

COMMUNICATION REPORT ON THE PROGRESS

Name of the participating company/organization:

„EVN Croatia Plin d.o.o“

State:

Croatia

Sector:

Energy

Reported period:

1st of January 2016 – 31st December 2016

EVN Croatia Plin d.o.o.

Zagrebačka avenija 104
10000 Zagreb
Croatia

CSR responsible

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**Statement in support of the Global Compact by Mr. Werner Casagrande and Mr. Peter Zaruba-
members of the Management Board of "EVN Croatia"**

"EVN Croatia Plin d.o.o" has been a member of the UN Global Compact since January 2011. The company is part of the group of EVN AG - a leading Austrian company with headquarters in the largest Austrian federal province - Lower Austria.

EVN Croatia is a company with socially responsible behaviour to the society. EVN's long-term existence requires our excellence, competence and reliability to ensure satisfaction for our customers and partners. This ensures our sustainable success and motivates us to be a leading company by contributing to promote values and positive corporate culture.

EVN Croatia completely shares and supports the 10 principles of Global Compact on human rights, labour standards, environment and anticorruption. We are committed to making the Global Compact and its principles part of our strategy, culture and daily business duties. The company makes necessary efforts to develop the aims of the Global Compact and bring to the initiative all its employees, partners and suppliers.

Corporate Social Responsibility of EVN Croatia aims to achieve social, economic and environmental practices that exceed regulatory requirements and which are implemented in dialogue with all stakeholders. The company implements policies aimed at care for the employees and taking commitment to the problems related to ecology and community in which the company operates.

We share the concept of sustainable management and strive to simultaneously observing the technological, economic, environmental and social aspects. Priority in our work is balancing the interests of all stakeholders, transparency and openness to dialogue.

In the spirit of high responsibility associated with our work, we set ambitious standards of conduct - working with advanced highly efficient technologies, responsible attitude towards the environment, commitment to society and human resource development.



Werner Casagrande
Member of the Management Board
of „EVN Croatia Plin d.o.o.“



Peter Zaruba
Member of the Management Board
of „EVN Croatia Plin d.o.o.“

Mission of EVN Croatia

We create value through high profitability and by assuming corporate social responsibility, thus ensuring the long-term success of our company. On this basis, we offer our customers high quality services, our shareholders sustainable financial development and our employees attractive working conditions.

We are building and operating gas distribution networks in three Dalmatian counties Zadar, Šibenik-Knin and Split-Dalmatia and the satisfaction of the customer is our ultimate goal. In order to satisfy our customers' expectations we set the highest quality standards – in our products as in our service.

Sustainable performance in gas distribution and gas supply requires excellent know-how, high efficiency, most modern infrastructure and constant willingness in innovations.

Vision of EVN Croatia

As an energy services provider, we fulfil the daily needs of our customers. Through our reliable and high quality services, we sustainably contribute to their quality of life.

Our values

For our business and the management of the group demanding principles for high commitment to our daily tasks are valid. The most diligent pursuit of ethical principles and all legal requirements is inherent to us.

We support the concept of sustainable management of the enterprise and thus strive for a harmonious observance of economic, environmental and social perspectives. It is our policy to adequately balance the desires of all stakeholders in the company.

The economic responsibility of securing the long-term existence of our Group demands outstanding performance on our part. High levels of competence and reliability ensure the satisfaction of our customers and business partners. In turn, they represent the basis for our sustained corporate success.

We fulfil our responsibility to the environment in particular by endeavouring to optimally economise the natural resources entrusted to us, minimise waste gas emissions and promote the use of renewable energy sources. Through the use of natural gas, the emission of fine dust and nitrogen oxides is to be further reduced. Ongoing innovations and increased efficiency decisively contribute towards achieving these goals.

We take social responsibility in different ways. The commitment we demonstrate to ensuring the well-being of our employees by fair and attractive salary levels, as well as our maintenance of a positive corporate culture featuring openness, loyalty and mutual respect, are as important as our emphasis on serving people and achieving an appropriate positioning within the framework of a society shaped by a diverse range of influences. This approach encompasses a high level of transparency and the willingness to engage in an ongoing dialogue, both in- and outside the company.

EVN Croatia Plin d.o.o. is a subsidiary of EVN AG and member of its corporate organization. In accordance with the internal corporate rules, EVN Croatia Plin d.o.o. is obliged to implement all corporate programs supporting the 10 principles of the UNGC and to follow corporate strategy in those areas. All systems, measures and achievements are mentioned in the Sustainability Information to the EVN group report 2015/16 (<http://evn.corporate-reports.net/reports/evn/annual/2016/gb/English/0/home.html>) and sustainability information available on the EVN AG website <https://www.evn.at/Verantwortung.aspx>. Therefore in this Communication on Progress we refer to the Sustainability Information to the EVN group report 2015/16 and the EVN sustainability website in all areas. Furthermore, EVN Croatia Plin d.o.o. has implemented specific local activities and initiatives in certain areas and these are the main focus of this report.

Corporate Social Responsibility (CSR) in detail

Companies are part of the society in which they operate. As such they also bear responsibility for it. In short, this is the idea on which the term Corporate Social Responsibility ("CSR") is based.

CSR focuses on three areas: society, ecology and economy – or more simply speaking, on people, the environment and business. These areas are called "dimensions". Companies should pursue activities in such a manner enabling them to take into account the needs of people, the environment and business – but do so above and beyond legal requirements. Every business activity should evaluate and optimise its impact on these areas.

For EVN Croatia, this means, for example:

- responsibility in all aspects of business
- incorporating customer and employee relations
- society investment
- human rights and
- environmental efforts

Moreover, we define CSR as a central strategic model of the company that is incorporated in the core business. We see our challenge to be reliably fulfilling the daily needs of our customers and contributing to their quality of life. Responsibility to future generations is important for us.

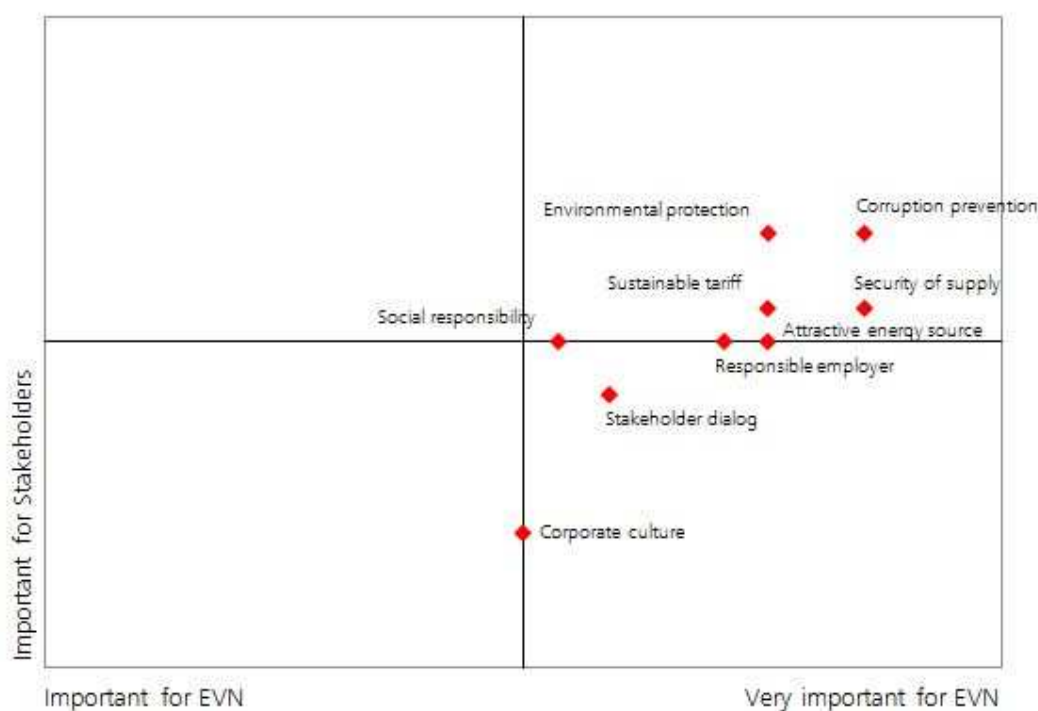
Together with representatives from our stakeholders we have compiled those issues which currently embody the biggest opportunities and risks for EVN Croatia Plin. From this we developed **8 areas of action** presented in the "**EVN Croatia Materiality Matrix**":

In September 2015 EVN Croatia started preparing a survey to update "EVN Croatia Materiality Matrix" with the following stakeholder groups: customers, journalists (media), politicians (city and county), installers (contractors) and civil engineers but also EVN Croatia employees (internal). The goal is to improve in all areas of action and to have an objective measurement in these topics. EVN Croatia is updating a survey every three years (next one in 2018).

The following stakeholder groups answered in the way described in table dedication of EVN: per stakeholder groups.

Employees	responded that more attention should be devoted to Security of supply, Responsible employer, Corruption prevention and Environmental protection.
Customers	responded that EVN has, so far, done well regarding most of the issues. However, a slight improvement is necessary in dedication towards Social responsibility.
Journalists	responded that EVN needs to dedicate a lot more efforts in issues Security of supply, Stakeholder dialogue, Corruption prevention and Sustainable tariffs.
Local Authorities	believe that EVN needs to invest efforts in directing its attention towards Attractive energy source and Sustainable tariffs.
EVN contractors	responded that an improvement is necessary in dedication towards Sustainable tariffs, Attractive energy source, Stakeholder dialogue and Corporate culture.

“EVN Croatia Materiality Matrix 2015/2016”:



1. The **area of action “security of supply”** stands for network quality and procurement, an increase in energy saving – all taking sustainability issues into account.
2. The **area of action “responsible employer”** represents the creation and safeguarding of jobs, responsible human resources development, training and further education, occupational health and safety, open communications, a work-family balance and workforce diversity as well as equality of opportunity.
3. The **area of action “corruption prevention”** means the prevention of corruption on the basis of preventive and control measures designed to avoid situations from arising in which employees face conflicts of interest and

loyalty in their work.

4. The **area of action "environmental protection"** shall ensure biodiversity, landscape and water protection.
5. The **area of action "stakeholder dialogue"** comprises our proactive dialogue with and our openness towards the concerns of our interest and stakeholder groups.
6. The **area of action "corporate culture"** is based on our corporate values, standards and attitudes.
7. The **area of action "societal responsibility"** stands for support of culture and history as well as the educational programs and social events.
8. The **area of action "attractive energy source"** combines the actions of EVN Croatia to secure its customers attractiveness of the energy and persistent competitiveness in order to provide to customers quality and price - optimized goods and services.

UNGC principles

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption are as follows:

Human rights

Principle 1: Support and respect the protection of internationally proclaimed human rights.

Principle 2: Make sure that it is not complicit in human rights abuses

Labour standards

Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Support the elimination of all forms of forced and compulsory labour.

Principle 5: Support the effective abolition of child labour.

Principle 6: Support the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake many national and international initiatives, to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Support of anti-corruption initiatives and transparency policy

As an internationally operating energy and environmental services company, the EVN group has a far-reaching role model function both on its domestic market and abroad. In order to safeguard the good reputation and business success of EVN Croatia, we attach the greatest importance to the integrity and the law-abiding behaviour of all our employees.

Implementation of the UNGC principles by EVN Croatia Plin d.o.o.**Cooperation with technical schools and universities**

EVN Croatia implemented initiatives for cooperation with technical schools in Zadar and Šibenik and with the Technical University of Split on the concession area of the company. The objectives are establishment of cooperation between the schools and the company in various areas, implementation of joint activities and finding more overlaps between technical support and business. Joint work is envisaged on various projects or joint initiatives in the sphere of economy, gas supply and heating energy, energy efficiency, etc.

On 8.7.2010 EVN Croatia and the Technical School Zadar signed a long-term cooperation contract with the following topics:

- EVN Croatia provides short-term support through experts, material and financial support of prequalification programme for water and heating workers to gas installers.
- Long-term support is linked to a three-year programme for gas installers by means of two scholarships for first grade students, providing of working experience during holidays, visit to EVN construction sites, support in visual materials and exchange of expert experiences.

EVN Croatia signed similar cooperation contracts with the Technical School of Šibenik on 26.5.2011.

Additional EVN Croatia and the Technical University of Split agreed for long term cooperation.

The areas of cooperation between EVN Croatia and the technical schools/university provide specific practical activities that will be useful for the professional development of the students:

- familiarize students with the investment and repair projects of EVN Croatia in the field of gas and heating energy
- practical exercises for students of different specialties in interesting and current topics
- practical training for engineering
- visits to technical facilities and administrative buildings of EVN Croatia and EVN in Austria
- exchange of experience and know-how between the schools and the energy company.

In 2015 EVN supported equipment of laboratory of Mechanical Engineering Department of the University of Professional Studies in Split.

Further to this cooperation, EVN also took part on the International Multidisciplinary Conference on Computer and Energy Science - SpliTech 2016 organised by the Croatian Society for Mechanical Technology and University of Split - Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture and technically co-sponsored by IEEE Communications Society.

University in Zadar

In March 2016 EVN Croatia sponsored an event named 15th Brain Awareness Week which was organized by the Department of Psychology of the University Zadar. Aim of this event is to raise awareness about human brain functions and the preservation of its health.

Elementary school Vostarnica for children with special needs

In June 2016 EVN Croatia donated financial funds for school Vostarnica for children with special needs. In this way EVN wants to participate in social life as

Donation "Rehabilitation centre for handicapped people and children"

In December 2016 EVN Croatia Plin donated financial funds to the Rehabilitation centre in Sveti Filip i Jakov to help them with the reconstruction of one part of the centre. Representatives of EVN Croatia also announced a long term sponsorship.

Donation "Children klub Dalmalino"

In August 2016 EVN Croatia Plin donated financial funds to the Children klub Damalino in Solin. The aim of this donation is the organization of children festival for young talents. This way the children have opportunity to have fun, to show their qualities and to improve themselves.

Donation "Football club Solin"

In December 2016 EVN Croatia Plin donated financial funds to the Football club Solin. The aim is to support the club and young players in order make easier achieving of their goals and to motivate the children to be active.

Sponsoring "Rowing, wrestling and triathlon club"

In 2016 EVN Croatia signed the sponsoring contracts with the rowing, wrestling and triathlon club. The aim of these sponsorships is to support health care of young people and to help to stay actively in sports.

Sponsoring "Zadar County days"

Every year from April to May the County of Zadar organises "County days" which are supported by EVN Croatia in three different activities:

- Bike riding from Zadar to Nin
- Orientation walking for adults
- Orientation walking for children

In this way EVN wants to integrate CSR activities in daily activities.
1.500 people and children participated at this event in Zadar County.

Initiative "Energy efficiency day in Zadar" 2016

In October 2016 EVN Croatia participated on the 5th Energy efficiency day in Zadar. EVN Croatia representatives offered its potential customers lots of energy advice on issues such as house connections, comparison of different energy sources, energy efficiency, and environmental friendly aspects of natural gas.

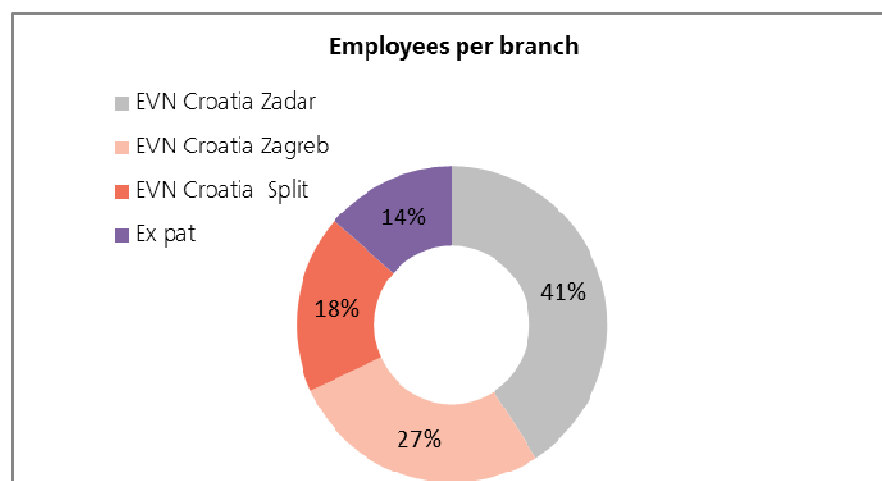
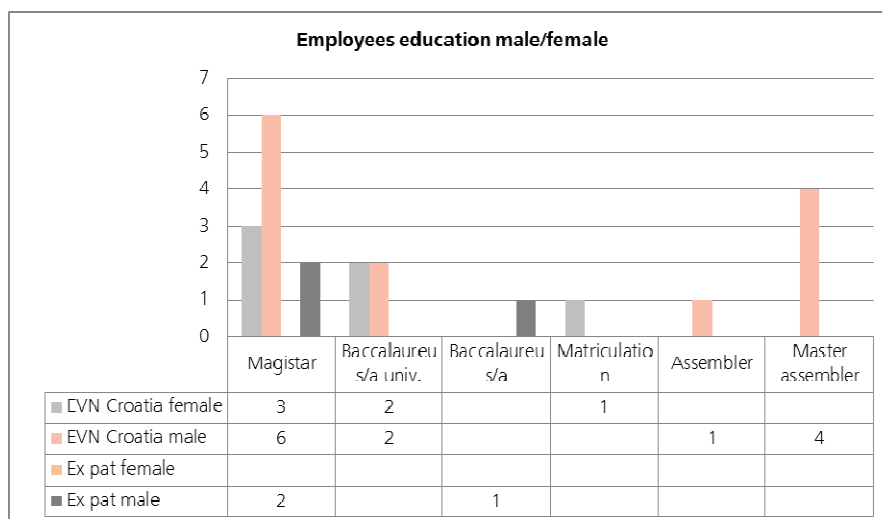
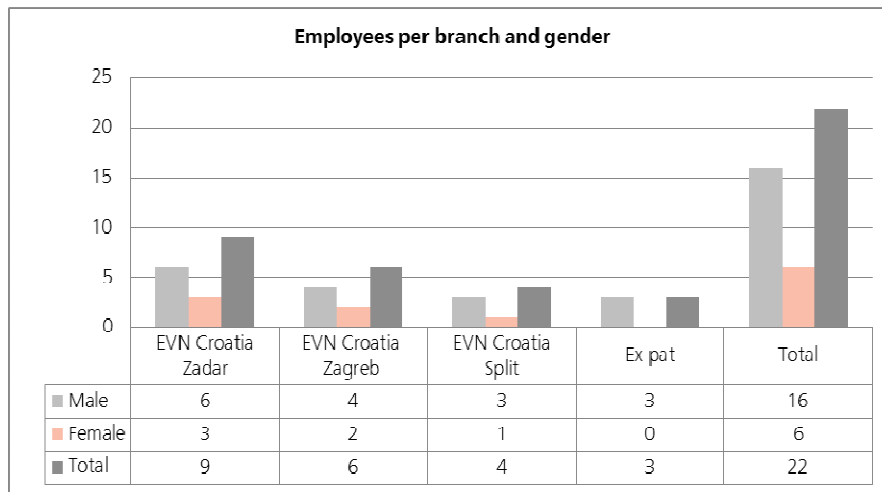
High labour standards

EVN Croatia orients its activity in accordance with the following guidelines:

- UN Universal declaration of Human Rights and the European Convention for the Protection of Human Rights and Fundamental Freedoms,
- Tripartite Declaration of Principles concerning Multinational Enterprises and social policy, issued by the International Labour Organisation (ILO)
- ILO Declaration on Fundamental Principles and Rights at Work
- The Guidelines of the Organisation for Economic Cooperation and Development for multinational enterprises

Employees key indicators	2016
Number of employees	22
Male	16
Female	6
Nationality 2016.	/
Austria	3
Croatia	19

Education of employees					
	EVN Croatia female	EVN Croatia male	Ex pat female	Ex pat male	Total
Magister	3	6		2	11
Baccalaureus/a univ.	2	2			4
Baccalaureus/a				1	1
Matriculation	1				1
Assembler		1			1
Master assembler		4			4
Total employees	6	13	0	3	22



EVN Croatia offers its employees additional health insurance

The company provides its employees an additional program for health insurance that provides a package of medical services for prevention and treatment of illnesses.

EVN Croatia provides professional trainings to its employees

Courses and workshops cover all company activities. Training significantly improves the efficiency of employees in actual work and increases the safety performance of their duties. As part of the trainings for service improvement workshops on project management, teamwork and more are provided. (19 employees)

Language courses and financial support for further academic education complete the company's support in professional education of employees. (7 employees)

Further education in 2015	Number of employees
Language courses	6
Academic education	1
Total	7

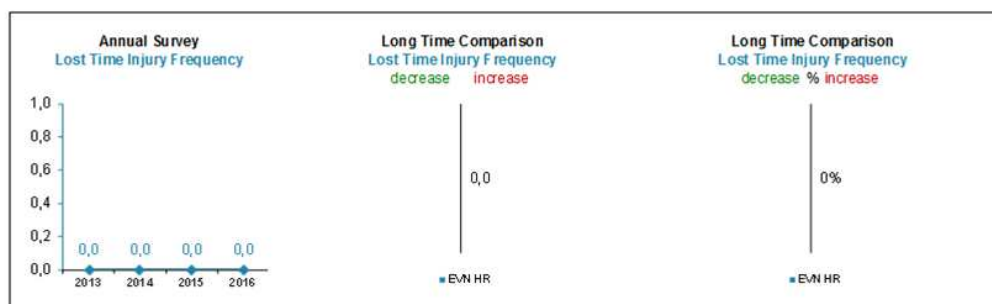
Waste management

EVN Croatia introduced waste management in year 2011. Since then has been in all customers energy centres waste generated during the maintenance of the gas distribution grid of the company and classified according to the regulations, is separately collected and transmitted for subsequent lawful treatment.

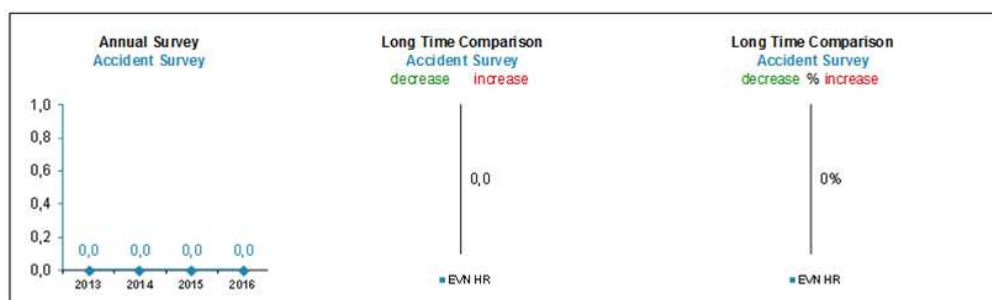
Occupational Safety:

EVN Croatia has measured indicators "Lost Time Injury Frequency" (LTIF) and "Accident Survey" (AS). In 2016 both indicators show that there were no occupational injuries at all.

LTIF - Lost Time Injury Frequency = Unfallhäufigkeit



AS - Accident Survey = Unfallschwere



Data Sustainability

01.01.2016 - 31.12.2016		2016
total length of gas lines [km]		103,87
water use		
municipal [m³]		304,320
ground water [m³]		-
surface waters [m³]		-
waste		
hazardous [t]		0
non hazardous [t]		0
exported hazardous waste [t]		-
internal energy consumption		
Power [MWh]		62,05
Gas [m³]		612,00
fuel oil [l]		-
Heat [MWh]		-
Gas [MWh]		6,73
fuel oil [MWh]		-
Water sources significantly affected by withdrawal of water		
Water body, % of withdrawal		-
		-
PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED		
		-
Biodiversity		
land owned in or adjacent to protected areas		-
adjacent to [km²]		-
nature reserve [km²]		-
		-
Biodiversity of offset habitats [km²]		
		-
other CO2 emissions		
fuel use for business trips		-
diesel [l]		27 219,69
petrol [l]		-
LPG [kg]		-
Emissions of business trips		71,86

15 kg
2.189,81 m³(L)

(Habitats Directive, Bird Directive...)

Integrity clause of the EVN Group

EVN Croatia has implemented a social responsibility clause, which applies to all companies from the EVN Group and binds all suppliers and subcontractors with the implementation of the following basic concepts and principles:

1. **Recognition of human rights.** Our contractors and subcontractors are expected to recognize and uphold the United Nations Declaration on Human Rights and to ensure that they are not involved in violations of human rights.
2. **No child labour or forced labour.** During the manufacture of their products and provision of their services, our contractors and subcontractors undertake not to use or tolerate the use of child labour or forced labour or other involuntary labour as set out in the Conventions of the International Labour Organization (ILO).
3. **No discrimination or harassment in the workplace.** Each employee shall be treated with respect and dignity. No employee shall be physically, mentally, sexually or verbally harassed, abused or discriminated because of his or her sex, race, religion, age, origins, handicap, sexual orientation or political or ideological views.
4. **Safety and health in the workplace.** Our contractors and their subcontractors must ensure that safety and health are guaranteed for their employees in the workplace while observing any applicable laws and regulations. Free access to drinking water, sanitary facilities, appropriate fire prevention equipment, lighting, ventilation and – if necessary – suitable personal protective equipment must be provided. Employees shall be trained in the correct use of protective equipment and in general safety rules.
5. **Labour and social security laws.** Our contractors and their subcontractors undertake to comply with the labour and social security laws that apply in each country when implementing contracts.
6. **Transparency as regards working hours and remuneration.** Working hours shall be in line with applicable laws. The persons employed by our contractors and subcontractors shall receive employment contracts in which working hours and remuneration have been laid down.
7. **Protection of the environment.** We expect our contractors and their subcontractors to comply with all applicable laws and regulations on the protection of the environment when carrying out their entrepreneurial activities and to pay proper attention to economic, ecological and social aspects when rendering their services/deliveries and thus not lose sight of the importance of sustainable development.
8. **Reduction in the use of resources, waste and emissions.** The continuous improvement in the efficiency of the use of resources is an important part of management and running a business. Our contractors and their subcontractors shall minimize waste of any sort, including discharges and emissions into the air, water and ground.
9. **High ethical standards.** We expect our contractors and their subcontractors to attach a high degree of importance to business ethics, to abide by prevailing national laws (in particular labour, competition, anti-trust and consumer laws) and to refrain from engaging or participating in corruption, bribery, deceit or blackmail.
10. **Transparent business relationships.** Our contractors and their subcontractors shall abstain from offering, requesting, granting or accepting any gifts, payments or other comparable advantages or gratuities that might induce someone to violate his or her duties.
11. **Right of assembly and strike.** The persons employed by our contractors and their subcontractors should be granted the right to participate in assemblies and strikes in accordance with the laws of the country where they work without having to fear any possible consequences.

Inspection report for compliance/fulfilment the integrity clause of EVN Croatia Plin

As the Group that operates in the Europe, EVN is committed to observe high ethical standards in all of its business dealings. The key expectations regarding integrity in business are set forth in the integrity clause. We also expected our business partners to comply with our integrity standards in any EVN business transactions. This means that EVN may be responsible for actions taken by its business partners. Once a business partner has been selected and negotiations begin, an adequate integrity clause must be included in any agreement. After signing of the contract and adequate instruction concerning integrity and other duties, the due diligence of business partners takes on the form of monitoring to ensure compliance with the rules set out in the agreement. EVN Croatia monitored three selected business partners and checked whether they are acting in compliance with our integrity clause. In 2015 selected business partners, "Drnišplast" - producer of polyethylene pipes, "Marex Elektrostroj" - producer of gas cabinets and "Zagreb montaža" - general contractor for construction, answered the query prepared by EVN Croatia. The results were positive, which means that all three business partners fulfilled the EVN integrity clause. Next query will be made in 2017.