

COMMUNICATION ON ENGAGEMENT (COE)

Period covered by this Communication on Engagement

From: June 2018

To: June 2020

PART I. STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OR EQUIVALENT

20 July 2020

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 250 members (major U.S., Croatian and international companies), which employ 91.700 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 2018

RECOMMENDATIONS FOR IMPROVING THE BUSINESS ENVIRONMENT AND ENCOURAGING INVESTMENT GROWTH IN CROATIA

AmCham conducted Survey of the Business Environment in Croatia, on a sample of 140 members of domestic and international company management boards in Croatia. Its purpose was to determine participants' attitudes towards the business environment in Croatia and identify what representatives of the business community have planned for the upcoming period. Taking into account the results of the Survey, as well as input from business community representatives, through the work of AmCham's Committees and Working Groups, AmCham prepared the position paper "Recommendations for Improving the Business Environment and Encouraging Investment Growth in Croatia", which included 6 measures for boosting the Croatian economy, and its investment and business environment.

1. A strategic approach to attracting foreign direct investments

It is necessary to prepare and implement a long-term investment strategy based on political consensus, one that must exceed the mandate of a government. Furthermore, it is important to promote the advantages of foreign direct investments and improve promotion of incentives for attracting investment.

2. A digitalized and optimized public service system

AmCham sees the digitalization of public administration as a program of optimizing processes supported by technology, with an aim to achieve faster and more transparent public services for citizens and businesses. The process of digitalization would ensure the much-needed clarity, predictability of outcomes, foreseeable timeliness, speed, and transparency of public administration. The optimization of public services could additionally be enforced through a sustainable and cost-efficient healthcare system, as well as consistent implementation of the Most Economically Advantageous Tender Criterion in public procurement.

3. A stimulating tax system

A good tax system is certain, clear, and predictable. Clarity of specific tax provisions, but also the overall tax system, is important for both potential investors and investors already doing business in Croatia. In order to achieve a more competitive tax system, further unburdening of labor and doing business, as well as better cooperation of the Tax Administration and the business community is necessary.

4. An effective legislative and judicial system

Legal security and trust in the justice system are an important segment that investors consider when deciding on an investment. It is therefore necessary to ensure a quality and efficient judicial system and a consistent legislative framework as a precondition for strengthening Croatia's competitiveness. It is necessary to strengthen the principle of better regulation in the process of adopting laws and policies and to increase the efficiency of the judiciary.

5. Strategic management of human potentials

The labor market is becoming more mobile and less bound by state borders, partly as a result of Croatia's accession to the European Union. For the labor market to function and contribute to economic growth, it is necessary to harmonize the demand and supply of skills. A workforce with skills and qualifications that meet the needs of investors is a basic prerequisite for attracting investment and creating new jobs. To successfully cope with competitive pressures, further modernization of the Croatian labor market is inevitable, in line with the practices of comparable member states.

6. An energy efficient and "green" economy

Energy and resource efficiency encourages the replacement of fossil fuels with "clean" energy characterized by a low level of the greenhouse gas emissions that cause climate

change, thus stimulating the development of green jobs and reducing energy dependence. The green economy is defined by the sustainable use of renewable resources, as well as the wise use of non-renewable resources.

Activities in 2019

POSITION PAPER - RECOMMENDATIONS FOR SUSTAINABILITY OF HEALTHCARE SYSTEM FINANCING

The goal of every healthcare financing system is to ensure equal availability of quality healthcare services to users with efficient, responsible, and transparent use of available resources. Accomplishing this goal requires a synergy of stakeholders beyond those in the healthcare system itself. AmCham met with Minister of Health, Tax administration and Croatian Health Insurance Fund, to advocate for healthcare system improvements. AmCham's recommendations served as the basis for discussion on the possible ways to address open questions regarding healthcare system financing, with the aim of ensuring sustainability and enhancing the quality of services available to end users.

SUPPORT TO THE THREE SEAS INITIATIVE - Support for Better Infrastructure, Energy and Digitalization

On June 5-6, at the 2019 Summit of the Three Seas Initiative in Ljubljana, 11 AmCham presidents signed their support for better infrastructure, diversified and secure energy sources, and growth of the digital realm. The joint goal of the Initiative is to build a more integrated, prosperous, and secure region within a growing single market.

The Three Seas Initiative includes the countries located between the Adriatic, Baltic, and Black Seas: Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

The American Chambers of Commerce in these countries stand ready to provide facilitation to clearly define the roles of the key stakeholders, provide know-how and bring together business, governments, and capital, fully deliver such cross-border projects in the fields of technology, trade, transport, energy, digital market, and cyber-security

Activities in 2020

RECOMMENDATIONS FOR CLEANER TRAFFIC

AmCham's position paper 'Recommendations for the Improvement of Allocation of Incentives for Cleaner Transport' aimed at securing more e-vehicles on roads and expanding the network of charging stations in Croatia. The paper was presented to the representatives of the Environmental Protection and Energy Efficiency Fund (EPEEF). After a pause in 2016 and 2017, AmCham welcomed the EPEEF's practice of resuming co-financing purchase of energy efficient vehicles (for citizens and legal entities) from 2018 and for construction of charging stations from 2019.

In addition to increasing funding and ensuring continuity, it is important to provide additional transparency when purchasing vehicles by applying the known categorization of eligible vehicles. The responsibility of the persons who have reserved funds from the Fund based on the supplier's offer is necessary as they can cancel their purchase without any consequences and thus prevent other interested parties – stated in AmCham's position.

In terms of charging stations, it is necessary to accept costs for electricity connection and all costs of installation and distribution of the power cable from the existing main switch cabinet to the charging station unit as eligible, as they represent the main part of the investment. There is no monitoring mechanism for energy consumption at co-financed charging stations and it needs to be put in place and give priority to a digitized monitoring system for energy consumption at charging stations.

AMCHAM'S RECOMMENDATIONS FOR ECONOMIC RELIEF

With the aim of contributing to economic stability, job preservation, and ensuring financial liquidity of all companies doing business in Croatia, AmCham published a proposal of additional measures to provide economic relief to companies facing difficulties as a result

of the COVID-19 outbreak. AmCham's recommendations are aimed at maintaining the liquidity of companies, securing employment, i.e. jobs, ensuring the supply chain, stimulating post-crisis consumption, and tax reliefs.

Second set of recommendations for maintaining Croatia's competitiveness for the period after the coronavirus outbreak propose, amongst others, an extension of the scope of the measure involving a write-off of tax and contributions on salaries to include all companies whose activities are affected by COVID-19 regardless of their size, an introduction of percentage-based participation in coverage of costs of salaries, introduction of a number of new legal categories of employment such as "furlough leave", and introduction of a whole set of sector specific measures for tourism.

Third set of recommendations emphasized measures for the additional reduction and abolishment of non-tax and parafiscal charges. Recommendations also refer to introduction of the possibility of tax loss carryback, the deferral, i.e. the exemption from advance payments of corporation tax in 2020, offset of mutual tax liabilities, and exemption from payment of VAT on earthquake donations.

The recommendations were presented in an online meeting to the representatives of the Ministry of Labor and Pension System.

CORPORATE SOCIAL RESPONSIBILITY

GALA DINNER

American Chamber of Commerce held traditional Gala Evening in 2019 that gathered more than two hundred and fifty guests, representatives of Croatian business community, Government, international organizations and diplomatic corps. Part of the proceeds from ticket sale was donated to SOS Children's Village. SOS Children's Villages look after children without parents or parental care, regardless of their race, nationality or faith, providing them with love and security in the family environment, as well as a permanent home and education needed for happy and peaceful childhood.

COMBATING THE CORONAVIRUS

As the country and the economy faced an unprecedented crisis, the American Chamber of Commerce worked to help companies continue to operate and pay salaries, while also mobilizing the business community to combat the pandemic. AmCham Croatia invited members to donate funds or equipment for combating Coronavirus and had very positive results. Members donations were announced at AmCham's website.

PART III. MEASUREMENT OF OUTCOMES

CARD AND ONLINE PAYMENT OF ADMINISTRATIVE FEES

Following our advocacy efforts for the introduction of card and online payment of administrative fees, the Ministry of Public Administration has announced they will be introduced by fall 2020. The citizens will be able to pay 200 services of central bodies that have been entrusted to the counties' offices through the e-Pristojbe system, and additional services will be gradually included.

One of the most important activities in the upcoming period is the communication campaign of the Ministry of Public Administration, whose aim is to familiarize citizens with the new services of public authorities. AmCham, together with its member banks and card companies, will help in the efforts to share the campaign information with the citizens.

IMPROVEMENT OF THE INCENTIVES SYSTEM FOR CLEANER TRANSPORT

In AmCham's position paper Recommendations for the Improvement of Allocation of Incentives for Cleaner Transport we proposed measures for the further improvement of the incentives system for cleaner transport with the aim of increasing the share of e-vehicles on Croatian roads, as well as expanding the network of charging stations on the Croatian territory. We have submitted our proposal to the public consultation on the Draft Integrated National Energy and Climate Plan for the Republic of Croatia for the period from 2021 to 2030. The Government has accepted our proposal, and the financial incentives for

energy efficient vehicles and development of infrastructure for alternative fuels were increased.

MEASURES FOR ECONOMIC RELIEF

Following our advocacy efforts regarding three sets of recommendations for economic relief that we have prepared in connection with the COVID epidemic, following proposals have been adopted by the Government:

- a shorter working hours model that enables the reduction of employees' working hours for employers whose business activities have been affected by COVID-19
- income tax and tax contribution write-offs for three months, for the purpose of preserving jobs, with the possibility of extension
- payment of VAT Per Charge Paid - a temporary (limited-time) option of VAT taxation according to charges paid for all taxpayers who carried out supplies in the amount of HRK 15,000,000 (the EU VAT Directive provides for this threshold amount) in the previous year, and who would opt to use the measure for the purpose of maintaining liquidity and jobs
- waiving VAT on COVID-19 donations – according to the special regulation, taxpayers entered in the register of VAT taxpayers are exempt from VAT for supplies of goods and services, carried out without compensation or counterintuitive action, necessary to fight the effects of the COVID-19 pandemic
- abolition of the provisional measure of banning work on Sundays and bank holidays since it had several negative consequences (discriminatory effect, increase in unemployment, economic downturn).