



American Chamber of Commerce in Croatia Američka gospodarska komora u Hrvatskoj

COMMUNICATION ON ENGAGEMENT (COE)

Period covered by this Communication on Engagement

From: June 2014

To: June 2016

PART I. STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE

12 July 2016

To our stakeholders:

I am pleased to confirm that AmCham Croatia reaffirms its support to the United Nations Global Compact and its Ten Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption. This is our Communication on Engagement with the United Nations Global Compact. We welcome feedback on its contents.

In this Communication of Engagement, we describe the actions that our organization has taken to support the UN Global Compact Principles as suggested for an organization like ours. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Andrea Doko Jelušić
Executive director

PART II. DESCRIPTION OF ACTIONS

American Chamber of Commerce in Croatia is an independent, non-profit, non-governmental business organization with over 195 members (major U.S., Croatian and international companies), which employ 60.500 persons in Croatia. We are an accredited affiliate of the U.S. Chamber of Commerce in Washington and AmChams in Europe network.

We provide our members a forum for developing business opportunities through high level networking, promote high standards of business practices and engage in policy advocacy on business issues affecting our membership.

We are committed to fostering ties between Croatia and the United States through trade and investment as well as promoting regional trade and pan-European cooperation. We also focus on furthering the competitiveness of Croatia as an investment location and continual development of the business environment. Through our committees and other advocacy



efforts, we continuously work on strengthening partnership between the business community and key decision makers and stakeholders within the government, in order to address issues facing our member companies.

We have focused on two U.N. Global Compact areas that are most aligned with our work – Environment and Anti-Corruption. We have issued official Chamber's position papers on related topics, as well as organized learning and dialogue events for our members and relevant stakeholders on these topics and engaged members in efforts to advocate for these issues.

Activities in 2014

END OF LIFE VEHICLES (ELV) MANAGEMENT

AmCham suggested a decrease in ELV fees which are currently not used in a transparent way, and proposed an alternative to the current fund collection model. ELVs represent a highly valuable source of secondary raw materials and thus have a high market value. If ELVs disposal is organized on the market based principles, it would lead to reduced number of improperly disposed ELVs. The Environmental and Energy Efficiency Committee continued cooperation on this issue with representatives of the European Automobile Manufacturers' Association (ACEA). AmCham also informed President Josipović about the Committee's initiatives regarding ELVs at the meeting on May 27 and will continue cooperation with the Ministry of Environment and Nature Protection on drafting by-laws on ELV waste management.

IMPORTANCE OF ALTERNATIVE ENERGY SOURCES FOR CO2 EMISSIONS

The Environmental and Energy Efficiency Committee determined that CO2 emissions; their repercussions (Croatia's obligations and quotas) are important factors in the country's energy strategy. Therefore, the Committee prepared a draft position paper on the importance of Alternative Energy Sources for CO2 Emissions, which was amended through a discussion with committee members and the final paper was released in December.

AmCham is committed to measures that would allow an increase in capacity of wind farms and solar power plants through the promotion of investment incentives to potential investors in these energy sources. Key measures for the implementation of this approach are:

- simplification of the administrative procedure,
- abolishing the existing quotas for the construction of wind farms and solar power plants,
- removing barriers to the connection of higher power wind farms and solar power plants to the electricity grid.

The analysis also showed that the EU's climate and energy targets for 2030 for Croatia, in terms of a competitive, secure and low-carbon EU economy, are unattainable without insuring conditions for the universal use of solar energy and wind.



AMCHAM MEETING WITH PRESIDENT JOSIPOVIĆ

On May 27, an AmCham delegation consisting of President Ivan Vidaković, Second Vice President Dario Šimović, Secretary-Treasurer Danko Schonwald, Untitled Governors Siniša Đuranović and Marija Pujo Tadić, and Executive Director Andrea Doko Jelušić, held a meeting with President Josipović and his team, to brief him on AmCham's initiatives and policy issues. AmCham representatives briefly presented the topics that AmCham is currently addressing through advocacy work: business climate improvement initiatives, management of ELVs, the health care system, intellectual property protection, Labor Law and barriers to investment. President Josipović showed interest in the topics and expressed his willingness to cooperate further with AmCham.

MEETING WITH THE MINISTER OF FINANCE

On June 27, Andrea Doko Jelušić, AmCham Executive Director, Ivan Vidaković, President and Danko Schönwald, Board Member, had a meeting with the Minister of Finance Boris Lalovac, to brief him on our current policy initiatives related to tax policies. The main topic of discussion was AmCham's position paper "Opportunities to reduce the tax burden without reducing tax rates". The paper shows that active, growing, free trade and investment in a country drives GDP growth. The growth of business and production, and growth in business profitability, drives growth in jobs, and an increase in the tax base, and therefore, in tax revenues. It stands to reason that increasing tax revenues simply by increasing the tax burden on existing taxpayers has limited effect on growth in tax revenues and no effect on growth in jobs. There is equilibrium where this strategy actually begins to shrink the tax base as taxpayers begin to employ tax avoidance schemes or engage in other corruption models. We also emphasized there are other factors which cause a destabilizing force against expansion of trade and investment: corruption, protectionist measures, lack of predictability, and burdensome bureaucracy.

Activities in 2015

PUBLIC PROCUREMENT

On March 13 we organized a Power Breakfast on Current Status and Development Directions of public procurement in Croatia, with Ismar Avdagić, Assistant Minister of Economy; Goran Matešić, Chairman of the State Commission for Supervision of Public Procurement Procedure and Mr. Ivan Palčić, Expert Advisor to the Directorate for the Public Procurement System of the Ministry of Economy.

The topic raised great interest among AmCham members, as companies have many issues with public procurement and it is perceived as a corruptive area of public administration. Therefore, AmCham founded a Public Procurement Committee to work more closely on this issue. The Committee has prepared a proposal of amendments and additions to the Public Procurement Act, focusing on the appeal procedure provisions as the part of the Act where the interaction between the contracting authority and the tenderer is strongest.



BUSINESS CLIMATE IMPROVEMENT INITIATIVE

AmCham is part of the joint international business organizations efforts for improving the business climate in Croatia, which includes Austrian Trade Commission, Canadian-Croatian Business Network, Association of Italian Entrepreneurs in Croatia, German-Croatian Chamber of Industry and Commerce and Nordic Chamber of Commerce in Croatia. In December we prepared new joint statement (the first was published and presented to the Government in 2013). Based on advice from Croatian and foreign companies represented by our Chambers, we recommend three potentially "game changing" reforms that the Government should implement in order to make Croatia's business environment more competitive and attractive for businesses and investors (improved regulation, fair and efficient public procurement, accountability and predictability of government services). This list is not exhaustive and will not solve all of Croatia's economic problems. However, if implemented, these reforms will create a framework for increasing commerce and investment, which will help grow the economy and increase the number of jobs, as well as limit the corruption.

Activities in 2016

MEETING WITH THE MINISTRY OF ADMINISTRATION

On 19 February, representatives of AmCham Croatia met with the Minister of Administration Dubravka Jurlina Alibegović. AmCham presented its policy initiatives aimed at improving the accountability and predictability of government services, as well as its "Recommendations for Improving the Business Climate and Encouraging Investment Growth in Croatia". The Minister expressed her openness to a future cooperation, especially since AmCham's recommendations were very much aligned with the Ministry's own reform plans.

MEETING WITH THE MINISTRY OF ECONOMY

On 13 June, representatives of AmCham Croatia met with the Minister of Economy Tomislav Panenić and Assistant Minister Ivan Sertić. AmCham presented the policy work of its eight expert committees and discussed opportunities for future cooperation.

AmCham communicated main messages from its "Recommendations for Improving the Business Climate and Encouraging Investment Growth in Croatia", including the need for a long term strategy for attracting foreign direct investments and for improving the overall business climate in Croatia through better performance of public institutions, and the need to introduce measures such as "better regulation" practice in preparation of new laws and regulations. In addition, AmCham presented its position papers on the need for better enforcement of intellectual property rights, for development of e-mobility and for encouraging production of biodiesel in Croatia.

Minister thanked AmCham for its previous efforts, especially for cooperation in preparing the new Public Procurement Act, and emphasized the importance of the ongoing dialogue with AmCham which is a representative of the business community in Croatia. The Ministry agreed to take the recommendations included in our position papers into serious consideration and expressed its willingness for further and, where possible, more formal cooperation.





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POSITION PAPERS

"Response to the Public Consultation on the Draft Proposal of the Public Procurement Act"

Prepared by the Public Procurement Committee

The Draft Proposal accepts to a significant extent the AmCham's recommendations published in the October 2015 position paper "Proposed Amendments to the Public Procurement Act". Besides making reference to the recommendations, the Response adds on a number of additional recommendations, with a particular focus on the application of the most economically advantageous tender (MEAT) criteria in public procurement procedures.

"Recommendations for the Development of E-mobility in Croatia"

Prepared by the Environmental and Energy Efficiency Committee

The recommendations focus on ensuring a better regulatory framework for the development of e-mobility in Croatia, aimed at enabling strategic development of the required infrastructure and at encouraging citizens and businesses to use electric vehicles, thus reducing CO2 emissions.

"Biodiesel Production in Croatia"

Prepared by the Environmental and Energy Efficiency Committee

The paper presents the advantages of using biodiesel fuels and recommends an alternative formula for the calculation of a special environmental fee charged for failure to market biofuels that will encourage distributors of mineral fuels to buy biofuel instead of rather paying lower fees for failing to bring biofuels on the market. An adequate formula would contribute to the development of agriculture in Croatia, new employment, reduction of greenhouse gas emissions, as well as improvement of waste management.

"Using 'Better Regulation' to Improve the Stability of the Croatian Tax System"

Prepared by the Trade and Investment Committee

The paper's main message is that better regulation, including evaluation studies, impact assessment and inclusive public consultations, is required for drafting and implementing good tax legislation, ensuring that tax initiatives lead to desired effects and improve business climate. The paper offers both short- and long-term recommendations for achieving this goal.

CODE OF BUSINESS CONDUCT

Included among the goals of AmCham is supporting business that is conducted in an ethical and proper way, with the highest regard for all laws and regulations. AmCham, its directors and its members hold business ethics as a matter of primary importance.

To this end, AmCham has prepared this code of good business principles and practices. The code is to be utilized by AmCham's members in every aspect of their operations. It serves as





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an example of ethical business practices for AmCham members to follow.

The Board of Governors (the "Board") is responsible for AmCham's strategic management and policy decisions, donating Board members' time, experience and connections for furthering AmCham's goals. It is comprised of seven senior management representatives of AmCham's member companies. Board members are elected by the General Assembly, which meets annually and is open to all AmCham members. In line with AmCham's commitment to the highest standards of integrity and ethical conduct, AmCham also prepared a Code of Conduct for its Board of Governors that will provide guidance to Board members, helping them recognize and deal with ethical issues and effectively carry out their fiduciary obligations to AmCham members.

CORPORATE SOCIAL RESPONSIBILITY

EVENING FOR SAFE STEPS

With the beginning of war operations on its territory, the Republic of Croatia was faced with mine problem as one of the most severe consequences of war events in this region and became one of the numerous countries from all over the world with the territory being contaminated by mines and unexploded ordnance (UXO). AmCham recognized this as a very important humanitarian issue for Croatian citizens and decided to get involved and promote it as a good CSR project among its members. AmCham joined, from the beginning in 2001, the Night of a Thousand Dinners initiative of the Canadian Landmine Foundation and their Partner, the United Nations Association of the U.S.A. to raise funds and to help keep the spotlight on the need to clear minefields and to contribute to victim rehabilitation, by organizing a fundraising dinner. After the project closed in 2011, we continued it under a new name "Evening for Safe Steps". The event gathers more than 250 high level guests from the Croatian business community, government, international organizations and diplomatic corps. All of the funds collected during the event through ticket sales and direct donations are enlarged by the U.S. Government's funds and used for mine clearance efforts in Croatia. Through these humanitarian dinners and thanks to numerous donors, ca. 800.000 m2 of contaminated land in six Croatian counties have been demined so far.

PART III. MEASUREMENT OF OUTCOMES

BINDING TAX OPINIONS

Following the first initiative that started in 2011 and AmCham's continued advocacy efforts, AmCham's Executive Director Andrea Doko Jelušić and Trade&Investment Committee representatives had a meeting on this topic with the Minister of Finance Boris Lalovac in January 2015. In April, binding opinions were introduced to the General Tax Act (GTA). On April 23, AmCham hosted Mrs. Ksenija Cipek, Head of the Department at the Tax Administration, as lunch speaker. In her speech, Mrs. Cipek addressed the audience with an overview of the amendments of the GTA, with a special emphasis on the issuing of the Tax Authority's binding opinions. A special thank you is in order for the substantial inputs and recommendations offered by our members Crowe Horwath, Deloitte, EY, KPMG and PricewaterhouseCoopers.





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PUBLIC PROCUREMENT

AmCham in the Expert Team Formed by the Directorate for the Public Procurement System of the Ministry of Economy

AmCham is being recognized as a key stakeholder in the process of preparing the new Public Procurement Act. As a result of the work of our Public Procurement Committee, which prepared the position paper "Proposed Amendments and Additions to the Public Procurement Act" (published in October 2015), the Ministry of Economy invited AmCham to meet with the representatives of the Directorate for Public Procurement System to discuss AmCham's proposals for improving Croatian public procurement system.

AmCham received a very positive feedback to the proposals presented in its position paper, with our recommendations being either accepted or taken into consideration. The discussion mostly focused on the issue of the "Most Economically Advantageous Tender" (MEAT) criterion, the increased use of which AmCham has been promoting for several years now. As a constructive partner in the dialogue, AmCham will prepare guidelines on the relevant criteria that need to be considered as part of the MEAT criteria for specific industry sectors represented among AmCham membership.

