest station.

Jazak water is mineral spring water from a well-known Jazak spring on Fruška Gora Mountain. The company owns the Jazak water plant, and Jazak products are available on all NIS Petrol and Gazprom petrol stations and in stores across Serbia. Clients can find more information about the products on www.jazakvoda.rs. We post all current offers and news regarding the NIS Petrol and Gazprom network on the Sa Nama na Putu accounts in Facebook, Instagram, and YouTube. G-Drive Serbia Instagram and YouTube account are dedicated to this line of premium fuel.

Mobile Apps

Wee keep working on improving the user experience taking in account new developments in the field of technology and the additional requirements posed by the COVID-19 pandemic. Our Drive.GO app now has a pay at pump feature. We were the fist company in Serbia to offer our clients this quick, easy, and safe way of paying for fuel. We use the latest technological solutions and best global practices to make the Drive. GO app a reliable and safe payment tool. The new pay at pump feature is supported across the NIS Petrol and Gazprom filling stations.
This allows our clients to stay safe and meet the social distancing requirements posed by the COVID pandemic. The app is available on Google Play, Apple, and Huawei Store. As of the end of 2021, the app had been downloaded by 84,000 users, 341,000 checks had been issued and 7,250,000 liters of fuel sold.

Since 2021 our clients can also pay for fuel using the Sa Nama na Putu payment cards issued by Sber Bank (known since 2022 as Naša AIK Banka).

Another convenient feature now available at the NIS Petrol and Gazprom filling station is cash withdrawal. In 2019 this feature first became available to Master Card users, then in 2020 to users of Dino cards, and finally in 2021 to Visa users. This feature allows clients to withdraw cash from their bank account while paying for their purchase at the POS terminal at any NIS Petrol or Gazprom filling station. Minimal withdrawal amount is 5,000 Serbian dinars; maximum is not set.

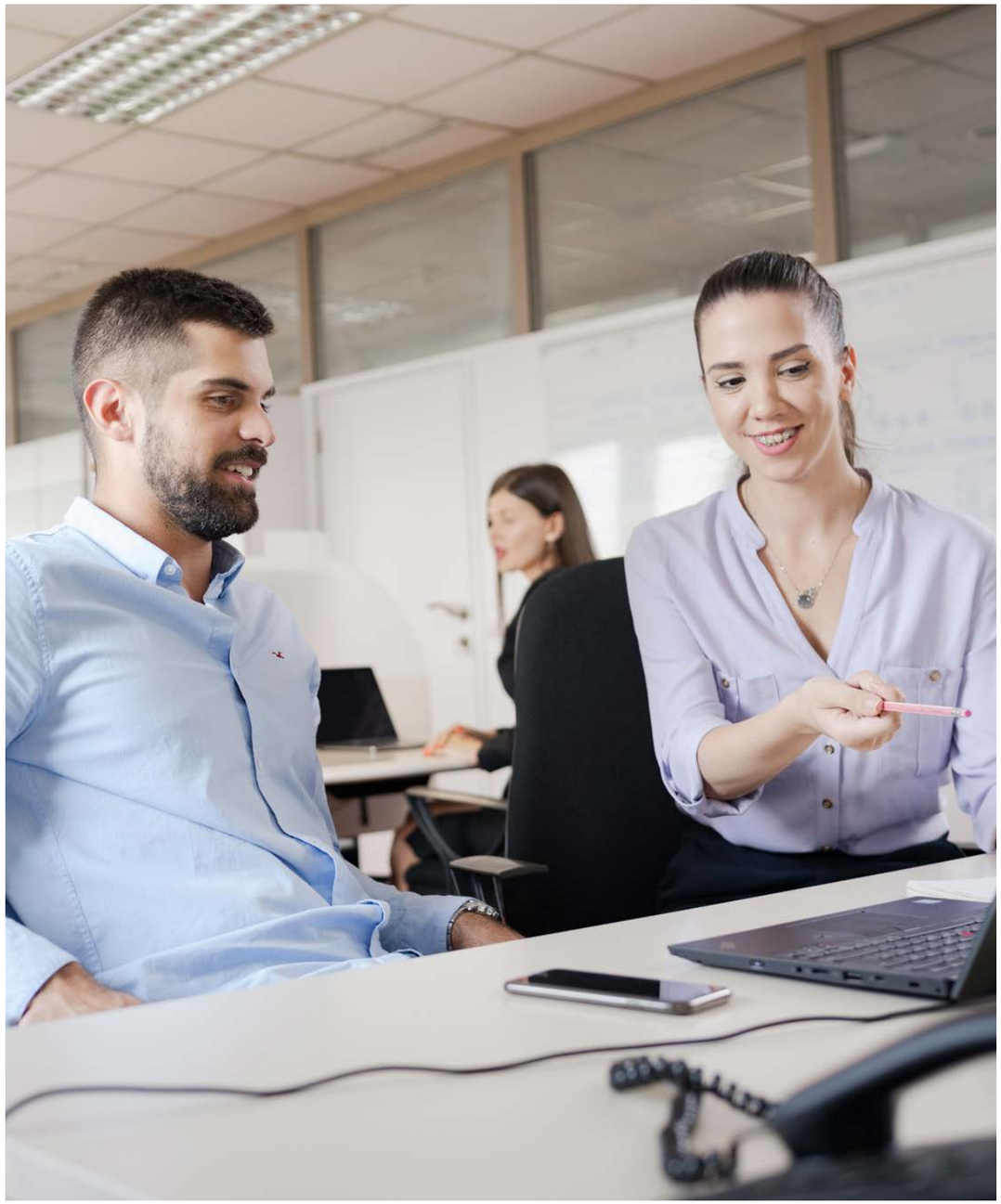
In September 2021. NIS introduced a new payment feature at all NIS Petrol and Gazprom stations: it is now possible to pay utility bills at filling stations using a IPS QR code issued by the National Bank of Serbia. This innovative payment option is available on all our stations across Serbia. This is a safe, simple and quick way to pay all utility bills at once. The client just needs to show a unique IPS QR code on the screen of a mobile device for a cashier to scan. An additional benefit of this format compared to the conventional way of payment is that the money is immediately credited to the target account.

The implementation of this new service is another proof that NIS is committed to continuous modernization and implementation of innovative solutions to improve customer experience.

The Gazprom Card mobile app for corporate clients has been created sao that our corporate clients can easily manage their fuel cards. The app includes two modules, a module for drivers and a module for managers. Users can view transaction history, savings on fuel cards, map of filling stations, current product prices and easily contact the account manager from the app.

Social Networks

As digital communications become more important than ever, NIS is continuously working on developing its social media presence. In 2021 the company held multiple campaigns based exclusively on digital communication channels as a way to interact with the public in a convenient and modern way. NIS social media followers had a change to get a new perspective on the company's operations, environmental contributions, social responsibility projects, and other aspects of interest to the public. We also communicate with our clients through our Sa Nama na Putu Instagram and Facebook channels, where we post about new promo campaigns, products, and services available on our



filling stations. Clients can also visit the Instagram account dedicated to the G-Drive premium fuel and two You Tube accounts - one for the On the Road with Us pro- gram, and one for G-Drive Serbia. We also maintain accounts dedicated to the Jzak water brand on Facebook, Instagram, and YouTube

Internal Communications

A prevailing factor in our internal communications in 2021 was the ongoing COVID pandemic. We regularly informed our employees on the current situation and changes in the country and in NIS and kept raising awareness regarding safety measures.

Another important focus was the promotion of corporate culture. In 2021, we launched a promotion campaign dedicated to corporate values. It will continue throughout 2022. The goal is to clearly promote positive behaviours of individuals and teams and to explain the importance of values in all business practices to encourage employees to rely on the corporate values in their day-to-day work.

Aware of the industry trends and user expectations, we have recently creates and launched the mPortal, a mobile version of the corporate portal. This app is mostly intended for out field workers, but can be usefull to all employees who want to be informed about the events in the company and connected to colleagues no matter the location.

Corporate Responsibility

Our goal is to contribute to the economic development, better environmental protection and occupational health, development of human resources, and the wellbeing of the community. As NIS Group operates not only in Serbia but also in other countries of the region, and employs over 11 thousand people, it took large financial and logistical efforts to organize all necessary safety measures. However, we managed to overcome the challenges and preserve stability.

Despite the complicated circumstances, we managed to achieve impressive financial and production results. Net profit of the NIS Group amounted to 21 billion dinars. Almost the same amount, 20.2 billion, was invested in development projects. In 2021, NIS paid 217.8 billion in taxes and other fees, which is 21% more YoY. Additionally, NIS allocated a billion dinars as dividends to its shareholders for 2020. Due to these results the company was able to keep developing while also supporing the enconomic growth of Serbia despite the COVID pandemic.

NIS also focused on environmental protection and health and safety. HSE is an integral component of any business process in the company. Since 2009, NIS has invested over 120 million euro in environmental protection projects. The actual investments are actually many times higher, as this amount does not reflect the environmental benefits of business projects. In 2021, the company finalized its 2030 Environmental Strategy. NIS analyzed the relevant regulations of Serbia and the EU, assessed now much needs to be invested to attain compliance, defined long-term goals to reduce its environmental impact, like reducing its carbon print and emissions and improving energy efficiency, identified specific projects that are to be implemented and the investments needed, In HSE the company also demonstrated a better result. Lost-time incident rate was 10% lower than in 2020.

As for HR, the company continued investing in the professional development of its employees, and held a large number of trainings while ovserving all safety measures. In 2021, in cooperation with external providers, we organized 2870 trainings with 2,849 participants. The total number of training hours was 63,373. The company continued offering employment opportunities to new graduates. We successfully completed the fist season of the NIS Energy program dedicated to supporting young talent. All 15 participants remained to work for the company after the first year. NIS has completed the casting for the second season of the program and has selected 27 new graduates that will now have a chance to join the NIS team and gain new experience supported by mentors. Our long-term goal is to further increase employee engagement and develop our HR practices to create best work experience for our employees.

Despite the COVID-19 pandemic and the resulting crisis in the fuel market, NIS continues supporting the Serbian community. In 2021, we kept helping healthcare institutions across the country. The company donated over 120 thousand liters of Jazak water to the Serbian Institute for Oncology and Radiology and the Cacak General Hospital. NIS also provided financial aid to the Institute of Public Health of Serbia "Dr Milan Jovanović Batut" for a study of immune response to COVID-19 vaccines. NIS donated finds to the Serbian Institute for Oncology and Radiology for procurement of reagents for tests for patients with carcinoma of the prostate and to the Belgrade Emergency Center for procurement of bed sheets. The Cukarica town hospital received a vehicle for home visits to elderly patients and cancer patients. Supporting the local communities will remain the company's priority.

Sustainable Development Goals

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

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

They provide clear guidelines and targets for all countries to adopt in accordance with their own priorities and challenges. They tackle the root causes of poverty and unite us together to make a positive change for both people and planet and tackle some of the pressing challenges facing our world such as poverty, climate change and conflict.

03 Good health

04 Quality Education

05 Gender Equality

06 Clean Water and Sanitation

07 Affordable and Clean Energy

08 Decent Work and Economic Growth

09 Industry, Innovation and Infrastructure

11 Sustainable Cities and Communities

12 Responsible Consumption and Production

13 Climate action

15 Life on Land

16 Peace, Justice and Strong Institutions

GOOD Health

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

Last year NIS was focused on protecting the health of employees and clients and

creating safe conditions

for all business processes.

The COVID-19 pandemic remained a strong influence in 2021. NIS has updated its COVID guidelines for employees, line managers, and HSE specialists based on the current epidemiological situation, mandatory measures, and recommendations from the Batut Public Health Institute. The guidelines are available to all employees on the corporate internal portal. The company provides regular information support to employees and answers all questions regarding the COVID-19 infection vial email and phone.

Throughout the pandemic we regularly published relevant information on out internal portal. This includes a series of interviews with Dr Tanja Jovanovic, virologist, Professor of the Medical University of Belgrade and member of the COVID crisis team. During the state of emergency we closely cooperated with medical institutions. This includes the Institute of Public Health of Serbia "Dr Milan Jovanović Batut", Institute of Virology, Vaccines and Sera “Torlak”, Belgrade Institute for Biocides and Medical Ecology, Institute of Public Health of Vojvodina, Institute of Public Health of Kragujevac and other institutions that do PCR and antibody testing.

During the mass vaccination against COVID 19 in April and May 2021 NIS cooperated with the Institute of Occupational Medicine of Serbia Karajović, Pancevo Public Health Institute, and Zrenjanin Public Health Institute to organize vaccination and revaccination of employees and their family members. The total of 650 people received vaccines.

In view of the situation we shifted our priorities towards preventing the spread of the virus among our employees and protecting their physical and mental health. Anther focus in the area of healthcare traditionally is the prevention of cardiovascular diseases. In 2021, we held four educational campaigns dedicated to signs and first response to cardiac arrest and stroke. We also had campaigns dedicated to the World Heart Day and

Aware that only a healthy community can be strong and prosperous, NIS contiued supporting Serbian healthcare institutions.

Breset Cancer Awareness Day. All of the events were aimed at educating out employees on how to recognize symptoms of these conditions and what to do when immediate help is necessary. These topics were covered on the internal portal and notice boards and regular HSE meetings.

One of the measures we took to prevent the spread of COVID was letting our employees work from home. As gyms were closed during the pandemic, we teamed up with the Kočović Sports Academy to organize online training classes for all our employees.

QUALITY Education

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

In 2021, Kirill Tyurdenev, NIS CEO received the Order of St. Sava

for outstanding contribution to the development of educational and scientific institutions by supporting talented students and promoting science.

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

In 2021 we continued the cooperation with our partner schools and universities. We formally established our cooperation with the Niš Philosophy Faculty by signing a memorandum. We also signed a new memorandum with the Belgrade Technical and Metallurgy Faculty.

As the pandemic continued, we continued organizing online guest lectures for the partner faculties. NIS experts gave 30 guest lectures to the students of out partner faculties of the Belgrade, Novi Sad, and Niš universities.

In 2021, in our cooperation with educational institutions we specifically focus on digitalization. Together with the Niš Electronics Faculty we are working on implementing the computer vision technology and on developing a prototype of a supervisor system for seismic exploration. We are developing a chat bot for NIS Business Service with the Novi Sad Technical Sciences Faculty. In cooperation with Gazprom neft and the St Petersburg ITMO University we organized an international online hackathon. The Hackathon Applied AI Challenge: Oil and Gas Industry Case attracted students of numerous colleges, including those from three universities across Serbia. Together with ICT Hub we launched a Tech Engine Platform, an online communications forum for tech startups and experts. At the end of 2021 we finalized a list of nine training courses for NIS employees offered by our partner universities. We plan to carry on with our cooperation with Serbian educational institutions by organizing events, joint projects, and trainings involving faculty professors.

An important effort is providing scholarships to Serbian college students as an investment in young talent and long-term development. So far, NIS has offered scholarships to 130 students, 60 of whom have already joined the company. In 2021, six scholarship students graduated, and another six received new scholarships. We also held the regular mandatory summer internship for our scholarship students. In the 2021/2022 school year we provide scholarships to the total of nine students in Serbian and Russian colleges.

NIS keeps donating to support knowledge competitions in Russian and natural sciences. This year, Serbian pupils won the total 11 medals on these competitions. The company financed the equipment of the Russian language classroom in the Šabac High School and a computer science classroom in the Belgrade Mathematics High School.

Another achievement of 2020 was the publishing of the new Russian learning books for adults titled 'Ни пуха ни пера'. It was jointly developed by the Center of the Russian Geographic Society and NIS. The project was also joined by several long-term partners of NIS: the Belgrade Philology Faculty, the Arts Academy of the Novi Sad University, as well as the Jovan Jovanovic Zmaj and Laza Kostic colleges from Novi Sad. Thoughtout 2021, NIS and the Russian Geographic Society promoted the book in numerous educational, scientific, and cultural institutions, at various events in Serbia and Russia, and through press and digital media.

GENDER Equality

Achieve gender equality and empower all women and girls.

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

To promote gender equality in the energy industry, in 2021, NIS together with the Coordination Body for Gender Equality of Serbia and UN Women organized a conference titles

Energy, Gender Equality, and Sustainable Development.

NIS views diversity as a way to consolidate best experiences and drive business forward.

The company's priority is to create a culture where equal rights of all employees are unconditionally respected. NIS has over 11,000 employees, and almost a third are women, so gender equality is one of the pillars of sustainable development in NIS. We do a lot in this field like offering days off to parents of first-graders on the first day of school and flexible working time for employees returning to work after parental leave. Workers on maternity leave, child care leave,or parental leave are reimbursed for the difference between the benefits amount determined by the municipal authorities and the basic salary of the employee for the month preceding the first month of the leave, plus past service benefit, insofar such difference does not exceed five average salaries in the Republic of Serbia, i.e. the maximum basic salary for contribution payments. All employees are offered equal opportunities in terms of professional growth and development. Women in NIS are well represented on all management levels, from top executive positions.

Another confirmation of the company's commitment to gender equality is the fact that NIS together with the Coordination Body for Gender Equality of Serbia and UN Women organized a gender equality panel discussion. During the panel discussion it was pointed out that NIS encourages women to work in areas that have been conventionally perceived as male-dominated. For example, out of 1,850 engineers working for the company, over 500 are women.

In 2020, NIS started developing the Diversity and Inclusion Strategy that has been implemented in 2021 and focuses on gender equality among other issues. NIS started the implementation of a specific action plan that has been created based on the Strategy. One of the first steps is the participation in the Gender Analysis project organized by the Ministry for Energy and Mining. The goal of the project is to develop a set of measures to increase the participation of women in the mining and energy industry, namely on managerial and technical positions. This is the fist time such analysis is done in this industry in Serbia.

In 2021, NIS has also finalized its Diversity Policy that sets rules regarding gender diversity, age diversity and professional diversity in the Board of Directors of the company. This will promote diverse representation in the managerial bodies of the company to ensure better decision-making.

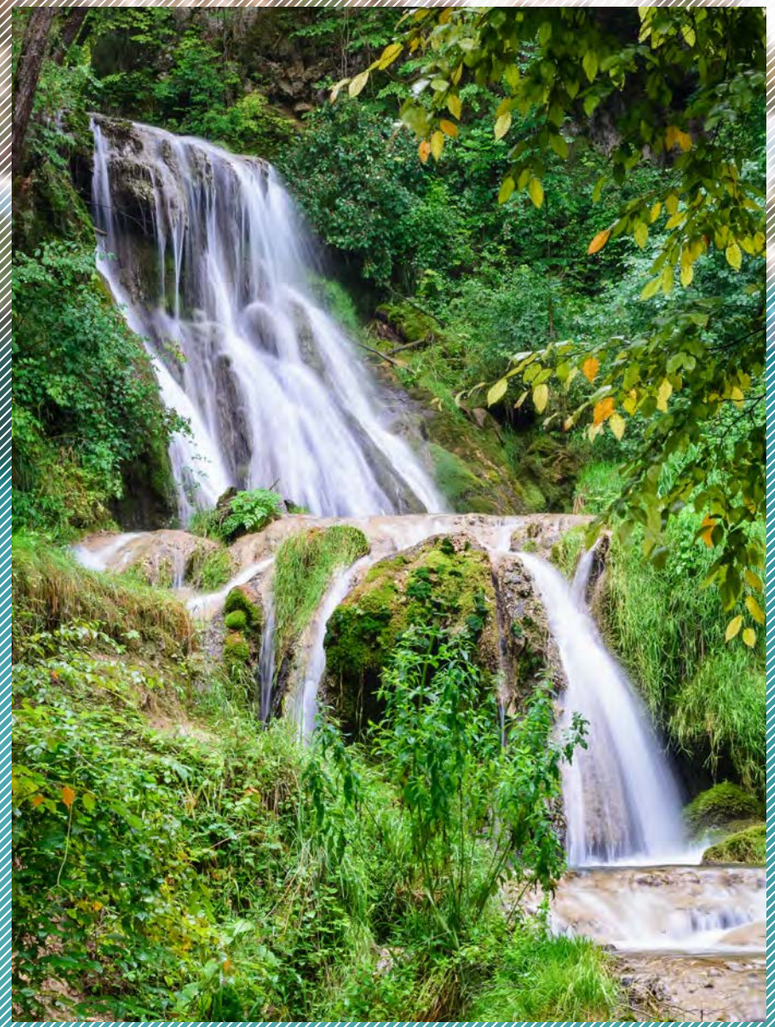
The company also promotes diversity by establishing and maintaining strategic cooperation with various organizations and educational institutions. NIS has started a strategic partnership with All for Allo (AFA), a vibrant online community for communication and education that enables women from different industries at different stages in their professional careers to exchange ideas, knowledge, and experience, and cooperate on various projects. In cooperation with AFA and the Youth with Disabilities Forum NIS has organized a fist internship for young people with disabilities. The company also cooperated with SOS Children's Villages Serbia on a project aimed at integrating young people into the labor market.

In 2021, NIS launched NIS Energy, a new young talent program that hires new graduates to crucial business positions for at least a year. As part of the program, the company hired fifteen new graduates, 40% of them women.

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

CLEAN WATER and Sanitation

Ensure availability and sustainable management of water and sanitation for all



Our commitment to the protection of water reserves is demonstrated by the fact we use water from the least sensitive sources and have a

system for treatment of return condensate.

We draw 82% of all water we use from the least sensitive sources, thus saving water from underground sources and the public water supply system.

As a responsible water user, in 2021 NIS continued the construction and modernization of wastewater treatment facilities. The company currently operates 405 such facilities.

The largest water consumer out of all NIS faicilities is the Pancevo Refinery that accounts for 77% of the total consumption. The use of water resources is necessary for production processes; we use it for steam production, cooling systems, fire protection, and leak testing. As the company increased the volume of refining in 2021 and started up the new Bottom of the Barrel unit, water use increased as well. The unit for condensate treatment lets NIS save up to 35.5% of fresh water ands reuse condensate for its process needs.

In 2021, NIS consumed 21% more water and released 11% more treated wastewater than in 2020. Despite the increased consumption, the company's operations did not affect the quality of surface water in the bodies from which it withdraws water and into which is releases part of its treated wastewater. Surface water bodies are considered to be the least sensitive water source. Given that 82% of water NIS uses comes from surface bodies, the company safes the valuable groundwater and the water intended for public supply and the food industry. The company also repaired its water pipeline system and eliminated all detected leaks, thus reducing water losses.

In 2021, we fully met our waste water and ground water monitoring targets, as well as the targets related to water treatment efficiency and ground water and land quality. NIS pays special attention to waste water treatment, as we protect the public sewage systems and final consumers by bringing the water up to the legally required quality level.

One of the company's accompanying activities has been the packaging and sale of potable water from the Jazak spring. The high-quality mineral-rich spring water originates from one of the purest natural water springs on Fruška Gora, located near Jazak Monastery in Vojvodina. It is produced according to the most stringent technological, industrial, and safety standards in this segment.

AFFORDABLE and Clean Energy

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

NIS contributes to the macroeconomic stability of Serbia by

reliably supplying the market with petroleum products

and implementing numerous development projects.

In August 2021, the Plandiste Wind Park become a regular member of the Association of Renewable Energy Sources of Serbia.

In April 2021 the National Assembly of the Republic of Serbia adopted the Law on Use of Renewable Energy Sources. This is the fist law regulating the green energy sector in Serbia.

As part of a working group for the development of the law and a participant of the public hearings NIS contributed to the creation of the legal framework that would male it possible to construct the Plandiste 1 Wind Park and develop other renewable energy projects.

In April 2021, the Plandiste Wind Park, co-owned by NIS, received an extension of its status of preferred electricity producer. As under the new Law on Use of Renewable Energy Sources this status may be extended in case of implementation of new technologies, the wind park has submitted another extension request. The Plandiste Wind Park management company has started optimizing the project and planning the implementation of new technologies. In June 2021, the Plandiste village administration started the process of changing the site plan. In July the administration made a decision to amend the village site plan so as to accommodate a set of wind turbines. The state-of-the-art turbines will be up to 250 meters tall and will have the installed capacity of up to 7 MW.

In August 2021, the Plandiste Wind Park become a regular member of the Association of Renewable Energy Sources of Serbia founded by the companies operating the largest Serbian wind farms.

No new renewable energy generation facilities were put in operation in Serbia in 2020 and 2021. There was, however, a large number of small solar plants constructed across Serbia by investors willing to secure a prosumer status due to hight electricity prices.

According to the 2021 EUROSTAT report, the share of renewable energy in the energy balance of Serbia in 2020 reached 26.3%, coming very close to the target level of 27% set by the Energy Community.

DECENT WORK and Economic Growth

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

NIS always invests in the professional development of its employees. In 2021, the company organized

2.870 trainings

with

5.226 participants

In 2021 NIS received three prestigious employer awards. The company placed among the top three most attractive employers for young people according to a study by Manpower Group and according to a study by AIESEC. The company's Respect Above All platform was chosen as one of the top three Serbian HR projects by the Infostud Group.

In 2021, NIS priorities in HR management were to preserve its position as one of the most attractive Serbian employers and to further improve employee satisfaction. The company continued monitoring trends in the labor market and adapting to the expectation of employees and the needs of the business. NIS puts a lot of efforts in preserving its position of one of the largest Serbian employers, attracting and developing young talent, training and mentoring its employees and promoting the culture of respect in the company.

In 2021, the company's efforts were rewarded by three prestigious employer awards. The company placed among the top three most attractive employers for young people according to a study by Manpower Group and according to a study by AIESEC. The company's Respect Above All platform was chosen as one of the top three Serbian HR projects by the Infostud Group.

Our long-term goal is to further increase employee engagement and develop our HR practices to create best work experience for our employees. To that end in 2021 we kept investing in developing employee engagement by implementing a detailed action plan created based in on the latest engagement assessment and the company's strategic goals. Among other efforts, NIS has started the Engagement Academy with the goal of developing a new generation of leaders.

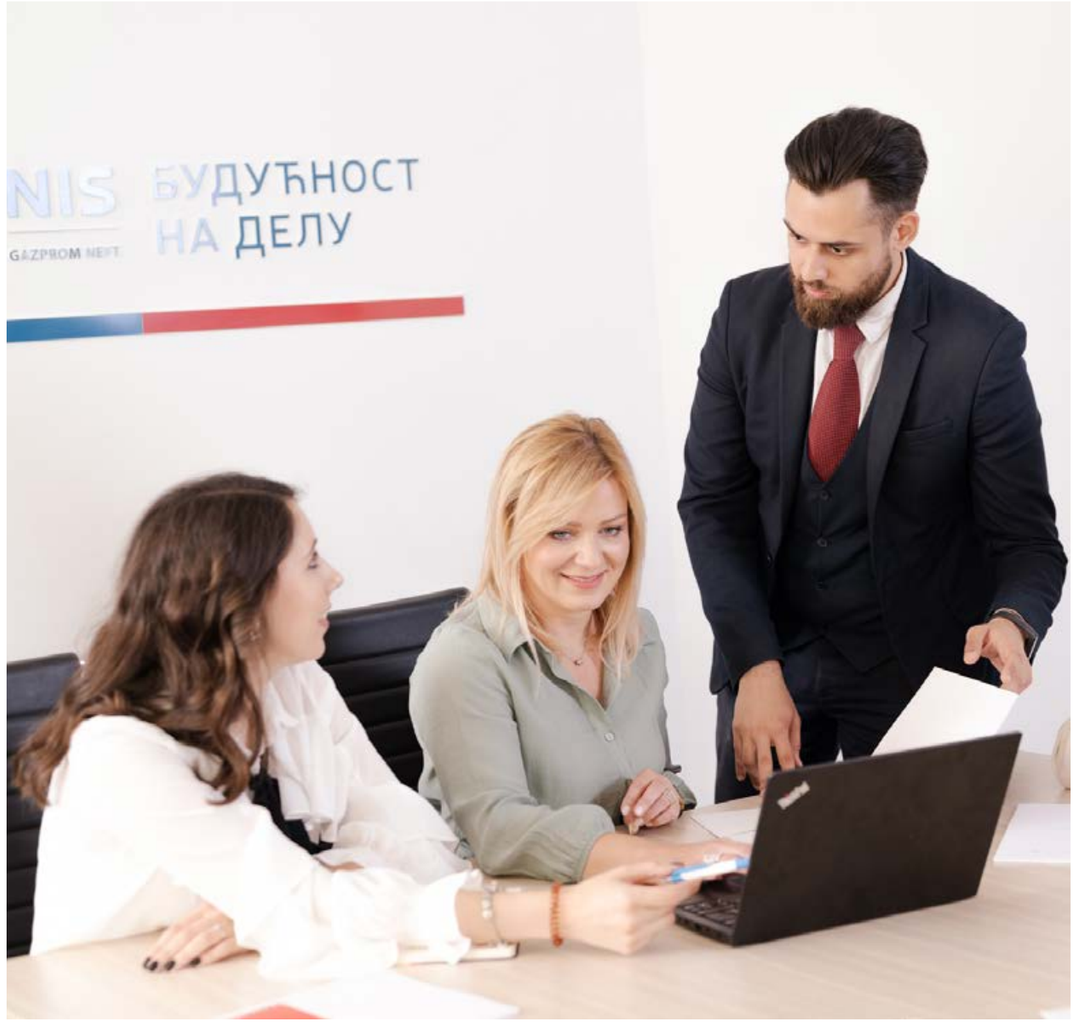
The company's HR strategy, new corporate values, NIS employer value proposition, focus on diversity and inclusion, the employer brand development strategy and training and development strategy were reflected in a wide range of projects and initiatives that focus on improving the employee experience and the compensation and benefit system.

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

The company also kept investing in professional education for the employees. In 2021, in cooperation with external providers, we organized 2,870 trainings with 5,226 participants, including 2,849 employees. The total number of training hours was 63,373, total costs amounted to 187.5 million dinars.

NIS works with leading global training providers in organizing education events for its employees. Our partners include NExT Schlumberger, Apave Mare, Yokogawa, Aspentech, Telaxe, IMD Business School, COTRUGLI Business School, Tomsk University, and Siemens. We also work with the best Serbian organizations, like The Vinca Nuclear Research Institute, Tehpro, Prevention Institute, GI Group Project Management Center, Omega Consulting, HR Center, Mokra Gora School of Management, Tim Centar, and many others. The trainings were focused on soft, hard,and leadership skills.

In 2021, NIS continued hosting internships for best students. The company organized a new season of NIS Calling internships for talented students. One internship consists of 320 hours of working time that can be arranged flexibly. In 2021 we hosted the total of 55 interns, over 65% of them female. The work was ogranized in compliance with the applicable COVID safety measures.



INDUSTRY,

Innovation and Infrastructure

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

In its development NIS relies on continuous improvement, implementation of new technologies and state-of-the-art equipment is all areas of business.

NIS invested

20,2 billion dinars

in its strategic development projects in 2021.

Our Drive.Go app received an Innovation Award from Hot Spot e-Commerce Awards organized by the Serbian eCommerce Association.

Our goal is to use best equipment and technologies to supply the Serbian market with energy produced in a way that preserves the environment. In 2021, NIS invested 20.2 billion dinars in investment projects according to the Corporate 2025 Development Strategy. The investments were directed to all areas of business with a focus on oil and gas production. Last year, NIS drilled the total of 43 exploration and production wells in Serbia and one production well in Romania.

The company will also further develop its Pancevo Refinery, one of the top refineries in this part of Europe. In the first quarter of 2021, as part of the third stage of the Refinery modernization NIS started the reconstruction of the FCC unit and the construction of a new ETBE unit. In 2021 the company reached the highest volume of refinery production since 2009. The refinery processed 3.9 million tons of crude oil and intermediate products and increased the refining depth up to 94.4%. The company also started producing biocomponent diesel fuel (eurodiesel B7) and exporting it to Romania. Further development of the refinery will be driven by digitalization and improvement of energy efficiency.

In early 2021 the company implemented a set of important measures to improve the reliability of the refining facilities. We also tested out new types of crude oil, namely the Johan Sverdrup oil, and prepared to test out H-oil, a new additional raw material for the DCU. This will help us increase the refining efficiency. As a facility with an integrated management system, the Pancevo refinery is continuously improving its efficiency and energy performance. NIS as a regional energy leader monitors the key energy efficiency indicators and implements solutions to reduce energy consumption to maintain compliance with all applicable legal requirements. By significantly reducing energy consumption and improving energy efficiency the company cuts operating costs and improves process efficiency.

NIS performance in sales was outstanding, with over four million tons of fuel sold. Both retail and export increased. The company continued developing its retail infrastructure to make sure its clients have access to best service, state-of-the art facilities, quality fuel and a wide range of goods. Last year NIS put in operation four new filling stations, including its first station at the new Milos Veliki highway. Another six stations, including Zmaj 1, one of the most popular filling stations in Belgrade, have been reconstructed. All new facilities now have electric vehicle charging stations as its is important for the company to fulfill all needs of its clients.

In 2020, NIS continued the implementation of another strategic development project, the construction of the Pancevo power plant. The total cost of this projects exceeds 180 million euro. The new power plant will produce both electricity and heat, and will play an important role in increasing the stability of the energy market, as the electricity produced will be delivered directly into the Serbian grid. It is particularly important that the new plant will use gas as a fuel, which is safe for the enviroment.

Last year, NIS signed a strategic cooperation agreement with the Government of Serbia and HIP Petrohemija, thus making a first step into the petrochemistry business. This strategic process will be one of the company's priorities for the next few years.

NIS remains committed to digital transformation. We will focus in finding new digital solutions to improve business processes and improve safety and security. Our digital transformation portfolio includes over 110 projects and initiatives that span the entire value creation chain.

We defined priorities and chose the most attractive digital tools for each segment of our business. Our goal is to use new technologies to improve efficiency in upstream and downstream and to improve digital literacy of our staff. It is also important to improve safety, reliability and business continuity, create new services, and improve communication with clients.

SUSTAINABLE

Cities and Communities

Make cities and villages inclusive, safe, resilient and sustainable.
Turn business success into general prosperity, support community developmenton the environment.

Last year NIS continued building its Future at Work

supporting young talent,

partnering with local communities and investing in the better future of the community.

As part of its Together for the Community program in 2021 NIS supported 29 environmental projects in 12 local communities across Serbia by investing 107.5 million dinars.

In 2021 NIS continued supporting local communities and invested over 315 million dinars in socially responsible projects and supporting professional sports. The company does a lot to help the environment. As part of the Together for the Community program NIS invested 107.5 million dinars in environmental protection projects. In 2021 this program continues in cooperation with the Serbian Ministry of Environment and the Ministry of Mining and Energy. It includes 29 environmental projects in 12 partner towns and villages across the country. NIS will help upgrade energy infrastructure in educational and healthcare institutions and sports and culture facilities in these communities. This includes installation of new energy effective heating equipment, thermal insulation and installation of sustainable lighting and fixtures. It is planned to install solar street lighting and smart benches, plant indigenous broad-leaved and coniferous trees and to create a uniquely decorated ecopark.

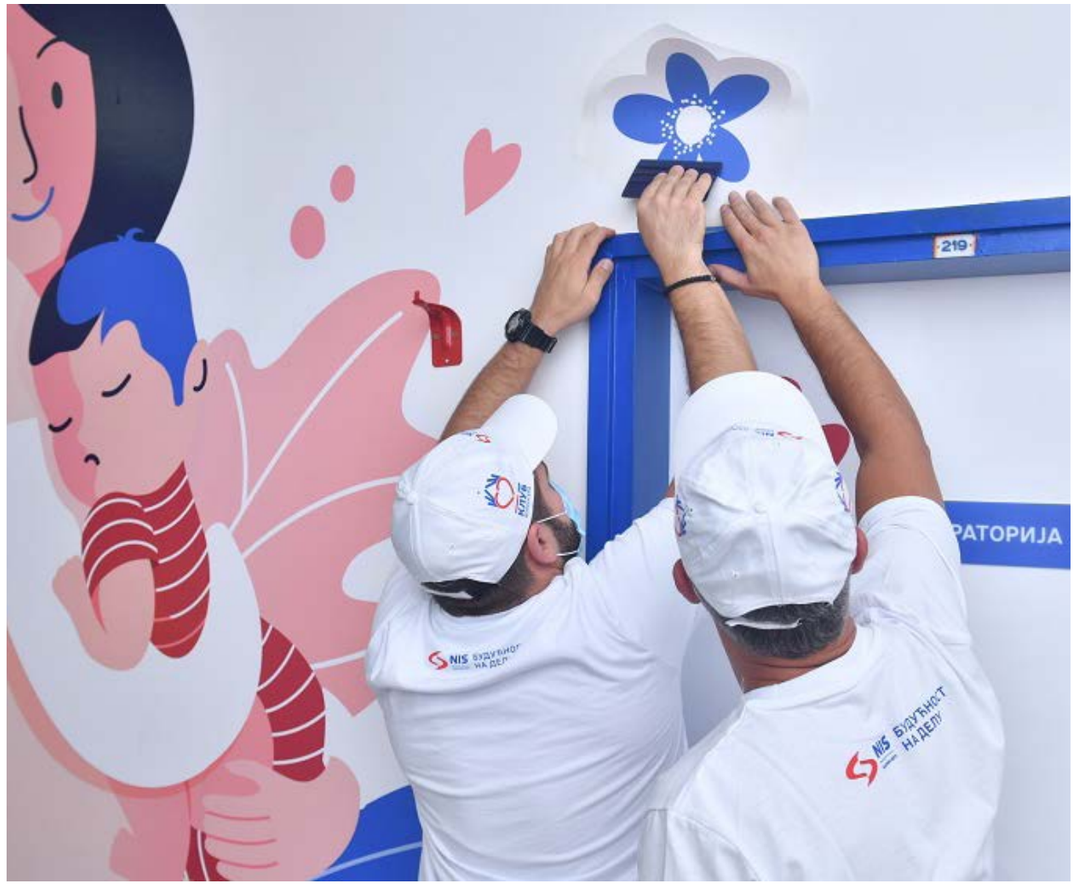
Members of the NIS Volunteer Club also did a lot to help the community driven by the values compassion and empathy. Volunteers helped pack and post packages of Jazak potable water to healthcare institutions. They also did a lot to help children, who always have been a priority for NIS social responsibility activities. NIS volunteers were the first to come up with a unique idea to plant organic vegetables and herbs in the yard of the NURDOR, association for parents of children with cancer. This way the parents staying in the NURDOR parent hostels will receive fresh local produce. To help children from vulnerable communities and children without parental care into the new school year, NIS volunteers bought 600 sets of school supplies. The volunteers congratulated the children with the new school year and handed out the gifts in the Belgrade Children Shelter, the Center for the Protection of Infants, Children and Youth in Zvečanska, Children's Home in Belgrade and the Shelter for Children and Youth of Novi Sad, as well as the SOS Children's Village in Kraljevo. In Vrdnik, NIS volunteers painted the façade of the Milica Stojadinović Srpkinja Elementary School. They also joined the efforts of the Youth Can! Program of the Jaki Mladi charity center and SOS Cildren Villages across Serbia aimed at preparing young people from orphanages and care homes for employment.

To motivate schoolchoildren in Kosovo and Metohija to be active and do sports, NIS donated sports equipment to eighteen schools in ten tows and villages of the region. This project was supported by the Kosovo and Metohija Office of the Government of Serbia. NIS donated almost two million dinars for renovation of gyms and sports grounds of schools with over 1500 pupils in the Serbian enclaves in Gjilan, Vitina, Novo Brdo, Kosovska Kamenica, Lipljan, Obilic, Skenderaj, Vucitrn, Pec-Gorazdevac and Istok-Osojane.

In 2021, NIS has continued supporting healthcare institutions across Serbia. The company donated funds to procurement of materials and equipment for numerous clinics and hospitals, including the Public Health of Serbia "Dr Milan Jovanović Batut", the Serbian Radiology and Oncology Institute, and the Belgrade Emergency Center. NIS also gifted over 120 liters of Jazak potable water to COVID hospitals across the country. Driven by the values of empathy and humanity, the NIS Volunteer Club carried on supporting the community in 2021, focusing on children from socially vulnerable groups.

NIS bought several items donated by the coach of the national female basketball team Marina Maljkovic and the ambassador of the Female Sport Institute in a charity auction. All funds were then donated to the Clinical Center of Serbia, University Children's Clinic Tirsova, Institute for Mental Health, Institute for Maternal and Child Health and Primary School "Anton Skala".

The company maintains reliable relations with its long-term partners. NIS continues the long-term cooperation with the Partizan Basketball Club and remain s sponsor of the Belgrade Dance Festival and the Belgrade Science Festival.



RESPONSIBLE

Consumption and Production

Ensuring sustainable production and consumption

Willing to contribute to the improvement of the environmental situation in Serbia, NIS follows its

green agenda

and implement numerous environmental projects and campaigns.

In 2021, NIS placed first in the National HSE Competition held by the Ministry of Labor, Employment, Veterans and Social Affairs.

Since 2009, NIS invested 900 million euro in environmental protection project and projects that have a positive environmental impact. These efforts made a sizeable impact on the environmental situation in the country, so NIS will keep pushing its green agenda forward. Our attitude towards the environment is integrated in our vision, mission, and values, as well as in the corporate HSE policy. Environmental protection for us means sustainable use of natural resources and strict control of all activities that may have a negative impact on the environment.

We are actively working on minimizing the environmental impact of our operations. Our main goal in the field of environmental protection is to comply with all regulations relating to air, water and land protection, generate as little and recycle as much waste as possible, and dispose of the waste responsibly. It is important for us to meet all our environmental monitoring obligations and preserve biodiversity in the areas of our operations. NIS is committed to mitigating climate change. Out employees participate in various nature protection and trash collection campaigns. In this way they support and promote the company's efforts to protect the environment.

In 2021, Serbia adopted the new Law on Climate Change, which establishes a legal framework for monitoring, reporting and verification of greenhouse gas emissions. To ensure compliance with this law and assess the climate change impact of its business, in 2021 NIS hired a consulting firm to prepare a 2030 Greenhouse Gas Emission Forecast and a set of measures to reduce emissions and set up a monitoring and reporting system.

NIS also made progress in occupational health ans safety. The company introduced the six Golden HSE Rules that must be observed at all NIS locations. Lost-time incident rate was 10% lower than in 2020. Our efforts in this area have been rewarded - NIS won first place in the April 28 Charter category of the National HSE Competition organized by the Directorate for Safety and Health at Work of the Ministry of Labor, Employment, Veterans and Social Affairs.

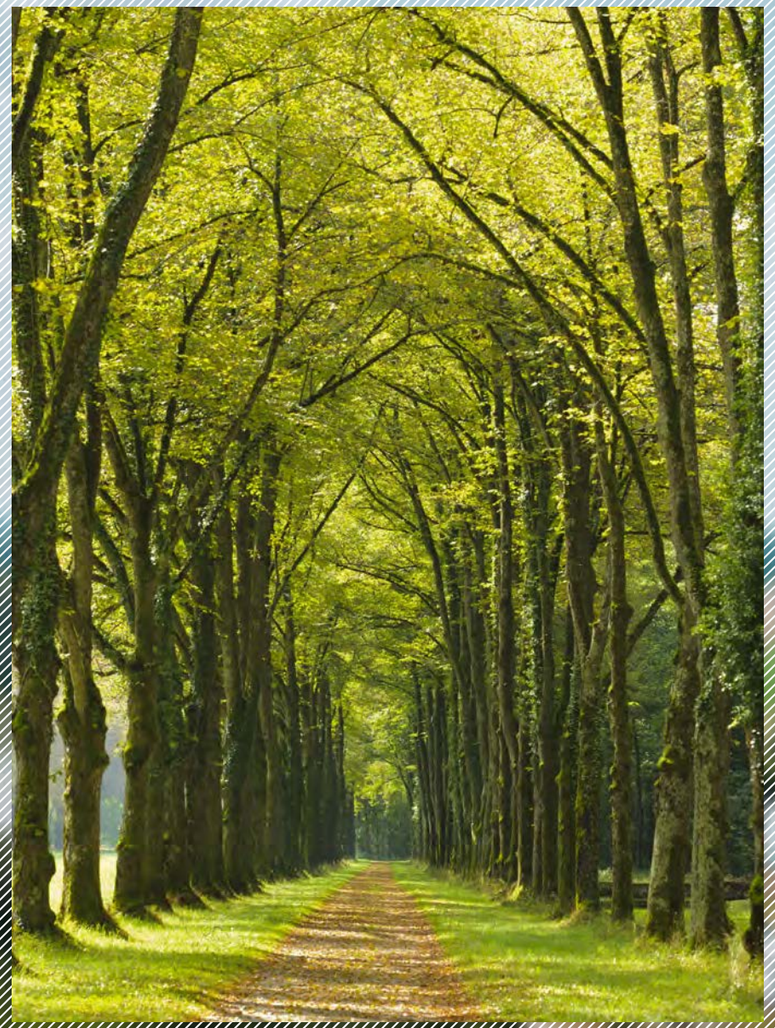
NIS implemented the project of harmonization of measuring points for continuous and individual emission measurements in the Pancevo Oil Refinery with the recommendations of the ISO 9096 and 15259 Standards. NIS also completed a study for ensuring the quality of wastewater in accordance with the legislation of the Republic of Serbia and European standards. We continue modernizing our tanks and reservoirs and implementing trhe use of biofuel. When reconstruction its filling stations, the company installs environmental protection systems like separators for the treatment of oily atmospheric water, piezometers for groundwater quality monitoring, flow meters and valves for the return of gasoline vapors from underground tanks.

In upstream the priorities are to use formation water, NIS also installed new piezometers for groundwater quality monitoring. A new drilling mud pit was added to the Novo Miloševo Waste Mud Landfill.

To reduce SO2, NOx and PM emissions at the Pančevo Refinery the company follows monthly fuel consumption plans, desgned so as to use natural gas as the primary fuel.

CLIMATE Action

Take urgent action against climate change and its consequences



Striving to help protect the environment and mitigate climate change, NIS volunteers have planted over

500 maple and sycamore trees

around the Pančevo Refinery.

Our goal is to make sure all our projects have a positive environmental impact.

Fight against climate change requires immediate action. Climate policy has never been more important for strategic decision-making in the petroleum industry. This industry has traditionally been perceived as a big source of greenhouse gas emissions, not so much through direct and indirect emissions from energy use, but rather through indirect emissions created by the use of petroleum products. This is why oil and gas companies find themselves under mounting pressure from investors and the public that call for emission reduction and transfer to low-carbon economy.

NIS is a firm supporter of the principles of socially responsible business. Over the last several year the significantly focused on climate action as one of the global sustainable development goals. The company regularly reports on its climate protection activities. One of the larger achievements in this area is the implementation of a mechanisms to monitor the greenhouse gas emissions across the entire company, including its subsidiaries, to assess its overall carbon footprint. So far it includes only Scope 1 and Scope 2 emissions and will be later expanded to Scope 3.

The next step will be analyzing emission reduction opportunities and implementation of recommended measures. In 2021 NIS started preparing a 2030 Greenhouse Gas Emission Forecast with a set of measures to reduce emissions and set up a monitoring and reporting system. This excercise will helt devine the inputs for the development of a low-carbon strategy.

NIS employees also help protect the environment and mitigate climate change. In December 2021 they planted over 500 maple and sycamore trees around the Pančevo Refinery. The seedlings of maple-leaved sycamore and silver-leaved maple were about 3.5 meters high. New tree-lined alleys are almost 2.5 kilometers long. They will make this part of town even prettier and will also help improve air quality in Pancevo. NIS will stay committed to enviromental protection and climate change mitigation.

LIFE ON Land

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

NIS contributed to the preservation of the environment by investing over

355 million dinars

in environmental projects in 2021.

NIS continuously improves the environmental performance of its business processes in a measurable, controllable, and effective way, and develops environmental awareness of its employees.

In 2021, the company finalized its 2030 Environmental Strategy. NIS analyzed the relevant regulations of Serbia and the EU and assessed now much needs to be invested to attain compliance with the current and future obligations. The company also defined long-term goals to reduce its environmental impact, like reducing its carbon print and emissions and improving energy efficiency, identified specific projects that are to be implemented and the investments needed.
We keep investing in environmental projects and business projects that contribute to environmental protection as we are committed to protecting natural resources.

In 2021, we invested 355.6 million dinars in environmental projects.

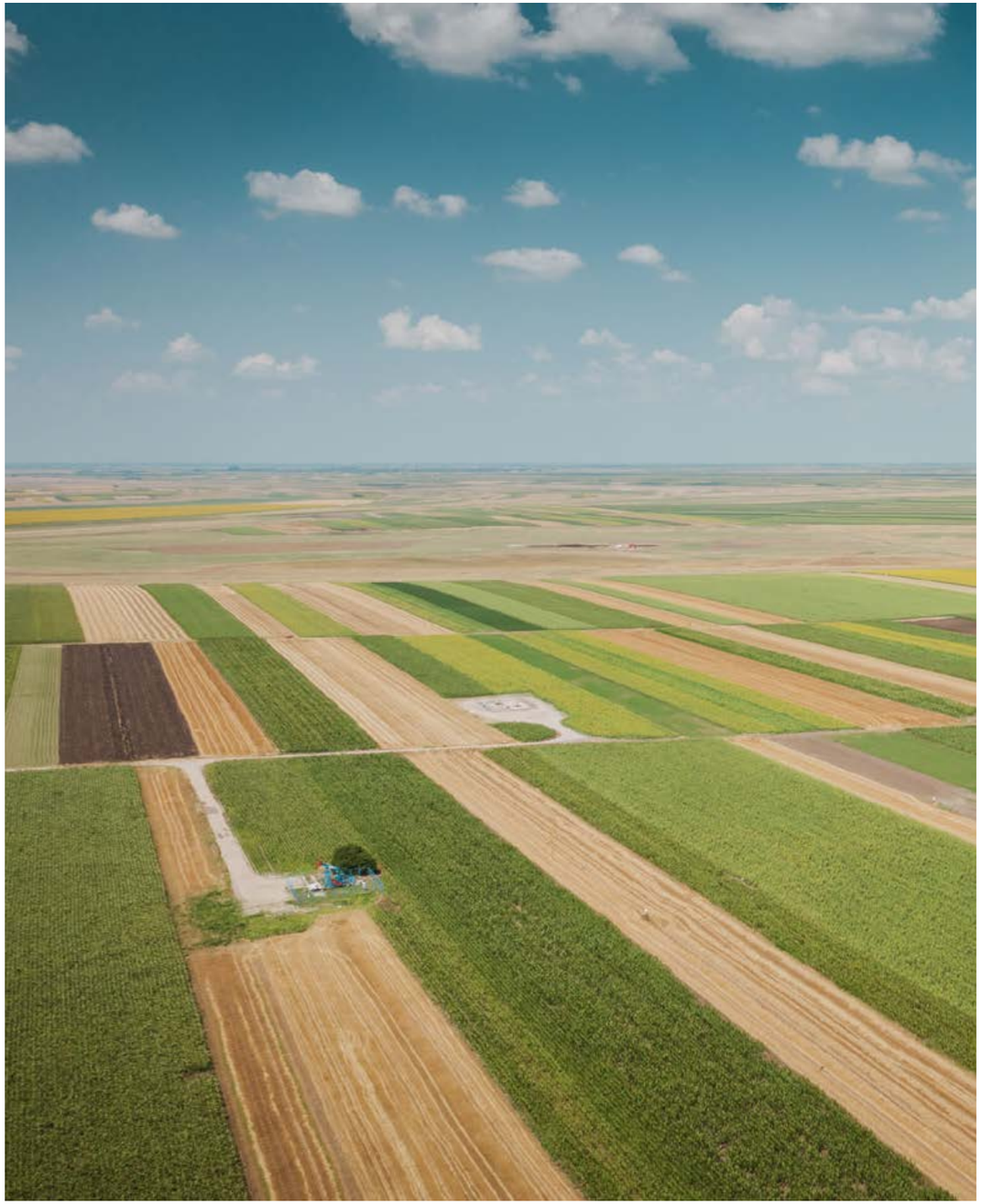
An important aspect of NIS Environmental Strategy is greenhouse gas management. Having analyzed all possibilities for GHG reduction we came to the conclusion, that it is crucial to improve energy efficiency in all areas of business, use high-quality environment-friendly fuels like natural gas, introduce systems for GHG reporting and monitoring according to the EU ETC Directive, and find solutions for CO2 storage in depleted formations.

NIS continues using the services of authorized waste management companies to dispose most of the waste it produces under three-year framework contracts. This approach significantly speed up waste management, ensures that wate is handled properly and removed from the company's facilities quickly, and allows to reduce waste management costs.

The company's environmental results and performance are steadily improving. Even during the COVID-19 pandemic NIS held all planned audits and inspections, fulfilled all plans regarding waste management, environmental monitoring and reporting, and updated its regultory documents.

We held a series of workshops dedicated to enviromental protection to strengthen out cooperation with dedicated state authorities and colleagues from other parts of the business. In November we held a workshop on land protection. A foreign consulting firm was invited to the event to educate the participants on European land protection regulations and best practices in the area. Another workshop on chemical management was organized in cooperation with state authoriries and consultants.

NIS regularly pays all applicable taxes and fees. In 2021, we paid 281.5 million dinars in environmental taxes and fees.



PEACE, JUSTICE and Strong Institutions

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

We actively cooperate with the state authorities and business associations to improve the business environment in the country.

We openly share out experience and best practices to contribute to the development and sustainable growth of the business community.

Despite the COVID-19 pandemic continuing in 2021, both business and regulatory activities in the country significantly picked up.

During this period NIS prioritized the safety of its employees as well as the reliability of fuel supply to the market, committed to maintain energy stability despite the challenges. NIS worked closely with other members of the Serbian business community and state authorities to improve the business enviroment in the countty. The compay's representatives participated in the legistative process, including the efforts to harmonize existing legal regirements and stretegies.

Several crucial new regulations on the area of mining and energy were implemented in 2021. The new Law of Use of Renewable Energy sources and Law on Energy Efficiency clearly regulate the area of renewables and energy efficiency. Changes were made to the Law of Energy and Law on Mining and Geological Explorations. There changes were deliberated in a series of bylaws, such as the decree on market premium and feed-in tariff, decree on the model of market premium agreement, decree on quota in the market premium system for wind farms, decree on determining the value of excavated mineral raw materials or other geological resources without the necessary approvals, ordinance on content and form of a supervision report, etc.

The new regulations aim to encourage investing in environmentally friendly renewable generation and promote energy saving through better energy efficiency. Importantly, it is now possible for household and small energy consumers to generate their own electricity using solar panels. It is expected that these changes will increase the share of renewables in Serbia's energy portfolio and drive energy transition.

Other changes beneficial to the business environment in the country include new regulations regarding digitalization, fiscalization, and cooperation with state authorites in their efforts against the grey market.

NIS will keep contributing to the legislative process to improve the business environment in Serbia and speed up the energy transition. We will participate in the preparation of the Integrated National Climate and Energy Plan as well as the new Energy Development Strategy.

Company Profile

Organizational profile

GRI 102-1	Name of the organization
GRI 102-2	Activities, brands, products, and services
GRI 102-3	Location of headquarters
GRI 102-4	Location of operations
GRI 102-5	Ownership and legal form
GRI 102-6	Markets served
GRI 102-7	Scale of the organization, including Total number of employees, total number of operations, net profit, and number of products and/or services
GRI 102- 8	a. Total number of employees by type of employment contract and gender b. Total number of permanent employees by type of employment contract and gender c. Total number of employees by management lever and gender d. Total number of employees by region and gender e. Indicate if a significant part of the Company's business is performed by employees who are legally recognized as self-employed, or persons who are not employed or supervised workers, including employees and supervised subcontractors f. Significant deviations in the number of employees
GRI 102-9	Supply chain
GRI 102-10	Significant changes to the organization and its supply chain
GRI 102-11	Precautionary Principle or approach
GRI 102-12	External initiatives
GRI 102-13	Membership of associations

Strategy

GRI 102-14	Statement from senior decision-maker

Ethics and integrity

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

Governance

GRI 102-18	Governance structure

Stakeholder engagement

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

Reporting practice

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

Management approach

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

GRI indicators

GRI 201: Economic Performance

GRI 201-1 Direct economic value generated and distributed

Distributed economic value in thousand RSD	2020	2021
Directly generated value	184,310,616	295,693,643
Distributed economic value	182,715,699	258,009,645
Operating costs	144,556,978	223,587,393
Employee earnings and other remuneration	28,390,730	28,841,346
Interest on received loans and paid dividends	6,098,253	2,482,542
Taxes*	3,531,820	2,964,333
Investments in the community	137,918	134,031
Increase in the economic value of the Company	1,594,917	37,683,998

** Indirect taxes are not included in the given amount.*

Note: A new Law on Accounting, Regulation on Chart of Accounts and Regulation on the Content of Financial Statements took effect in 2021. The 2020 data in the table above was reclassified accordingly.

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

In 2021, NIS developed its 2030 Environmental Strategy mostly focused on greenhouse gas emission management.

The Strategy considers several emission reduction scenarios and specific efforts that would help achieve that, including energy efficiency improvement, carbon capture and storage at high-emission fields, generation of electricity from renewable sources, and forest planting.

For efficient planning of GHG emission reduction measures NIS has prepared a study of technological measures for GHG emission management with cost assessment and evaluation of potential emission reduction up to 2030.

The company has also created a working group to manage monitoring and reporting on greenhouse gas emissions. The group is responsible for supporting organizational units that have the obligation to monitor, report and verify GHG emissions, including the preparation of GHG monitoring pland and receiving GHG emission permits from a dedicated ministry.

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

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

GRI 201-4 Financial assistance received from the government

In 2021, the company did not use any financial assistance from the Government of the Republic of Serbia.

GRI 202: Market presence

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

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

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

Employees up to a level of department director – age structure, gender structure and nationality

	Number/Level	CEO	CEO Advisers and Deputies	Function / Block Director	Function / Block Director Advisers and Deputies	Subsidiary Director	Department Director	Department Director Advisers and Deputies	Representative Office Director
Age	**NIS j.s.c. Novi Sad**	**1**	**2**	**14**	**3**	**0**	**70**	**0**	**0**
	<30	0	0	0	0	0	0	0	0
	30-50	1	0	7	2	0	57	0	0
	>50	0	2	7	1	0	13	0	0
	Representative offices and branches	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**
	<30	0	0	0	0	0	0	0	0
	30-50	0	0	0	0	0	0	0	1
	>50	0	0	0	0	0	0	0	1
	Subsidiaries in Serbia	**0**	**0**	**0**	**0**	**5**	**5**	**0**	**0**
	<30	0	0	0	0	0	0	0	0
	30-50	0	0	0	0	4	5	0	0
	>50	0	0	0	0	1	0	0	0
Sex	**NIS j.s.c. Novi Sad**	**1**	**2**	**14**	**3**	**0**	**70**	**0**	**0**
	Men	1	2	11	2	0	53	0	0
	Women	0	0	3	1	0	17	0	0
	Representative offices and branches	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**
	Men	0	0	0	0	0	0	0	2
	Women	0	0	0	0	0	0	0	0
	Subsidiaries in Serbia	**0**	**0**	**0**	**0**	**5**	**5**	**0**	**0**
	Men	0	0	0	0	5	4	0	0
	Women	0	0	0	0	0	1	0	0
Citizenship	**NIS j.s.c. Novi Sad**	**1**	**2**	**14**	**3**	**0**	**70**	**0**	**0**
	Serbian	0	2	4	1	0	47	0	0
	Foreign	1	0	10	2	0	23	0	0
	Representative offices and branches	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**
	Serbian	0	0	0	0	0	0	0	0
	Foreign	0	0	0	0	0	0	0	2
	Subsidiaries in Serbia	**0**	**0**	**0**	**0**	**5**	**5**	**0**	**0**
	Serbian	0	0	0	0	3	1	0	0
	Foreign	0	0	0	0	2	4	0	0
	Total:	**1**	**2**	**14**	**3**	**5**	**75**	**0**	**2**

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

GRI 203: Indirect Economic Impacts

GRI 203-1 Infrastructure investments and services supported

In 2021, NIS invested over 315 million dinars in socially responsible projects and supporting professional sports. This includes 107.5 million allocated as part of the Together for the Community program. This year, the company implemented 29 environmental projects in 12 partner towns and villages across Serbia. Besides, NIS donated significant amounts to various Serbian healthcare institutions as part of the effort to combat the COVID-19 pandemic and improve patient experience. The company donated over 120 thousand liters of Jazak water to the Serbian Institute for Oncology and Radiology and the Cacak General Hospital. NIS also provided financial aid to the Institute of Public Health of Serbia "Dr Milan Jovanović Batut" for a study of immune response to COVID-19 vaccines. NIS donated finds to the Serbian Institute for Oncology and Radiology for procurement of reagents for tests for patients with carcinoma of the prostate and to the Belgrade Emergency Center for procurement of bed sheets. The Cukarica town hospital received a vehicle for home visits to elderly patients and cancer patients. Supporting the local communities will remain the company's priority.

GRI 203-2 Significant indirect economic impacts

In 2021, NIS invested 20.2 billion dinars thus contributing to the recovery of Serbia's economy after the COVID-19 crisis. In 2021, NIS paid 217.8 billion dinars in taxes and other fees, which is 21% more than last year. NIS remains one of Serbia's largest exporters and employers, engaging a large number of Serbian suppliers and contractors.

GRI 204: Procurement practices

GRI 204-1 Proportion of spending on local suppliers

The main principles guiding the implementation of the procurement processes are:

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

These principles and business logic are always accompanied by the standardization of business processes through adopted documents: rulebooks, policies, standards and instructions. NIS prioritizes competitive selection of suppliers and contractors. In cases where the business situation requires a non-competitive mode of selection, this must be explained by the procurement initiator. The competitive selection is based on the analysis of alternative offers and the selection of a supplier that submitted a technically acceptable and favourable offer in terms of price, delivery/completion time, warranty period, securities or additional benefits.

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

Procurement structure excluding Gazprom Neft

Year	Total procurement value in in thousand RSD	Total number of suppliers of the Company	Total procurement value of local suppliers in thousand RSD	Total number of local suppliers	Percentage of procurements from local suppliers - value	Percentage of local suppliers in total number of suppliers
2020	143,406,144	2,214	68,346,917	1,849	48%	84%
2021	221,006,901	2,187	81,192,317	1,859	37%	85%

Procurement structure including Gazprom Neft

Year	Total procurement value in in thousand RSD	Total number of suppliers of the Company	Total procurement value of local suppliers in thousand RSD	Total number of local suppliers	Percentage of procurements from local suppliers - value	Percentage of local suppliers in total number of suppliers
2020	162,856,389	2,214	68,346,917	1,849	42%	84%
2021	243,576,265	2,187	81,192,317	1,859	33%	85%

GRI 205: Anti-corruption

GRI 205-1 Operations assessed for risks related to corruption

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

The area of business activities that is especially exposed to the corruption-related risk is procurement of goods and services, considering the direct communication with the suppliers and significant cash flow, and the fact that corruption may be initiated either by bidders or by clients. Criminal motivation may cause corruption on any phase of the procurement process. The organizer of the procurement process may despite the clearly defined standards and procedures provide preferential treatment to individual bidders by disclosing confidential information regarding the procurement process, manipulating terms of reference to limit the number of bidders, adding uncompetitive tender conditions, or seeking personal remuneration.

Corruption is also present in the field of customer transactions – this is mostly reflected in preferential treatment of so-called 'large' clients. The most prevalent form of preferential treatment of customers happens by awarding contracts or delivering large quantities of goods regardless of the outstanding financial obligations arising from previous contracts and deliveries.

In 2021, several indications were analyzed in relation to possible corruption, particularly in procurement units. The corporate risk register includes the risk of corruption and malpractice.

Goals for the future

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

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

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

Governing bodies

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

New Employees

In 2021, 1,460 potential hires were verified. Besides, all new employees participate in induction training that includes anti-corruption rules and procedures.

Employees

To prevent corruption, the company takes efforts to educate all employees to identify signs of corrupt activity.

In 2021, the Company organized direct training of employees on information protection and encryption. The training also addressed ways of disclosing confidential data and transfer of confidential data, personal data protection, the role and significance of human factor in the cyber security. Several additional training were held on request of the employees or based on the results of phishing and/or awareness campaigns. The trainings in question covered a total of 2,133 employees.

Additionally, within internal assessment of compliance of business operations with Company's normative documents, Corporate Security also comes up with corrective measures and guidelines and educates employees on the fight against the corruption.

The company also put a lot of efforts into education and training of employees in organizational units responsible for anti corruption activities. In 2021, the specialized trainings for such employees included the following topics:

- Mechanisms to prevent corruption and conflict of interest,
- ISO 31000 / Audit of risk management systems,
- Forensic accounting.

Business Partners

The Company's operational procedures mandate the conclusion of the Anti-Corruption Agreement with all business partners with which it enters into a contractual relationship. The purpose of this Agreement is to preserve and ensure a favorable business environment through preventive and specific actions against corruption and/or other illegal activities. The CEO's Resolution also outlines the procedure applied in cases where a business partner refuses to sign the Agreement. In these cases, the initiator of the Agreement within NIS informs the competent bodies, which is followed by undertaking measures and actions to determine the actual reasons behind the refusal to sign the Agreement and adopting a harmonized decision on further steps. Corporate Security is responsible for control activities in the anti-corruption domain, reviewing the contract compliance and verifying the existence of Anti-Corruption Agreements.

Commitments and goals for the future

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

GRI 205-3 Confirmed accidents of corruption and actions taken

In 2021, responsible managers received 47 proposals to initiate disciplinary proceedings against employees whose actions or omissions resulted in damaging consequences for the Company, and which were based on corruptive motives. Not a single case, however, involves bribery. In addition, the Company pressed charges against 95 individuals – 1 employee and 94 third parties. Most charges against third parties (82) were for criminal offence of theft, 9 for robbery, 3 for other clauses of the Criminal Code, one of which refers to a giveaway phishing scam and has been referred to the Prosecutor's Office as high-tech crime. One charge was pressed against an employee for embezzlement under clause 224 of the Criminal Code of Serbia. Of 82 incidents of theft, 33 come under theft of petroleum products committed repeatedly when perpetrators, after tanking their vehicles at Company's retail facilities, left without paying. Because of the above-mentioned criminal offences, the Company suffered damages in the amount of 18.3 million dinars. Ten employees were fired from the Company on the grounds of proven corruption activities. All of them were front-line employees: engineers, technicians and workers.

In 2021, there were nine cases where the Company terminated or decided against renewing existing contract with business partners. The reasons were as follows:

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

GRI 206: Anti-Competitive Behavior

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

In 2021, there were no cases of initiated proceedings and there were no disputes against the Company due to anti-competitive and monopolistic behavior.

GRI 301: Materials used

GRI 301-1 Materials used by weight and volume

Materials used

Raw materials/materials	UOM	Quantities used	
		2020	2021
Domestic crude oil	t	825,407	808,958
Imported crude oil	t	2,495,760	2,800,596
Natural gas*	t	29,260	117,143
Geothermal water**	m³	327,662	427,425
Raw water***	m³	15,836	45,065

** For hydrogen production*
***Water sold to external clients*
****Water used as a raw material for the production of drinking water*

Overview of domestic and imported crude oil

Raw materials/materials	UOM	Quantities used	
		2020	2021
Light waxy crude oil	t	513,378	497,791
Heavy waxy crude oil	t	86,621	71,297
Imported naphtenic crude oil	t	225,408	239,870
REB crude oil	t	278,938	108,177
Bosnian crude oil	t	1,660	1,105
Kirkuk crude oil	t	1,449,144	1,840,584
Novy Port crude oil	t	630,936	508,283
Temisoara crude oil	t	8,282	7,112
Iran heavy crude oil	t	126,238	267,378
Johan Sverdup crude oil	t	0	57,487
Crude oil blend	t	0	10,370

Overview of Intermediates

Intermediate products/materials	UOM	Quantities used	
		2020	2021
Pyrolysis gasoline	t	115,724	104,387
MTBE	t	5,156	7,407
Isobutane and gasoline from Elemir Plant	t	1,119	1,105
Imported vacuum gas oil (VGO)	t	19,210	29,581
Additives and polymer mass	t	1,224	1,231
Slop (including degraded products)	t	269	71

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

GRI 301-2 Recycled input materials used

Overview of packaging materials

Material	UOM	Quantities used	
		2020	2021
Paper and cardboard	t	109	116
Wood	t	119	188
Plastic	t	461	727
Metal packaging	t	134	164

Materials used in the production processes originate from non-renewable resources and can be found in the final product, petroleum products, energy sources and drinking water.
Due to the nature of its operations, the Company does not use recycled materials as feedstock.

GRI 301-3 Reclaimed products and their packaging

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

For the purpose of meeting national objectives set for 2021, packaging waste taken over and collected in 2021 was re-used, recycled and disposed of during the current year in cooperation with a licensed waste management system operator engaged by the Company.

All larger facilities of the Company as well as all filling stations are equipped with labelled bins for paper, PET containers and cans.

Overview of packaging placed on the Serbian market

Material		UOM	2020		2021	
			Jazak	Lubricants Department	Jazak	Lubricants Department
Plastic	PET	t	213	27	419	27
	Other plastic		53	168	93	188
Metal	Iron	t	0	134	0	164
Paper and cardboard	Paper and cardboard	t	39	70	67	49
Wood	Pallets	t	77	42	149	39
Total:		**t**	**823**		**1,195**	

GRI 302: Energy

GRI 302-1 Energy consumption within the organization

Overview of energy consumption

Energy type	UOM	Quantities used		Quantities used in toe		Energy by source					
						Produced		Purchased		Sold	
		2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Natural and associated gas	m³	262,101,796	279,516,176	208,948	222,571	265,387,781	123,068,190	88,480,317	170,126,883	16,982,138	13,678,897
Fuel – own consumption (gasoline, diesel)	t	4,148	4,470	4,360	4,697	4,148	4,470	0	0	0	0
Fuel – own consumption (light fuel oil, refinery gas, coke, torch oil, offgas)	t	327,014	348,452	162,850	164,363	327,014	348,452	0	0	0	0
LPG	t	244	275	256	289	58,684	93,870	37,473	x	95,913	105,735
Steam (in the form of high-pressure steam)	t	1,116,203	1,059,436	86,067	81,678	1,116,203	1,059,436	0	0	0	0
Electricity purchased	MWh	342,804	348,980	29,476	30,007	0	0	342,804	348,980	0	0
Electricity produced	MWh	60,188	68,241	5,175	5,868	132,149	130,601	0	0	69,213	65,398
Thermal energy	MWh	8,321	8,858	715	762	0	0	8,321	8,858	0	0

Energy consumption in 2021 was 9.9% lower than the business plan and 7.4% higher YoY due to increased consumption by the Refining Block and the Upstream Block

GRI 302-3 Energy efficiency

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

If we take 2012 as a reference year, in the period from 2012 to 2021 the Company achieved the total increase in energy efficiency of 33%.

Associated gas, which used to be flared off, is now used in the production of electricity and thermal energy in cogeneration plants built in the period from 2013 to 2016.

The share of electricity produced in these plants in the total energy consumption of the Company amounts to 22%. Adding the electricity produced by the backpressure turbine generator in the Pancevo Oil Refinery, the share of electricity the Company generates on its own in its total consumption is 37%.

GRI 302-4 Reduction of energy consumption

The most significant projects completed and launched in 2021:

- Pigging of coil pipe of BA-5301 furnace
- Operation of the back-up instrument air compressor so as to avoid sleep mode operation of the electric drive
- Reduced electricity consumption at the DCU
- Changes in the parameters of stripping steam on DA-4305
- Additional reduction of pressure in S-500/570 columns
- Use of off gas and natural gas as fuel for BA-5001
- Mechanical cleaning and pigging of BA-2201 A/B
- Regular chemical cleaning of EA-2107A-F
- Changes to the oil and gas production process
- Squeeze cementing in oil and as wells
- Optimization of the number of diesel electric generators
- Reduction of auxiliary gas consumption by compressors
- Reduction of auxiliary gas consumption by boilers

Implementation of projects and measures defined under Energy Efficiency Improvement Program 2021 and realization of additional measures and challenges during that year resulted in overall energy savings of 504 TJ or RSD 427 million.

Overview of planned and realized energy savings

Energy source	Planned savings in 2021 (GJ)	Actual savings in 2021 (GJ)	Actual savings in 2021 (%)
Electricity	66,490	64,149	96%
Thermal energy	15,800	5,941	37.6%
Fuels	59,798	1,154	1.9%
Additional measures	0	433,050	
Total:	**142,088**	**504,294**	**355%**

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

CNG is natural gas compressed to a pressure of 220 to 250 bar. The main ingredient is methane, which has the lowest CO2 emission rate compared to other products, and therefore contributes to the protection of the environment. CNG is used an alternative fuel for all types of vehicles and as an industrial energy source. In addition to its high octane number, a criterion of fuel quality, the main advantage of CNG is its calorific value, which is much higher than that of other motor fuels.

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

In 2020, the Company was selling CNG on four petrol stations in Novi Sad, Čačak, Belgrade Block 45, and Žarkovo. A CNG plant in the Ostrovo gas field commissioned in 2017 meets the CNG demand of the wholesale market, i.e. indus trial consumption. In 2022, one more retail facility will open in Niš to introduce CNG supply in this part of Serbia.

GRI 303: Water and Effluents

GRI 303-1 Water withdrawal

Quantity and share of water withdrawal by source

Type of the water intake	2020		2021		Relative change 2021/2020
	m³	Relative share	m³	Relative share	
River water intake	2,778,523	80%	3,437,896	82%	+24%
Public water supply	370,755	10%	419,334	10%	+13%
Groundwater	339,204	10%	354,324	8%	+4%
Total water withdrawn	**3,488,482**	**100%**	**4,211,554**	**100%**	**+21%**

The total volume of water withdrawn in 2021 is 21% higher YoY, as the volume of refining was 9% higher, and the refinery put in operation the new Bottom of the Barrel unit. The Novi Sad Tank Farm also consumed more water then before due to process requirements. There were also more activities on the company's gas gathering stations. The largest water consumer is the Pancevo Refinery with 3,261,478 cubic meters.

The Company uses the same water sources as before: 82% comes from the surface reservoirs, 10% from the public water supply system, and 8% from wells (groundwater).

GRI 303-2 Sources mostly affected by withdrawal

The volume of water withdrawn from the Danube for the needs of the Pančevo Oil Refinery increased by 18.5% YoY. Withdrawal at the rate of 98 l/s represents mere 0.0019% of the average annual flow of the Danube.

Water withdrawal from the Danube-Tisa-Danube Canal for the needs of the Novi Sad Tank Farm significantly increased from 2020. The withdrawal rate was 10 l/s, which amounts to 0.017% of the flow of the DTD Canal in Novi Sad.

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

GRI 303-3 Recycled water

The withdrawal of water from the Danube was considerably reduced by recycling condensed water in the Pančevo Oil Refinery. In 2021, the amount of recycled water (condensate recovered from production processes) in the Pančevo Refinery amounted to 879,278 cubic meters and the total volume of water consumed was 2,480,311 cubic meters. This way, the withdrawal of raw water from the Danube for Refinery's needs decreased by 35.5%. The NIS Department for Oil and Gas Treatment and

Transportation also recycles water. The amount of recycled water was 1,042 cubic meter, whereas total consumption was 103,537 cubic meters. Saving amounted to 1%. Water is also recycled by the Amine Unit.

GRI 304: Biodiversity

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

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

Type of protected natural area	Name of protected natural area	Name of adjacent NIS facility	Status of NIS facility in 2020
Special nature reserve	Deliblato Sands	HTS Devojački bunar Db - 1/H	out of operation
	Deliblato Sands	GSS Tilva	out of operation
	Okanj Lake	Elemir oil and gas preparation and transport plant	in operation
	Okanj Lake	Eli-1 oil well	out of operation
	Meadows of Great Bustard	GMS Mokrin zapad and KS-2 Mokrin zapad	in operation
	Kovilj-Petrovaradin Marshes	PS Novi Sad 6	in operation
Natural park	Palic Lake	HTS Palić (1 Pj - 1/H, Pj - 2/H)	in operation
	Palic Lake	Pć-24	in operation
Natural park	Junaković Forest	HTS Prigrevica – Junaković Spa (Pb - 1/H)	in operation
	County Park – Zrenjanin Town Gardens	Zrenjanin 1 PS	in operation
National Park	Đerdap	Donji Milanovac PS	in operation

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

Preservation of biodiversity is crucial for the society, and deserves particular attention of decision-makers, whose strategic plant may have an impact on the environment.

In 2021, NIS performed exploration and production of oil, gas and thermal water, and sale of petroleum products in 8 facilities located in the vicinity of protected natural areas, including Đerdap National Park, special nature reserves (Okanj Lake, Pastures of Great Bustard near Mokrin, Kovilj-Petrovaradin Marshes), Palić Nature Park and natural monuments (Junaković Forest and Zrenjanin Town Gardens), fully complying with the regulations of the competent authorities (Institute for Nature Conservation of Serbia and Institute for Nature Conservation of Vojvodina Province).

In 2020, regulations on environmental protection conditions for flow testing were issued for the Banatski Dvor, Novo Milosevo, Itebej, Medja, Kikinda Varos II, Kikinda Gornje, Kikinda Polje I and II, Ostrovo and Boka gathering stations. Regulations on environmental protection conditions for the oil and dissolved gas production activities were issued for the Srpska Crnja, Palic, Velebit, and Torda Plitko fields.

Other issued regulations include the regulation on environmental protection conditions for geologic exploration in existing wells of the Palic field and for works on the Idjos pipeline.

GRI 304-3 Habitats protected or restored

In 2021, NIS remediated one primary mud pit in Elemir. Thus far, the Company has remediated 215 primary mud pits and two suction pits and returned the land to its initial state. Tota area of recleimed land is over 16 ha (160,016 square m).

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

International Union for Conservation of Nature has created the global Red List of Threatened Species. Currently the list includes 142,500 species, with over 40,000 close to extinction.

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

According to the IUCN Red List, there is a habitat of a highly protected bird species – the great bustard (Otis tarda) in the Pastures of Great Bustard near Mokrin, close to NIS production sites.

GRI 305: Emissions

GRI 305-1 Direct (Scope 1) GHG emissions

In 2021, the Company measured CO2 emissions for its plants covered by the EU ETS (Pancevo Refinery, Elemir oil and gas treatment plant and the power plant of the Novi Sad tank farm) in line with the methodology outlined in the Regulation (EC) No. 601/2012 EC on monitoring and reporting and determined that they stood at 1,085,065.0 tons. This is a YoY increase of 6% caused by the increased production volume at the Pančevo Refinery.

Furthering compliance with legislation on GHG emissions, the Company has calculated its Carbon Footprint. Greenhouse gas emissions amounted to 1,398,758.3 t CO2 in 2021.

NIS continues its EOP project, which includes injection of CO2 separated from natural gas in the amine unit of the Oil and Gas Preparation Plant in Elemir into the Rusanda formation, with the aim of maintaining its formation pressure and boosting production. In 2021, the total of 45,124,558.0 cubic meters was injected.

GRI 305-2 Indirect (Scope 2) GHG emissions

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

In 2021, greenhouse gas emissions from imported electricity and heat used by the Company and its subsidiaries in Serbia stood at 291,261.3 tons of CO2 equivalent..

GRI 305-6 Emissions of ozone-depleting substances

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

GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions

Air pollutant emissions (t/g)	2020	2021
SO_2 emissions	647	262
NO_x emissions	887	878
Particulate matter (PM) emissions	49	59

* *In 2021, the Company continued to extend the scope of mandatory emission reporting, so apart from the units covered by the IPPC, the Company now reports on emissions from all other emitters at NIS j.s.c. (calculated based on emission measurements and, in the absence of measurements, on the volume of consumed fuel).*

Total emissions of pollutants (SO2, NOx and particulate matters) in 2021 decreased significantly compared with 2020.

The Pančevo Refinery cut down its SO2 emissions as the result of reduced consumption of fuel oil by the S-2100 atmospheric distillation unit and the boilers of the power plant. Natural gas is used instead of fuel oil.

In 2021, the Pancevo Refinery continued the implementation of all technical and process measures to comply with the SO2, NOx, and PM emission limits set by the National Emission Reduction Plan. Particular emphasis is put on efficient use of lange combustions facilities like the S-2100 atmospheric distillation unit, and BF-9601, BF-9602, and BF-9501 boilers. As the result, all measurements and CEMS continuous monitoring confirms full compliance with the applicable emission quotas.

GRI 306: Effluents and Waste

GRI 306-1 \Water discharge by quality and destination

As of the end of 2021, the Company owned 405 wastewater treatment facilities. Sixteen new separators for oily wastewater treatment and one bioligical water treatment unit were installed on NIS petrol stations

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

Overview of discharged wastewater in m3, by treatment and recipients

Treatment type	Recipient	2020 m³	2021 m³	Relative change 2021 vs 2020
External treatment	Water bodies	1,256,028	1,552,191	+24%
Physical, physical and chemical	Water bodies, public sewer system	813,421	745,360	-8%
Sanitary wastewater	Public sewer system	34,791	34,672	0%
Total wastewater discharge		**2,104,240**	**2,332,223**	**+11%**

GRI 306-2 Waste by type and disposal method

Overview of generated and disposed waste in tons

Waste type	Generated waste in 2021	Disposed waste in 2021
Hazardous	5,612	5,610
Non-hazardous	5,352	5,355
Total:	**10,964**	**10,965**

Overview of disposed waste by type in tons

Disposal method	2021	
	Non-hazardous	Hazardous
Landfill disposal	71	2
Recycling	4,737	83
Re-refining	7	172
Storage	215	2
Solidification	137	1,801
Co-burning	52	3,550
Treatment of mixed municipal waste	136	0

According to the applicable waste management regulations, the Company uses the services of 35 properly authorized waste management operators. The amount of disposed waste in 2021 was 8% lower YoY, as several operators were relocating their facilities and reviewing licences.

Disposed hazardous waste in 2021 mainly consisted of mud and sludge, as well as oily waste generated by maintenance and cleaning of tanks, separators, and oily waste sewage systems (71%). Of all types of non-hazardous waste disposed in 2020, 88% was metal waste.

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

The Company uses a Waste Reporting Application to track waste generation and movement and to create reports for regulatory bodies. The company reports to the National Register of Pollution Sources on all hazardous waste operations. Reports on the waste generated and disposed of in 2021 have been submitted..

GRI 306-3 Significant spills

Number of environmental accidents by type		
Accident type	2020	2021
Oil/petroleum products spill on soil	4	9
Wastewater spills	0	0
Chemical spills	0	0
Gas emissions	0	0
Other	1	1
Total:	**5**	**10**

The number of environmental accidents is two times higher that in 2020, when the Company recorded 5 environmental accidents. However, the 2021 accidents had a significantly lower environmental impact.

Out of all spills in 2021, three exceeded one barrel. The total amount of material released or spilled in 2020 was 2 cubic meters. According to NIS Incident Classifier, all environmental accidents in 2021 were categorized as minor.

Causes of environmental accidents (%)	2021
Work activity	50%
Technological failure or breakdown – process	0%
Pipeline rupture	20%
Damage to structures	0%
Other	30%
Total:	**100%**

GRI 306-4 Transport of hazardous waste

In 2021, the Company did not transport, import, export or treat hazardous waste (the waste that is considered hazardous under Annexes I, II, III, and VIII to the Basel Convention).

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

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

The International Commission for the Protection of the Danube River (ICPDR) was established in 1998 with the purpose of protecting the Danube water and environment. Serbia is one of its member countries. The Danube is a watercourse that receives more than 80 percent of all Company's wastewater:

- treated atmospheric water from the Pančevo Oil Refinery is discharged into the Azotara's Canal in the south industrial zone of Pančevo, which then flows into the Danube – 279,012 m3
- industrial wastewater from the Pančevo Oil Refinery is treated in a waste water treatment plant in HIP PHK, from which it is discharged into the Danube – 1,552,191 m3;.

GRI 307: Compliance

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

In 2021, one fine was imposed and paid in an economic offence for non-compliance with environmental protection regulations in the amount of 363,000 dinars.

GRI 401: Employment

GRI 401-1 New employee hires and employee turnover

Overview of employee turnover

Organizational unit	31/12/2020			31/12/2021		
	Direct	Leasing	Total:	Direct	Leasing	Total:
Exploration and Production Block	1,092	0	1,092	1,081	0	1,081
Downstream Division	2,542	25	2,567	2,508	0	2,508
Refining Block	978	0	978	956	0	956
Sales Block	1,396	25	1,421	1,331	0	1,331
Energy Directorate	40	0	40	36	0	36
Rest of Downstream Division	128	0	128	185	0	185
NIS – expert services	1,534	0	1,534	1,446	0	1,446
Representative offices and branches	5	0	5	3	0	3
NIS j.s.c. Novi Sad	5,173	25	5,198	5,038	0	5,038
Naftagas – Oilfield Services	1,879	0	1,879	1,784	0	1,784
Naftagas – Technical Services	391	0	391	385	0	385
Naftagas – Transport	368	0	368	369	0	369
NIS Petrol	2,809	0	2,809	2,928	0	2,928
STC NIS Naftagas	385	0	385	369	0	369
Subsidiaries in Serbia	5,832	0	5,832	5,835	0	5,835
Total:	**11,005**	**25**	**11,030**	**10,873**	**0**	**10,873**

Overview of employee qualification structure by contract type

Year			PhD	MSc/ MA	BSc	PSE	HS	El.S	HQ	Q	SQ	LQ	Total:
2020	NIS j.s.c. Novi Sad	Direct	11	188	2,234	356	1,584	5	131	663	1	0	5,173
		Leasing	0	0	1	3	11	0	1	9	0	0	25
	Subsidiaries in Serbia	Direct	6	47	815	337	2,604	52	207	1,759	4	1	5,832
		Leasing	0	0	0	0	0	0	0	0	0	0	0
	Total:		**17**	**235**	**3,050**	**696**	**4,199**	**57**	**339**	**2,431**	**5**	**1**	**11,030**
2021	NIS j.s.c. Novi Sad	Direct	12	591	1,739	345	1,550	5	127	668	1	0	5,038
		Leasing	0	0	0	0	0	0	0	0	0	0	0
	Subsidiaries in Serbia	Direct	4	179	648	353	2,644	47	205	1,751	3	1	5,835
		Leasing	0	0	0	0	0	0	0	0	0	0	0
	Total:		**16**	**770**	**2,387**	**698**	**4,194**	**52**	**332**	**2,419**	**4**	**1**	**10,873**

Overview of employee gender structure by contract type

Year			Men	Women	Total:
2020	NIS j.s.c. Novi Sad	Direct	3,669	1,504	5,173
		Leasing	25	0	25
	Subsidiaries in Serbia	Direct	4,262	1,570	5,832
		Leasing	0	0	0
	Total:		**7,956**	**3,074**	**11,030**
2021	NIS j.s.c. Novi Sad	Direct	3,610	1,428	5,038
		Leasing	0	0	0
	Subsidiaries in Serbia	Direct	4,194	1,641	5,835
		Leasing	0	0	0
	Total:		**7,804**	**3,069**	**10,873**

Management-to-staff ratio

Year		Management		Employees	
		Number of managers	% share in the total number of managers	Number of employees	% share in the total number of employees
2020	Men	228	71.03%	7,703	72.10%
	Women	93	28.97%	2,981	27.90%
	Total:	**321**	**100.00%**	**10,684**	**100.00%**
2021	Men	218	69.87%	7,586	72.52%
	Women	94	30.13%	2,975	27.48%
	Total:	**312**	**100.00%**	**10,561**	**100.00%**

** Representative offices, branches, subsidiaries abroad and other subsidiaries as well as leased employees are not shown in the table, to allow comparability with data for the previous year.*
*** The management category includes top management, senior management and middle management. Lower management (section managers and lower) is not included in the Managers category.*

Overview of employee age structure

	Year	up to 20	20-29	30-39	40-49	50-59	Over 60	Total:
2020	NIS j.s.c. Novi Sad	0	581	1,486	1,594	1,223	314	5,198
	Subsidiaries in Serbia	31	1,429	1,973	1,364	860	175	5,832
	Total:	**31**	**2,010**	**3,459**	**2,958**	**2,083**	**489**	**11,030**
2021	NIS j.s.c. Novi Sad	3	533	1,435	1,542	1,227	533	5,038
	Subsidiaries in Serbia	52	1,327	1,970	1,431	861	194	5,835
	Total:	**55**	**1,860**	**3,405**	**2,973**	**2,088**	**727**	**10,873**

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

Employee turnover	Men		Women		Total:	
	2020	2021	2020	2021	2020	2021
Employment	4,022	737	1,752	417	5,774	1,154
Termination of employment	529	872	214	414	743	1,286
Total:	**4,551**	**1,609**	**1,966**	**831**	**6,517**	**2,440**

** Data for subsidiaries abroad and other subsidiaries are not shown in the table.*
***Ratio of new employees and employee headcount at the beginning of the observed period is 8,18%.*
****Ratio of employees who left the Company and employee headcount at the beginning of the period is 4,46%.*

Employee turnover	up to 19		20-29		30-39		40-49		50-59		Over 60		Total:	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Employment	37	59	1,782	504	2,087	315	1,183	201	575	57	110	18	5,774	1,154
Termination of employment	6	13	189	362	208	343	163	251	77	137	100	180	743	1,286
Total:	**43**	**72**	**1,971**	**866**	**2,295**	**658**	**1,346**	**452**	**652**	**194**	**210**	**198**	**6,517**	**2,440**

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

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

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

The social protection NIS offers to its employees is higher and more comprehensive than required by the law. Some of the benefits of employees of the Company include: special protection of disabled employees and employees affected by a medical condition, preventive treatments for employees with high-risk jobs as well as other employees, for the purpose of eliminating occupational diseases and preventing disabilities; solidarity allowance in a variety of situations (severe illness or death of an employee or an immediate relative, damage to home, birth of a third or subsequent child, etc.); scholarships/tuitions for children of deceased employees; retirement insurance and anniversary bonuses to employees for ten, twenty, thirty, and forty years of employment.

GRI 401-3 Parental leave

After the law which limits maternity pay was enacted in 2018, NIS adopted an internal regulation, which stipulates maternity pay to pregnant women in the amount of their monthly salary, with the maximum maternity pay not higher than five times the average wage.

Dynamics of parental leave and returning to work in 2020

Organizational unit	Employees whose leave began in 2020	Employees whose leave began in 2020	Employees whose leave began in 2021	Employees whose leave began in 2021	Employees who returned to work from parental leave by 31.12.2020 and 31.12.2021	Remaining number of employees expected to return from parental leave in 2022 and 2023	Employees who left the Company less than a year after parental leave	Employees who returned to work after leave and who are still employed in the Company 12 months after the end of their leave
NIS j.s.c. Novi Sad	181	156	196	180	184	220	64	175
Leasing	0	8	0	0	92	0	9	88
Total:	**181**	**164**	**196**	**180**	**276**	**220**	**73**	**263**

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

GRI 402: Labor/Management Relations

GRI 402-1 Minimum notice periods regarding operational changes

In the event of a need to transfer an employee to another post or amend other important elements of their Employment Contract, the Company is obliged to deliver them an offer for the conclusion of an annex to the Employment Contract in line with the Labor Law, to which they must reply within eight business days from the date they received said offer. This offer explains the reasons for the transfer of the employee and the elements of the Employment Contract that are to be amended.

If an employee on a high-risk position loses the capability to do the job associated with this position, such employee shall be transferred to a different position he/she is fit for, with the higher salary maintained for six months after the transfer.

GRI 403: Occupational Health and Safety

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

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

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

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

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

In 2021, the company held online communication sessions with the members of OSHB and the Trade Union dedicated to the following topic: Preparation of risk assessment reports based on the new concept anf measures and optimization of the PPE procurement process by implementation of PPE testing.

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

HSE indicators	2020	2021
Workplace injuries	86	90
Workplace injuries – with sick leave	29	26
Workplace injuries – fatal	0	0
Days of sick leave due to workplace injuries	1,770	1,497
Number of days of absence from work	215,940	219,059
Number of hours of regular work	18,942,411	18,932,742
Injury rate (IR)	4.54%	4.75%
Absence rate (AR)	11.40%	11.57%
Lost day rate (LDR)	0.09%	0.08%
Fires	20	23
Traffic accidents	7	6
Environmental accidents	5	10
Number of visits of inspection authorities	637	754
Number of measures prescribed by inspection authorities	138	148
Types of injuries	**2020**	**2021**
Falls	16	14
Thermal and chemical injuries	4	5
Mechanical injuries	23	24
Traffic	19	16
Fall from height	2	4
Other	22	27
Total:	**86**	**90**

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

In 2021, NIS issued a new Workplace Risk Assessment Report that now uses the same assessment methodology for all positions across the company. According to the Workplace Risk Assessment Report, NIS j.s.c. Novi Sad and its subsidiaries employ the total of 4,055 employees on high-risk positions. NIS remains committed to implementing new technologies to minimize all identified risks.

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

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

Specific areas covered by the Collective Agreement:

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

GRI 404: Training and Education

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

Training costs in million RSD	2020	2021
Training costs	87.5	181
Cost of professional training	85.5	178.1
Consulting costs	0	0
Costs of membership in professional associations	1.8	2.9
Organizational costs for training programs	0.2	6.5
Total:	**89.5**	**187.5**

Employee training statistics

	Hours of training by gender		Number of employees by gender		Hours of training by category		Number of employees by category		Training costs in thousand RSD		Hours of training	
	Male	Female	Male	Female	Managers	Employees	Managers	Employees	Total:	Per employee	Total:	Per employee
Directly	44,599	18,774	2,055	794	14,521	48,852	521	2,328	187,537	65.83	63,373	22.24
Leasing	-	-	-	-	-	-	-	-	-	-	-	-

Relying on the experience of the previous year we manages to maintain stability in training and development for our employees despite the global challenges. We worked closely on developing the employee engagement academy, the first-time manager academy, leadership programs, digital competence programs, and many other programs and trainings for the development of our employees.

In 2021, in cooperation with external providers, we organized 2870 trainings with 5226 participants, including 2849 employees. The total number of training hours was 63,373, total costs amounted to 187.5 million dinars.

We continued supporting the digital transformation of the company. In cooperation with the digitalization team and the company's partners from Serbia and abroad we planned a series of trainings dedicated to digitalization. These events included online workshops, lectures, peer learning sessions, interactive trainings, etc, and included 935 attendees. Digital literacy has been added to the list of corporate competences used for regular employee assessment. The company also carried out a gap analysis of the digital team.

We kept using job rotation as a development tool for employees at all levels with the primary goal to develop professional and technical knowledge and skills of our people. The concept encompasses several types of rotation, the mostly widely applied being "job shadowing" aimed at improving cross-functional cooperation or development of multi-functional teams. In 2021, 49 employees participated in shadowing for over 140 working days or 2000 hours.

To promote the culture of learning and continue our efforts regarding the preparation of corporate trainers, we started the new Learning Driver program. This program offers motivation and benefits, both material and non-material, to employees who contribute and promote exchange of knowledge, either by acting as trainers or mentors, or through other educational activities.

The NIS Engagement Academy remains an important HR tool. It uses various activities, such as onboarding trainings, manager workshops, and panel discussion with top executives to promote engagement across the company. One of such activities was the organization of engagement workshops. The workshops were attended by over 320 top and middle managers. The goal was both to strengthen their leadership skills and teach them to create a working environment conducive to the company's strategic goals.

In 2021, NIS started a new First-Time Manager program. This tool will support and educate new managers to help them adapt to the new role and develop into a leader capable of driving further growth. The first cycle included 61 first-time managers. Four modules of five workshops were dedicated to the key factors of leadership.

To ensure business continuity and adequate staffing of the Company through talent identification and targeted talent and successor development for business-critical roles, the Company uses a calibration methodology that was implemented in 2020. In the first year, 70 employees were included in the talent pool. Then in 2021 we added another 200 people to the process, so as to cover both the top and the middle management. Now the overall talent pool includes almost 300 employees. This system will allow for more objective, transparent and effective identification of talent and selection of successors for key positions with creation of individual development plans for each of them.

The Refining Block upgraded the process of technical skill assessment. There are now specialized tests and a professional assessment team in place to regularly evaluate competence. HSE skills were added to the existing Trainings Books and will be tested alongside with technical competence to ensure safety for employees. Key skills for operator positions have been defined and added to the Training Books. The priority this year was to create video trainings for the key skills. So far we have created 70 training videos for operators of part of process facilities that are now available at the Active Learner platform. This effort will continue in 2022.

The Sale Block has a well-established training system spanning from entry-level training to the Manager Academy in retail. This year, 1,449 Sales Block employee attended the total of 3,015 hours of training.

The Upstream Block started a new three-year skill development program for young talent in exploration and production, scientific technical center, oilfield services, and transport. The program titled Upstream Academy offers various activities and trainings and last for three years. The goals is to establish a centralized framework for skill-building and development of rational and innovative thinking that

would help identify and engage junior employees with high potential. The program includes training from external consultants. So far, over 20 training lasting the total of 200.5 hours have been attended by 200 participants from the Upstream Block. As a support system for young talent in upstream the company created the Young Specialist Council. This is an independent collegial body open to all employees that will help them integrate in the professional and social life in the company. It helps young professionals adapt to the company, fulfil their scientific potential, adopt and promote corporate values, and start and implement initiatives.

The Fouth Annual Young Specialist Scientific Technical Conference of the Upstream Block, STC, and Oilfield Services took place from August 25 to August 25, 2021 in Novi Sad. Thirty-two scientific studies by authors under 35 have been presented during the online event attended by over 100 participants (authors and presenters of papers, mentors, panel members in conference sections).

Ten of our winners from Exploration and Production Block, NTC and Oilfield Services presented their scientific papers at the XI Scientific-Technical Conference of Gazprom Neft's Exploration and Production Block. They won five awards in seven sections of GPN Exploration and Production Block's conference.

A team from the Upstream Block and the STC also took part in the PetroCup competition held by Gazprom Neft on December 15 and 16. This was a great opportunities for the teat to upgrade their professional skills and measure their strength agains peers..

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

In the modern business environment, employees may encounter various business challenges. In order to equip its employees with the skills they need to address these challenges, NIS invests in their development and contributes to improvement of their potential, thus developing professional resources of the entire NIS Group. In 2021, the Company did not implement any redundancy schemes.

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

In 2021, as in previous years, we conducted a company-wide annual Competence-based evaluation of all employees classified into three main categories – managers, specialists and operators. The process included over employees. After the evaluation each employee had a regular annual feedback session with their manager. The yearly competence-based evaluation promotes the corporate culture and values and is important as part of the feedback culture.

GRI 405: Diversity and Equal Opportunity

GRI 405-1 Diversity of governance bodies and employees

In 2021, the Board of Directors consisted of 9 male and 2 female members, and 4 members belong to the 30-50 age group, while the remaining 7 members are over 50 years of age.

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

The Collective Agreement, which defines basic salaries of employees by their pay grades, guarantees that the salaries in NIS are equal to the salaries in other leading companies in Serbia. Each grade has a clearly defined range – from the minimum to the maximum amount of the base salary, regardless of gender.

GRI 406: Non-discrimination

GRI 406-1 Incidents of discrimination and corrective actions taken

In 2021, NIS and subsidiaries did not identify cases related to labor discrimination.

GRI 407: Freedom of Association and Collective Bargaining

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

NIS supports the freedom of association into labor unions and collective bargaining, and we continued close cooperation with the trade unions of employees in 2021 (in NIS j.s.c. and its subsidiaries). In 2021, there were no recorded cases in which the freedom of association and collective bargaining was jeopardized.

Number of employees in trade unions		
Name of trade union	2020	2021
United Trade Union NIS j.s.c.	5,547	5,654
Oilfield Services TU	674	749
NTC NIS Naftagas TU	19	17
Special Works TU (Naftagas-Oilfield Services)	129	130
Transport TU	4	0
Total:	**6,373**	**6,550**

GRI 408: Child Labor

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

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

GRI 409: Forced or Compulsory Labor

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

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

GRI 411: Rights of Indigenous People

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

In 2021, there were four new disputes initiated against the Company regarding the compensation for non-use of land and regarding remediation, in addition to nine disputes from the previous period. One of the disputes has been suspended.

Three disputes from the previous period were resolved – one in favor of the company, and two in favor of the claimant, with the negative financial effect of RSD 1,037,209.

GRI 414: Supplier Social Assessment

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

A dedicated department of the company does due diligence of each business entity with which the Company might enter into a contractual relationship. Within this process, the department analyses the potential contractor's financial performance indicators, expertise and professional qualifications, manpower capacities, the number and purpose of any litigation processes (both in the capacity of the defendant and plaintiff), and possible acts that might be categorized as corruption.

In 2021, the Company verified 1,193 legal entities, with which it planned to conduct business, while 47 (3.94%) of them were not approved. The reasons for withholding approval for a certain legal entity do not include only a confirmed or reasonable doubt of corruption, but also the contractor's business history, operational and technical capacities, and financial indicators. A non-approved contractor is a contractor a relationship with whom could pose a risk to the Company.

There are various reasons why certain potential contractors may not be approved:

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

The dedicated department participated in the approval of 4,509 contracts, of which 9 (0.19%) were not approved.

Due diligence was done for all 351 new contractors in 2021.

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

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

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

In order to eliminate business risks, NIS maintains a black list of suppliers, customers and contractors, which includes persons who have violated contractual obligations working with the Company (poor quality of works, inadequate business cooperation, incidents of abuse and other). In 2021, 29 companies were added to the blacklist. Following an analysis, twelve companies were removed from the list and qualified as potential vendors due to the improved quality of operations and elimination of violations.

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

Having in mind that NIS works closely with a considerable number of companies in Serbia, its examples of good practice and zero tolerance for corruption in business have a positive influence on the business conditions and improvement of standards and motivate other companies to raise the quality of their services. This constitutes an important factor in the improvement of the overall business climate in the country. NIS selects its business partners based on the principles of transparency, compliance, and objectivity while eliminating or minimizing subjectivity, bias, and stereotypes.

GRI 415: Public policy

GRI 415-1 Political contributions

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

GRI 416: Customer Health and Safety

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

In 2021, all fuels in NIS were produced in accordance with the applicable SRPS EN standards. Company ensures continuous compliance with these standards but also invests considerable effort in exceeding them. Sulfur content of NIS fuels ranges from 2 to 3 ppm, which is five limes lower than prescribed by the Standards (10 ppm). In this manner, the Company significantly reduces emission of harmful gases into the atmosphere.

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

- Longer interval between oil replacements, which produces less waste oil,
- Higher viscosity that allows for more efficient consumption of fuel,
- Nisotec Low SAPS oils contain less sslag, phosphorus, and sulfur and can be used in Euro V and Euro VI engines with DPF filters and TWC catalysts, which reduces pollutant content in exhaust gases

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

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

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

In 2021, no sanctions were imposed on the Company due to non-compliance with regulations and voluntary codes concerning the impact of its products and services on consumers' health and safety during the entire life cycle of products and services.

GRI 417: Marketing and Labeling

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

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

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

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

Information on chemical composition and properties, requirements to storage, handling, transport, and disposal of waste is included in the Safety Sheet, which is the key method of communication between the supplier and the consumer to ensure safe use of chemicals.

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

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

Distribution of products to the end users is the last link in the supply chain. Products are transported using motor vehicles.

In order to improve the safety of its employees and other road users in Serbia and the region, and protect the environment, the Company is implementing a series of precautionary activities.

NIS is a responsible and reliable provider of transport services that regularly upgrades its fleet and trains its drivers. All cargo vehicles in NIS for transport of dangerous goods hold ADR certificates and are equipped with a GPS and electronic control system.

Apart from regular training and seminars, in 2021 NIS drivers completed a training in defensive training. The development of safe driving skills fill continue going forward.

In 2021, the company's system of transport management was certified according to ISO 39001, international standard for traffic safety management. ISO 39001 certification proves that NIS:

- Shows commitment by ensuring safety and quality of transport,
- Improves efficiency - the ISO 39001 system will help us optimize allocation of resources through better management and cut costs through higher efficiency,
- Creates competitive advantages by showing NIS as a socially responsible company that is committed to HSE and willing to use best industry practices in transport safety,
- Develops the business environment by guaranteeing safety of to employees on the road,
- Contributes to better planning and operation of the road transport system,
- Reduces costs by reducing the number of traffic accidents.

In 2022, the Transport Sector expects further upgrade of the car fleet including replacement of 12 solo tanks for LPG transportation of EURO 3 category with EURO 6 category vehicles and digitalization of tire control by implementing the TireOptix solution. The tire monitoring system will help increase the service life of tires and reduce fuel consumption and carbon footprint. In 2022 NIS will also implement a digital solution for dispatching of secondary transport, which will improve the quality of transport services and reduce the environmental impact.

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

NIS regularly carries out a brand awareness survey. The surveys measures key indicators to monitor brand awareness and results of brand promotion activities.

2021 results show, that NIS shows continuous improvement in terms of such brand attributes as trust (2020 – 70,1%; 2021 – 70,3%), humanity (2020 – 31%; 2021 – 38%), responsibility (2020 – 39%; 2021 – 41%) and innovativeness (2020 – 23%; 2021 – 31%).

Sales of prohibited or disputed products

No sales of prohibited products or products which are the subject of a public debate on any markets were conducted in the Company in 2021.

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

In 2021, there were two cases of economic offence pertaining to the failure to comply with regulations and voluntary code requirements regarding labelling of products and services. One case has been completed and resulted in a fine of 245,000 dinars.

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

In 2021, no sanctions were imposed on the Company due to non-compliance with regulations and voluntary codes concerning marketing communication, advertising, sponsorship and promotions.

GRI 418: Customer Privacy

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

In 2021, no proceedings were initiated due to the violation of customer data protection.

GRI 419: Socio-economic Compliance

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

The Company processes all complaints in relation to the environment responsibly and with due care, which is enabled by formal complaint mechanisms, as well as through the Call Centre. In 2021, the company received no complaints through the Call Center.

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

In 2021, 31 new labour disputes were initiated against the Company (excluding disputes initiated with regards to mobbing), while 161 labour disputes from the previous period remain open.

Out of the total number of labour disputes in 2021, resolution was reached for 70 disputes from the previous period, 38 in favour of the Company and 32 to the detriment of the Company, with the negative effect of RSD 38,271,581.

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

During 2021, one new dispute was initiated in the Company concerning mobbing, and 9 disputes were carried over from the previous period.

Out of total number of disputes in 2019, 6 from the previous period were resolved, 1 with a positive and 5 with a negative outcome for the Company.

The total cost of the disputes resolved with a negative outcome for the Company amounted to RSD 1,813,332.

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

In 2021, there were no large penalties or financial fines for the Company due to non-compliance with laws and regulations.

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

In 2020, there were no cases of violation of ethics and business conduct in the Company reported through the SOS line. 37 cases were reported through the Respect Above All program. 36 have been resolved.

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

In 2021, there were no penalties for non-compliance with laws and regulations concerning the provision of services and use of the Company's products.

GRI OG: Sector addition – oil and gas industry

OG 1 Volume and type of estimated proved reserves and production

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

OG 3 Total amount of renewable energy generated by source

NIS pays special attention to the development of renewable sources of energy, primarily geothermal energy. NIS has implemented several projects aimed at utilization of its geothermal capacities to heat buildings, prepare sanitary water, heat indoor and outdoor pools, greenhouses and provide industrial heating, with a growing trend in recent years. The use of geothermal energy increases energy efficiency and helps reduce greenhouse gas emissions by replacing fossil fuels.

OG 5 Volume and disposal of formation or produced water

Formation water, separated from crude oil during the production of oil and gas and technical operations in wells, is processed (treated to remove hydrocarbons, suspended and dissolved matter), and then injected at certain depth in abandoned wells (selected orphaned wells), in which case it has no impact on the quality of groundwater.

Produced and disposed formation water (m^3)	2020 (m^3)	2021 (m^3)	Relative change 2021 vs 2020
Produced formation water	4,599,451	4,404,528	-4%
Disposed formation water	4,599,451	4,404,528	-4%

All produced formation water is injected.

OG 6 Volume of flared and vented hydrocarbon

The Company continued to implement measures aimed at the reduction of CO2 emissions by producing thermal energy and electricity in cogeneration power plants using the associated gas, which used to be flared off. In 2021, the quantity of free and dissolved gas flared off in the Exploration and Production Block was 21,511,710 m3, which is 2.6% more than in 2020, when the volume of flared off gas was 20,968,126 m3.

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

In 2021, as part of regular activities on drilling of new oil wells, NIS drilled 44 wells and produced about 39,400 tons of waste drilling material, which is 6.5% more than the 2020 level of 37,000 tons. All waste was disposed of immediately at the Novo Miloševo Waste Mud Landfill.

All drilling rigs used in 2021 were equipped with metal mud collection tanks mounted on the surface, concrete pools buried in the ground had been discarded completely. During works, all locations are covered with PVC film, which prevents contamination of soil, even in case of accidents.

In 2021, one well was drilled in Romania. NIS hired certified local contractors to dispose of the drilling waste.

OG 8 Benzene, lead and sulphur content in fuels

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

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

In 2021, there were no involuntary resettlements and no proceedings and disputes were initiated and conducted against the Company.

OG 13 Number of process safety events, by business activity

Industrial safety

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

Process safety

Process safety is a framework dedicated to the prevention of fires, explosions, spills or leaks of hazardous and non-hazardous substances from vessels, pipelines, or process equipment in the chemical industry, refineries, oil storage facilities, downstream and upstream objects. It relies on good design and engineering principles and operating and maintenance practices.

In 2021 the company held a series of workshops dedicated to the implementation of a new change management tool for oil storage facilities according to company regulation UP 09.02.02-005: Change Management in Process Safety. The workshops resulted in the nomination of persons responsible for the application of this tool. The company has adopted the new Golden HSE rules focused on high-risk activities. The six rules are accompanied by a procedure for reporting in case of violation of any of the rules. Each organizational unit of the company has also set up commissions that will decide on the specific details of how the rules shall be applied and take steps to further promote compliance. The company has carried out bow-tie analysis of the high-risk activities to assess the efficiency of the existing barriers and determine measures for prevention of accidents.

The company continues its regular practice of reviewing and updating its regulatory documents, which is one of the global best practices. All such reviews and changes are then communicated to employees.

Safety Shield Project

The project was created in Gazprom Neft in order to eliminate injuries, accidents, and negative environmental impact, improve HSE culture, prevent fatalities and injuries, and reduce financial losses caused by HSE incidents.

In 2021 we continued the implementation of the Safety Shield 1 project. We also did a gap analysis for the next stages of the project – Safety Shield 2 and 3 – and estimated the budget needed for the implementation. Gazprom Neft did two monitoring in terms of the project and concluded that NIS shows outstanding progress in terms of barrier effectiveness.

NIS is currently preparing for the gap analysis for Safety Shield 4 that will be done in 2022.

The company continues implementing further measures to put in place effective barriers to reduce risk of injuries, accidents and incidents for NIS and its subsidiaries.

Fire Protection

The COVID 19 pandemic affected all areas of business, including fire protection. However, it did noe prevent the company from reorganizing, setting priorities, and upgrading its fire safety system. We set up a new firefighting unit at the Požega tank farm, as required by the effective regulations, so now the company has the total of eleven such units. The new firefighting team also includes the first female fire fighter to work in NIS.

In terms of trainings the year was very eventful:

- We organized 147 HSE drills, where NIS firefighting units practiced tactical response in different emergency situations
- Tree NIS fire brigades from the facilities in Elemir, Pančevo, and Novi Sad qualified to participate in the National Firefighting Competition organized by the Serbian Firefighting Association. The Pančevo fire brigade placed first, which qualifies it to compete in the International Firefighting Competition of the International Association of Fire & Rescue Services which will take place in 2022 in Slovenia.
- NIS reinstated its cooperation from the Russian-Serbian Humanitarian Center from Niš.
- Six NIS fire brigades participated in the SYSTEM 2021 emergency drill. The event was held by the Emergency Sector of the Serbian Interior Ministry to test the availability of the country's emergency response and prevention system, including fire and emergency forces of the Interior Ministry, civil defines, emergency headquarters, industrial enterprises critical for rescue and emergency response, etc.

Due to the specific nature of the company's activities, with all proper preventive measures, fires are due to happen once in a while. In 2021, there were 35 fires that required the intervention of the company's fire brigades at NIS facilities. All of them were successfully extinguished without significant material damage and environmental impact. On request of the Serbian Interior Ministry, NIS fire brigades assisted in extinguishing fires at other industrial enterprises and civil onjects. This includes a fire at the Pančevo Petrochemical Plant, a truck that caught fire at the Kovin-Smederevo bridge, fire on the roof of a residential building in the Liman district of Novi Sad, at the Minakva Water Plant, and a burning railway car in Kikinda. By helping in there emergency situations we once again proved that NIS is a reliable partner to state institutions and local communities.

Emergency Situations

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

In 2021 NIS continued upgrading its emergency preparedness and response and civil defence processes. The company prepared three Catastrophe Risk Studies for different organizational units. The studies have been duly approved by the Sector for Emergency Situations under the Ministry of Internal Affairs of the Republic of Serbia.

Another study was done for NIS locations that may be affected by flooding of category I and II waters under the Law on Water. Since no operational flood protection plans for legal entities have been prepared in the Republic of Serbia so far, NIS established cooperation with JVP Vode Vojvodine. As a pilot project together they created an Operational Flood Defense Plan for the Tisa LT of the Upstream Block.

The company's civil defence business process has been adapted to comply with new legal requirements in the area, specifically in terms of resistance to crises and emergencies. Namely, NIS amended its internal regulations pertaining to civil defence. The company also purchased the necessary equipment for civil defence specialists and properly labelled their uniforms as required by the law.

OG 14 Volume of biofuels produced and purchased meeting sustainability criteria

The Member States of the Energy Community are obliged to meet the requirements of the Renewable Energy Directive 2009/28 / EC. In 2019, the Republic of Serbia adopted a package of documents regulating the obligation to blend biofuels in motor gasoline and diesel fuels sold in the Serbian market. The obligation came into force on January 1, 2021. At the end of 2021, the Government passed a Decision determining the mandatory volumes of biofuels that must be placed on the market of the Republic of Serbia in the period from 2022 to 2024.

Currently the NIS refinery is able to produce biocomponents diesel fuel. Facilities for biocomponent gasoline are being designed. One of such components is ETBE401-2401-2, which NIS plans to produce at the new plant to be built as part of the FCC plant reconstruction project (planned completion in 2024).

Biofuels are components from renewable energy sources, which are mixed with gasoline or diesel. Biocomponents used for the production of Eurodiesel B7 are obtained from various, most commonly edible, oils (oilseed rape, soybean oil, used food-grade oil, palm oil), and NIS imports and mixes them at the Pancevo Refinery to obtain Eurodiesel B7, which contains maximum 7% of biocomponent.

In 2021, NIS imported 1,135.7 tons of B-100 biocomponent and used 757.9 tons to produce 9,849.4 tons of B7 Eurodiesel.

Auditor's Opinion

Ernst & Young d.o.o. Beograd
Vladimira Popovića 8a
11070 Beograd, Srbija

Tel: +381 11 2095 800
Fax: +381 11 2095 891
ey.com/sr_rs

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INDEPENDENT ASSURANCE STATEMENT

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

The 2021 Corporate Responsibility Report ("the Report") of Naftna Industrija Srbije d.o.o. Novi Sad ("the Company") has been prepared by the Company's management which is responsible for the collection and presentation of the information contained therein. Our responsibility is limited in carrying out a limited assurance engagement on specific scope on the Report, which is prepared in accordance with the "In accordance - Core" option level of the GRI Sustainability Reporting Guidelines ("GRI"). Our responsibility in performing our assurance engagement is solely to the management of the Company and in accordance with the terms of reference agreed between us. We neither accept nor we assume any responsibility and for any other purpose to any other person or organization. Any reliance any third party may place on the Report is entirely at its own risk and responsibility.

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

WORK SCOPE AND CRITERIA

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

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

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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 2021, as these are presented in the Report.
- Reviewed the Company's processes for determining material issues to be included in the Report, as well as the coverage of these material issues within the Report, material issues covered by media, and sustainability reports of selected peers.
- Interviewed specialists responsible for managing, collating and reviewing data related to the GRI General and Specific Disclosures under the scope of our engagement, for internal and public reporting purposes.
- Reviewed relevant documentation and reporting systems, including collation tools, templates used, and guidance documents.
- Reviewed the Report for the appropriate presentation of the GRI General and Specific Standard Disclosures under the scope of our engagement, which included discussions of limitations and assumptions relating to the way data are presented.
- Reviewed the GRI Content Index and the references included therein, against the GRI Standards' requirements for the "In accordance – Core" option.

LEVEL OF ASSURANCE

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

LIMITATIONS OF OUR REVIEW

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

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CONCLUSIONS

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

1. How complete and accurate are the quantitative data and how plausible is the qualitative information related to the GRI General Standard Disclosures under the scope of our engagement?

   - Nothing has come to our attention that causes us to believe that any reporting unit, according to the set boundary and time period stated in the Report, is not included in the quantitative data of the Report related to the GRI General Standard Disclosures under the scope of our engagement.
   - Nothing has come to our attention that causes us to believe that errors or inaccuracies exist in the collation of the qualitative data related to the GRI General Standard Disclosures under the scope of our engagement, or in the transposition of these data to the Report, that would materially affect the way they are presented.
   - We have reviewed information and explanations on selected Management statements (qualitative information) related to the GRI General Standard Disclosures, as these are presented in the Report and no material misstatements came to our attention.
   - Nothing has come to our attention that causes us to believe that materiality analysis is inaccurately presented based on the procedures followed by the Company.

2. How complete and accurate are the quantitative data (performance indicators) and how plausible are the statements (GRI Disclosures on Management Approach) related to the GRI Specific Standard Disclosures under the scope of our engagement?

   - Nothing has come to our attention that causes us to believe that any reporting, according to the set boundary per material issue and the time period stated in the Report, is not included into the quantitative data (performance indicators) of the Report related to the GRI Specific Standard Disclosures under the scope of our engagement.
   - Nothing has come to our attention that causes us to believe that errors or inaccuracies exist in the collation of the data related to the GRI Specific Standard Disclosures under the scope of our engagement, or in the transposition of these data to the Report that would materially affect the way they are presented.
   - We have reviewed information and explanations on selected Management statements (GRI Disclosures on Management Approach) related to the GRI Specific Standard Disclosures, as presented in the Report and no material misstatements came to our attention.

3. Does the Report meet the GRI requirements of the "In accordance – Core" option?

   - Based on our review, nothing has come to our attention that causes us to believe that the Report does not meet the requirements of the "In accordance – Core" option, as presented in the GRI Content Index.

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INDEPENDENCE

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

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

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

Belgrade, 8 April 2022

PREDUZEĆE ZA REVIZIJU Ernst & Young d.o.o. BEOGRAD

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

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Glossary

Abbreviation/Meaning	
GDP	Gross Domestic Product
Grade	level assigned to a position as a result of job evaluation. Positions of the same grade have approximately equal value in the Company regardless of their functional area or organizational part
ELV	emission limit value
NML	Novo Milosevo Waste Mud Landfill
Direct generated value	sales revenue + financial income + rental income + interest income + net profit from the sale of fixed assets
Stakeholders	all natural persons and legal entities interested in Company's operations who have impact on Company's business results or are impacted by the Company
Drilling mud	fluid used for drilling with multiple designation (bringing the drilled material to the surface, controlling the formation pressure, preventing the inflow of formation fluids into the wellbore, preventing the collapse of the wellbore)
MAC	maximum allowed concentration
Drilled material	particles of drilled rock carried by the mud from the bottom of the well to the surface
NIS j.s.c. Novi Sad	NIS or the Company
Waste mud	mud used during drilling
Operational expenses	cost of goods sold + cost of materials + other operating expenses - taxes
POR	Pancevo Oil Refinery
Remediation	a term generally used for cleaning or restoration (recultivation, revitalization, regeneration) of a polluted area or otherwise disturbed environments as a result of human activities
PS	petrol station
GGS	gas gathering station
CMS	Collection and measurement station
Association	a voluntary and non-governmental non-profit organization based on the freedom of association of several natural persons or legal entities established for the purpose of achieving and promoting a certain common goal or interest which are not prohibited by the Constitution or Law.
HIP PHK	Pančevo Chemical Industry Petrochemical Complex
HTS	Hydrothermal system
CO_2	carbon dioxide

Abbreviation/Meaning	
CCS (Carbon capture and storage)	a process of injection of carbon dioxide and formation gas in order to increase the reservoir efficiency ratio and prevent carbon dioxide from reaching the atmosphere
DCU	Delay cooking unit
EBITDA	earnings before interest, taxes, depreciation and amortization
ECHA	European Chemicals Agency
FCC	Fluid catalytic cracker in the Pancevo Oil Refinery
GRI	Global Reporting Initiative. GRI is an international non-profit organization founded in 1997 with the goal to achieve the highest quality of corporate reporting on sustainable development.
H_2S	hydrogen sulphide
HDS I and II	Hydrodesulfurization units I and II
ICPDR	International Commission for the Protection of the Danube River
IUCN	International Union for Conservation of Nature established a Red List of Threatened Species (The IUCN Red List of Threatened Species). The List provides an overview and endangerment criteria of about 49,000 species, subspecies, varieties and subpopulations used to classify endangered species into the IUCN categories.
NO2	nitrogen dioxide
PCB	polychlorinated biphenyls
PVC	polyvinyl chloride
REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)	legislation for registration, evaluation, authorization and restriction of chemicals
SO_2	sulphur dioxide
Toe	tons of oil equivalent

Contact Information

NIS j.s.c. Novi Sad

e-mail: office@nis.rs

Narodnog fronta 12
(021) 481 1111

Milentija Popovica 1
11000 Belgrade
(011) 3311 8524

Corporate Marketing Department

Milentija Popovica 1

Phone. +381 11 205 8524

e-mail: fpr.marketing@nis.rs

www.nis.rs