

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 2020 - 31st of December 2020

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. Vlado Mandić 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.

We stand for a high level of customer satisfaction based on fair and transparent pricing and performance, as well as comprehensible products and services, in the field of natural gas and the efficient use of energy and resources.

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.



Vlado Mandić
Peter Zaruba
Members of the Management Board
of „EVN Croatia Plin d.o.o.“

1. 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, Split-Dalmatia and Lika-Senj County 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 with fair prices.

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

2. 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.

3. 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 balance adequately 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 2019/2020 (<https://www.evn.at/EVN-Group/Investor-Relations/Publikationen/2019-20.aspx>) and sustainability information available on the EVN AG website <https://www.evn.at/EVN-Group/Verantwortung/CSR-Strategie.aspx> and https://www.evn.at/Downloads/EVN-Group/Investoren/Corporate-Governance/2019-20/Corporate-Governance-Bericht_2019-20.aspx.

Therefore, in this Communication on Progress we refer to the Sustainability Information to the EVN group report 2019/20 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.

4. 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 **9 areas of action** presented in the "**EVN Croatia Materiality Matrix**".

4.1. 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 updated Materiality Matrix with a survey in 2020.

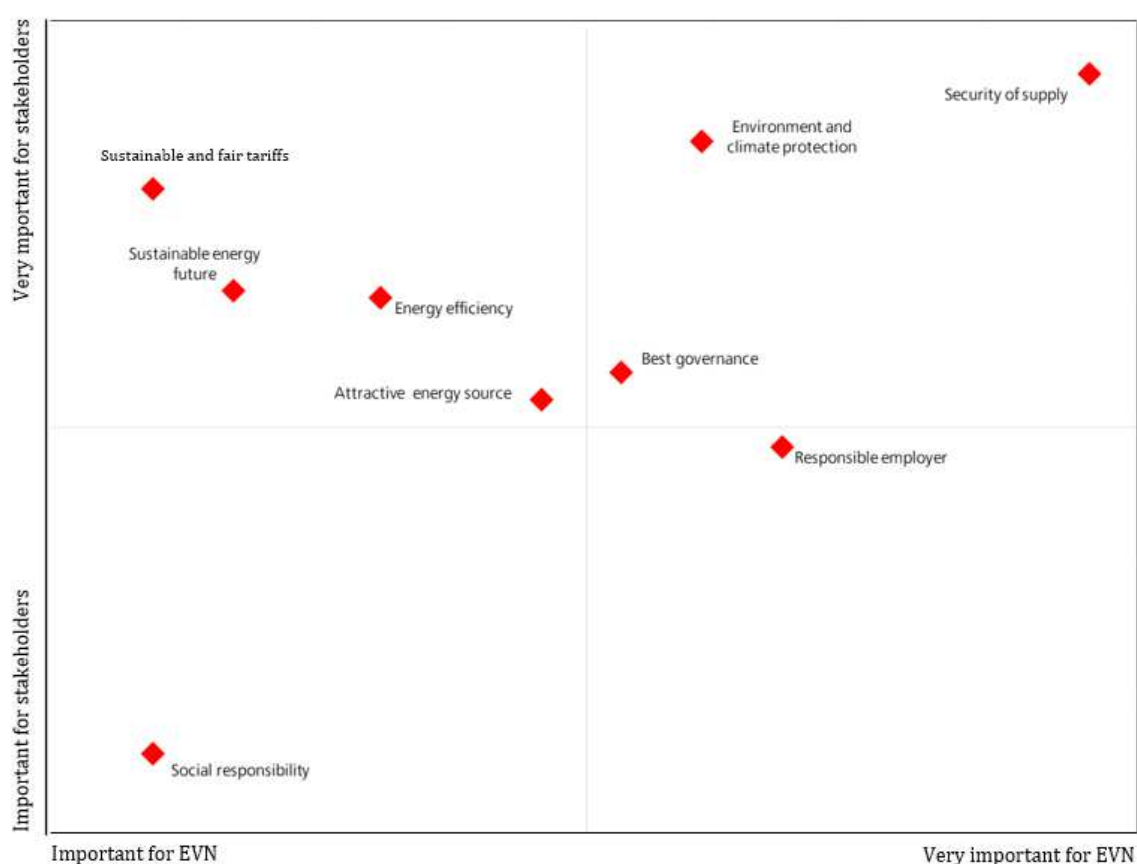
Within the survey, **the external stakeholders** could chose among ten groups they belong to:

1. Customer
2. Business partner
3. Company (supplier)

4. Science or educational institution
5. Regulator
6. State bodies
7. Local and regional administration
8. Business or professional association
9. Media
10. Other

The **internal stakeholders** were EVN employees.

“EVN Croatia Materiality Matrix 2020”:



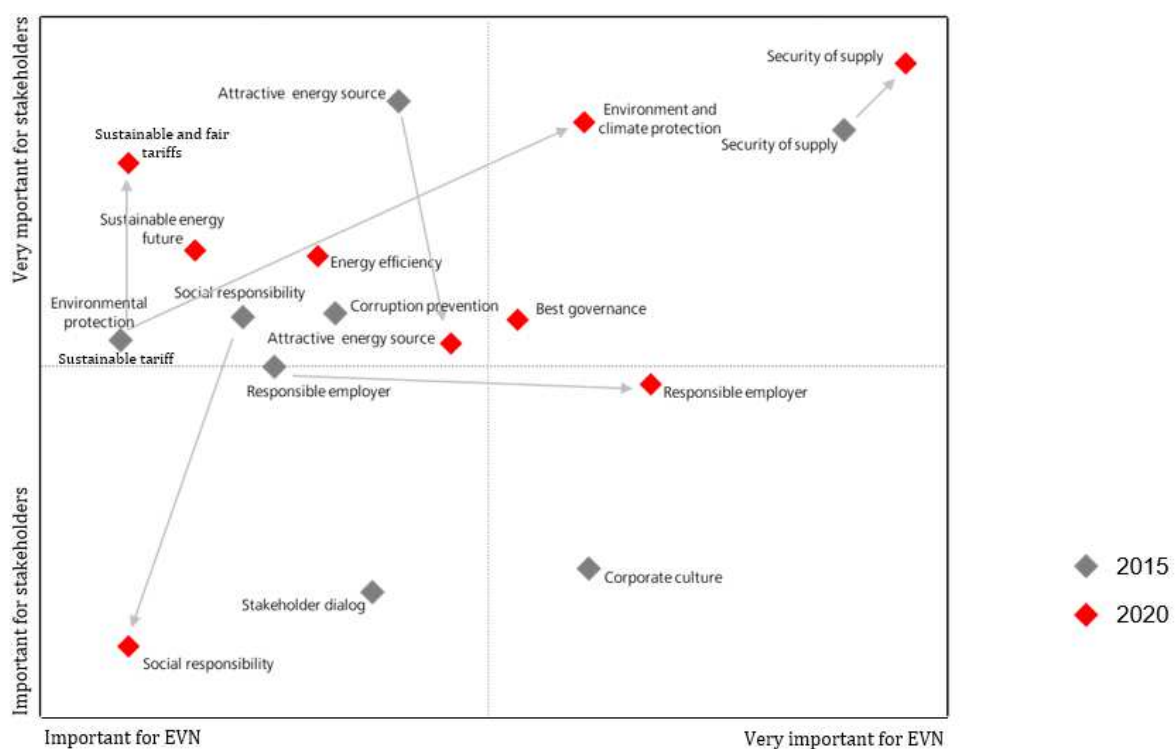
New EVN Croatia Sustainability Areas 2020

- 1) The area of action **“security of supply”** stands for a flexible energy mix composition, reliable gas supply for optimum management of seasonality, gas network quality and procurement, market and regulatory conditions – taking into account sustainability issues
- 2) The area of action **“energy efficiency”** stands for replacement of heavy oils with gas and reduction of energy bills in buildings and industry, smart (digital) solutions to manage energy consumption in heating and cooling, support in reducing electricity demand during increasingly hotter summers, and reduction of harmful emissions by providing customers easy way out from heavy oils usage.
- 3) The area of action **“responsible employer”** stands for the creation and safeguarding of jobs, responsible human resources development, training and additional education, occupational health and safety, open

communications, a work-family balance, and workforce diversity as well as equal opportunities. It also includes control mechanisms to avoid situations in which employees face conflicts of interest and loyalty in their work.

- 4) The area of **“social responsibility”** stands for contribution to local economy development and better alignment of market and education, wellbeing and quality of life, and support to culture and sport. Communication and collaboration with local community, mutual exchange of information and support.
- 5) The area of action **“best governance”** stands for transparent and fair market behavior, consistent with the rule of law, efficient allocation of resources, recognition of employees and other stakeholders and their role in contributing to the long-term company success, rigorous decision-making based on ethical and anti-corruption principles, openness and proactivity in evaluating and aligning company and stakeholder groups interests.
- 6) The area of action **“environment and climate protection”** stands for rigorous environmental protection measures in construction and operation of gas distribution and supply network, waste and resource management practices, enhancing biodiversity, landscape and water protection, as well as measures aiming at replacing heavy polluting oils with gas with a goal of reducing CO₂ and other harmful emissions.
- 7) The area of action **“sustainable energy future”** stands for constant research and development aiming to provide sustainable and attractive solutions for customers, to make natural gas as a fossil fuel usable in the future by innovating technologies for producing renewable gas (converting methane emissions into valuable energy), and to support customers to easily and cheaply replace environmentally more harmful sources of energy such as oil and coal with gas.
- 8) The area of action **“attractive energy source”** stands for EVN Croatia actions aiming at presenting gas benefits, especially in comparison to other energy sources and securing the best quality/price ratio
- 9) The area of action **“sustainable and fair tariffs”** stands for the short and long-term measures and actions which should ensure attractive prices for customers and at the same time viability of EVN Croatia business operation

4.2. Comparison of materiality matrix 2015-2020



The focus in the materiality matrix has shifted significantly to the topic of "Environment and climate protection". This is important to the customers, but also to the employees. However, this also reflects the current trend. The topic of "Responsible Employer" is growing in importance and confirms EVN's strategy.

It was interesting to see that the topic of "Social Responsibility" has lost a lot of its importance. On the one hand, this may have something to do with the fact that EVN is perceived externally as a company that is already doing a lot in this direction. On the other hand, the subject of CSR is unfortunately often equated with participation in charity events and donations, which in practice is not right understanding.

5. 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.

6. Sustainable development goals (SDGs)

6.1. EVN internal rating 2019

EVN Croatia did evaluation of the 17 sustainable development goals according to their core business. The rating is listed below (0-3).

0 – No relevance to EVN Croatia business

1 – Less relevant signification

2 – Important

3 – Very important



Goal 1. End poverty in all its forms everywhere

EVN relevance: **1**

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

EVN relevance: **1**

Goal 3. Ensure healthy lives and promote well-being for all at all ages

EVN relevance: **2**

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

EVN relevance: **2.5**

Goal 5. Achieve gender equality and empower all women and girls

EVN relevance: **2**

Goal 6. Ensure availability and sustainable management of water and sanitation for all

EVN relevance: **0**

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all

EVN relevance: **3**

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

EVN relevance: **3**

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

EVN relevance: **3**

Goal 10. Reduce inequality within and among countries

EVN relevance: **2**

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

EVN relevance: **2**

Goal 12. Ensure sustainable consumption and production patterns

EVN relevance: **1.5**

Goal 13. Take urgent action to combat climate change and its impacts

EVN relevance: **2**

Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development

EVN relevance: **0**

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

EVN relevance: **2**

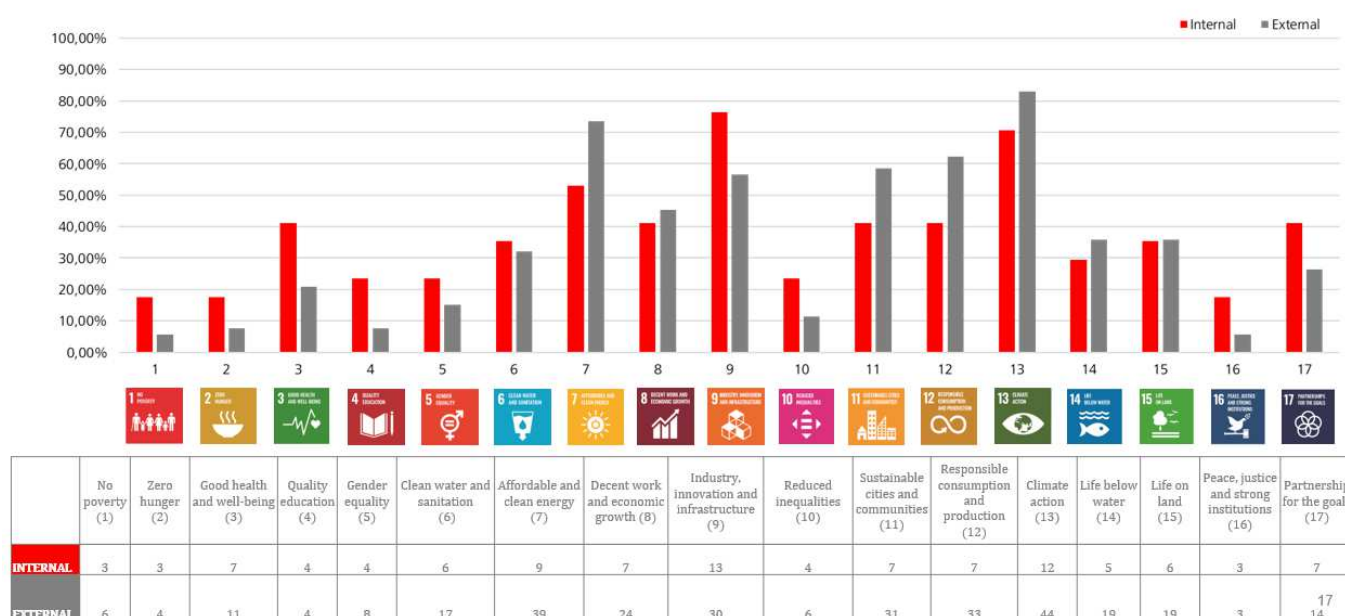
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

EVN relevance: **1.5**

Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

EVN relevance: **1**

6.2. Within the survey 2020, the SDGs were integrated and clustered in external (10 groups) and internal (employees) with following results:

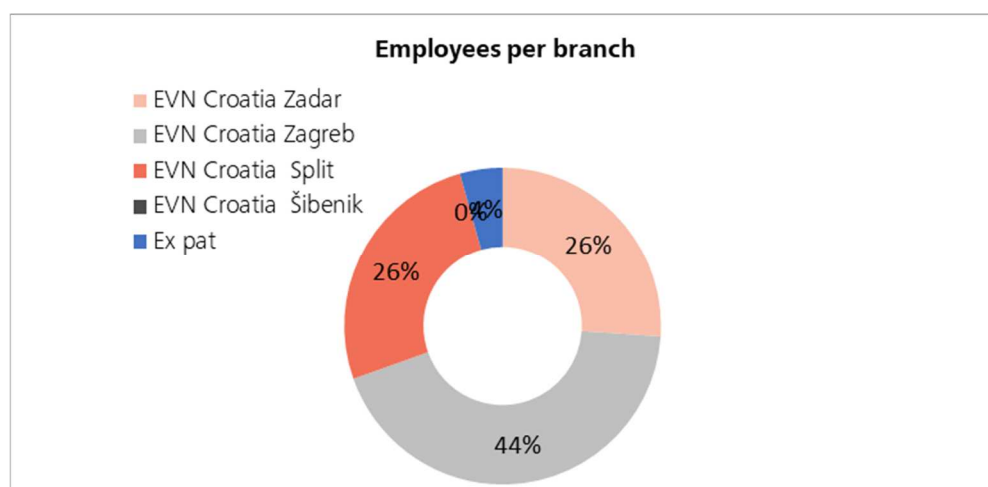
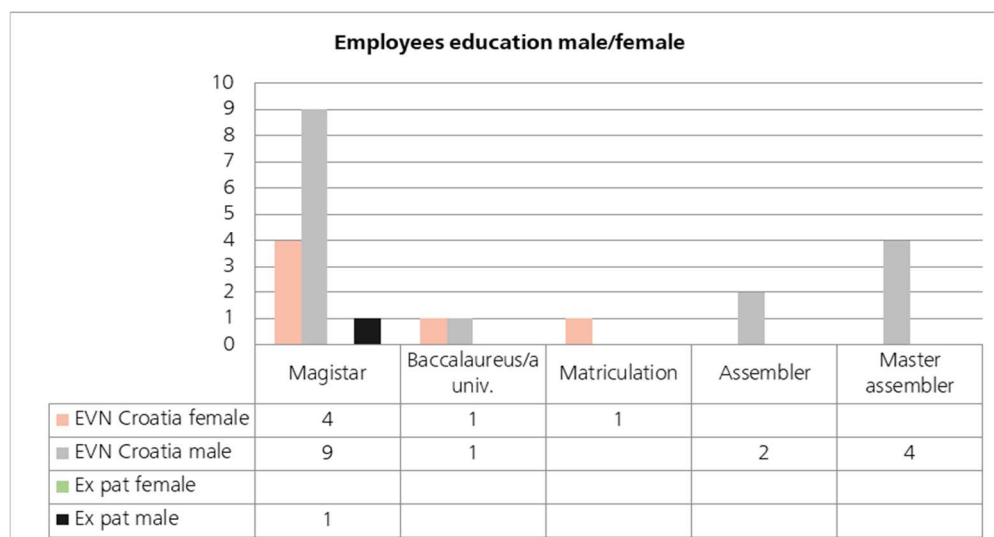
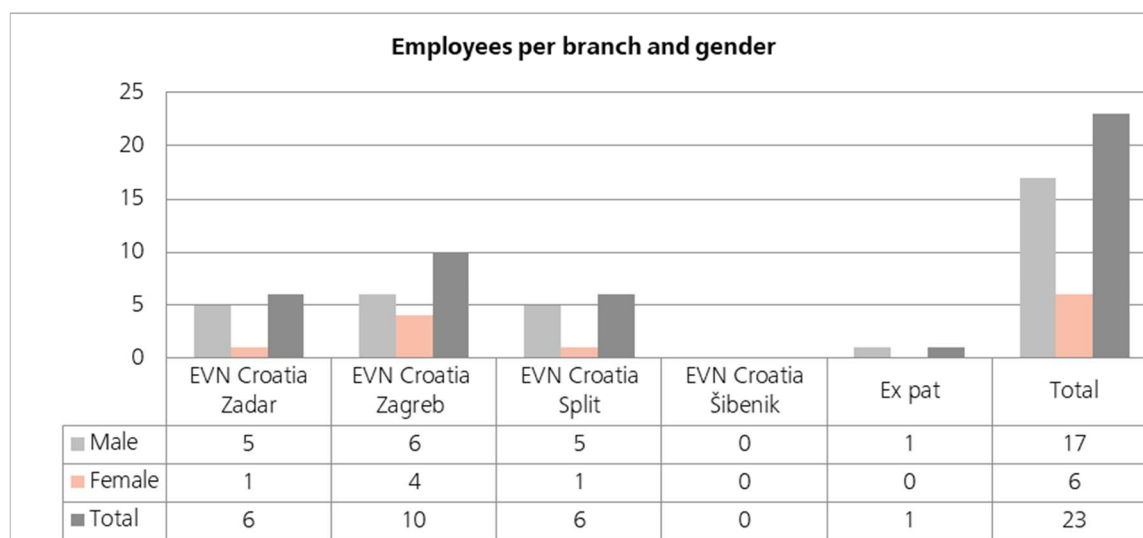


The evaluation of the fields of action 7, 8 and 9 were rated as very important both in the internal evaluation carried out in 2019 and in the external survey carried out in 2020. The quality of their own infrastructure is even more important to the employees than to the external stakeholders, which suggests caution and interest in their own work. The field of action 13 "climate action" was rated as extremely important both in the internal analysis and in the 2020 survey and was even the most important field of action for the external stakeholders.

7. 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	2020
Number of employees	24
Male	18
Female	6
Nationality 2020.	/
Austria	1
Croatia	23

Education of employees					
	EVN Croatia female	EVN Croatia male	Ex pat female	Ex pat male	Total
Magister	4	9		1	14
Baccalaureus/a univ.	1	1			2
Matriculation	1				1
Assembler		7			7
Master assembler		6			6
Total employees	6	17	0	1	24

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.

Benefits in case of sick leave

Management of EVN Croatia signed the contract that the salary is ongoing in case of sick leave until four days for in total 24 days per year. This decision is voluntary made by the Board and is not dedicated to the governmental regulations.

Christmas and vacation bonus

Every EVN Croatia employee received a bonus before summer holidays and Christmas time in addition to the salary.

Bonus for target achievement

For selected projects, extraordinary events, exhibitions, unscheduled efforts management decides about additional payment for 3 employees in 2020. The payments were voluntary and directly related with the achievements for reaching the declared targets.

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. (All employees)

Language courses and financial support for further academic education complete the company's support in professional education of employees. (2 employees)

Further education in 2020	Number of employees
Language courses	2
Total	2

8. 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.

9. Data sustainability 2020

Period Jan - Dec

2020

total length of gas lines [km]	137,82
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data
calculated

water use	
municipal [m ³]	289,960
ground water [m ³]	0,000
surface waters [m ³]	-

waste	
hazardous [t]	0
non hazardous [t]	0
exported hazardous waste [t]	-

15 kg	
2.189,81	m3 (L)

internal energy consumption	
Power [MWh]	78,92
Gas [m ³]	603,00
fuel oil [l]	-
Heat [MWh]	-
Gas [MWh]	6,63
fuel oil [MWh]	-

Water sources significantly affected by withdrawal of water.	
Water body, % of withdrawal	-

PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED	-
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Biodiversity	
land owned in or adjacent to protected areas	
adjacent to [km ²]	-
nature reserve [km ²]	-
	-
Biodiversity of offset habitats [km²]	-

(Habitats Directive, Bird Directive...)

other CO2 emissions	
fuel use for business trips	
diesel [l]	21.732,74
petrol [l]	398,09
LPG [kg]	-
Emissions of business trips	58,30

Activities to reduce CO2-Emissions

Old paper is collected and recycled.

10. 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 Plin d.o.o., May 2021