



НИС а.д. Нови Сад / NIS j.s.c Novi Sad
Народног фронта 12 / Narodnog Fronta 12
ОДБОР ДИРЕКТОРА / BOARD OF DIRECTORS
Број (№):85/OD-iz/CCXXI-3a
Датум (Date): 23.05.2024

Pursuant to Article 9, Item 9.6, Subitem 37 of the Articles of Association of NIS j.s.c. Novi Sad (hereinafter referred to as: the Company, NIS, or NIS j.s.c Novi Sad) No. 70/SA-od/XIV-10a dated 29.06.2022 (consolidated text) and Article 14.1 of the Code of Corporate Governance of NIS j.s.c. Novi Sad No. 85/OD-od/XXVI-3a dated 27.01.2014 (hereinafter referred to as: the Code or the Code of Corporate Governance), the Board of Directors of NIS j.s.c. Novi Sad hereby submits the following:

REPORT
ON THE ANALYSIS OF THE OPERATION OF THE BOARD OF DIRECTORS AND COMMISSIONS OF
THE BOARD OF DIRECTORS OF NIS J.S.C. NOVI SAD
FOR THE PERIOD 16 APRIL 2023 – 15 APRIL 2024

INTRODUCTION

Governed by international principles and the best global practices, as well as by the aspiration to establish a responsible and efficient system of corporate governance, in January 2014 the Board of Directors of NIS j.s.c Novi Sad (hereinafter: Board of Directors or BoD) adopted the applicable version of the Code of Corporate Governance which supplements the rules contained in the Law on Commercial Entities and the Articles of Association of NIS j.s.c Novi Sad (hereinafter referred to as: the Articles of Association), in accordance with which the bearers of Company corporate governance should act.

As the Board of Directors ensures the application of the principles established by the Code, in line with provisions of Article 14 Item 14.1 of the Code, the BoD of NIS has conducted the fourteenth analysis of its operation, presented herein.

The basic goal of the assessment of the BoD and BoD Commission operation is to provide encouragement for taking into consideration issues such as:

- The role and function of the Board of Directors and its Commissions;
- The obligations of the members of the Board of Directors;
- Priorities in the operation of the Board of Directors and its Commissions;
- Combination of knowledge, skills, experiences, and personal qualities that all the members of the Board of Directors and its Commissions should have;
- The current and valid work procedures of the Board of Directors, forms of Board of Directors and its Commissions meetings, inclusive of the practice of preparing and holding meetings, their regularity, and the issues of informational security of the Board of Directors' operation.

For the purposes of analysing the operation of the BoD, identifying possible operation problems, and proposing measures to improve the operation of the BoD, a Questionnaire for the assessment of the BoD and its Commissions operation has been developed (hereinafter referred to as: The Questionnaire), which is to be filled in by the BoD members. The Questionnaire contains three groups of key questions for the assessment of BoD and its Commissions operation. The first group of questions contains the BoD operation assessment criteria, with respect to the objectives, tasks, and responsibilities of the BoD, the second group contains the criteria for the assessment of the procedures applied in BoD operation and the third group contains questions for the assessment of structure, activities and key performances of the BoD Commissions.

The BoD operation assessment found in this Report is based on the replies of BoD members obtained from filled-in Questionnaires, as well as on BoD operation analysis carried out on the basis of BoD and its Commissions meetings in the reporting period.

1. INDICATORS OBTAINED FROM OBJECTIVES, TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS	
<i>Drawing up of the Strategy and the Company Business Plan</i>	<p>BoD members have been continuously taking part in the discussion on the key business issues when reviewing the Business plan of the Company for the forthcoming years and Business reports for previous periods and they also periodically participate in executive meetings on setting up the basic business goals which provide their better insight into business activities of the Company as well as conditions to discuss and update the priority directions, business forecasts of the key performance indicators of the Company.</p> <p>Information on basic strategic objectives NIS is also stated in the NIS Annual Business Activity Report which is available to all shareholders and other interested parties.</p> <p>In the reporting period, the BoD members also actively participated in work and analysis of issues regarding definition of business objectives of the Company in the forthcoming period as well as assessment of results of achievement of the set goals over the past period.</p> <p>Members of the Board of Directors reviewed and adopted NIS j.s.c. Novi Sad Business Plan for 2024.</p>
<i>Monitoring of the Adopted Business Plan</i>	<p>The BoD regularly and in line with a routine schedule monitors and assesses the implementation of the set objectives, the adopted Business Plan, and the efficiency of Company business activities through the appropriate forms of Company quarterly reports (Quarterly Reports, financial statements, consolidated financial statements, reports on the implementation of BoD decisions and orders etc.), as well as Reports on the analysis of Company business activities in the previous period and the business projections for the upcoming period (by the end of the reference year), the so-called QPR Reports.</p> <p>Major decisions of the BoD and the forms of the reviewed reports are specified in the part of the Report titled 'Activities of the Board of Directors and Major Decisions'.</p> <p>Based on the reviewed reports and the assessment of business results, the Board of Directors has also managed Company business operation by issuing appropriate orders to Company management with a view to achieving the related Company business indicators.</p> <p>BoD members have a clear picture of the Company business activities and strategic goals, as well as of the financial and other resources necessary to achieve Company objectives. They regularly review the key business indicators by actively participating in the process of drawing up and assessing the implementation of the Company Business Plan.</p> <p>The BoD and the management are actively discussing the issues related to business objectives and establishing the criteria to assess whether the objectives have been achieved. The results of the analysis of fulfilment of key performance indicators of NIS j.s.c. Novi Sad for 2023 showed that key performance indicators in 2023 were fully met with a relatively high overall rating.</p> <p>BoD members have a joint responsibility for achieving the results that the BoD as a governing body has towards the Company and the shareholders, and the Board of Directors as a joint body fulfils them.</p>
<i>Business</i>	<p>Business Activity Control</p> <p>In the observed reporting period, the BoD members controlled Company business activities by reviewing Reports on the analysis of Company Quarterly performance and</p>

<p>Activity Control, Internal Control and Risk Management</p>	<p>Forecast until the end of business year, which include, among other things, issues regarding:</p> <ul style="list-style-type: none"> • Business activities, revenues, and the financial situation of the Company, (financial and economic business indicators), • Profitability of Company business activities, • Market trends in the countries of the region, • Key business operations and events which are significant for business activities and liquidity of the Company, • Company development project implementation status, and • Other important issues regarding the existing and future Company business activities. <p>Internal control and Risk management:</p> <p>The BoD and Company management give special attention to key risks management, realization of which can considerably impact on Company business results; they also define and implement measures with a view to minimizing or removing them. The Company has established internal controls of business processes, which are integrated into the internal controls system with the aim of ensuring achievement of goals of business processes and efficient risk management. Apart from the internal control system, the Company has also established the following forms of oversight and control:</p> <ul style="list-style-type: none"> • Audit Commission of the Board Directors, • Activities of the Internal Audit, • Monitoring activities of the risk management system. <p><u>Audit Commission of the Board of Directors</u></p> <p>The Audit Commission of the Board of Directors, amongst other issues, reviewed and adopted the following during the reporting period from 16 April 2023 to 15 April 2024:</p> <ul style="list-style-type: none"> • The Report of the Internal Audit and risk management with the results of the Internal Audit operations in NIS j.s.c. Novi Sad for 2022, and for 3, 6 and 9 months of 2023; • Plan for implementation of the Audit procedure and identification of key issues to be audited for 2023; • Report on the realisation of key risks of NIS j.s.c. Novi Sad for 2022; • The Report on the management of Key Risks in NIS j.s.c. Novi Sad for 3, 6 and 9 months 2023 and forecast until the end of 2023; • Report on the realisation of key risks of NIS j.s.c. Novi Sad for 2023; • Annual plan of internal audit of NIS j.s.c. Novi Sad for 2024; • The Audit findings and the key audit matters of NIS j.s.c. Novi Sad audit for 2023; • NIS j.s.c. Novi Sad Internal Audit and Risk Management Function Development Strategy 2023-2025 – status of realisation as of 30.06.2023 and 31.12.2023; • The Overview of the status of implementation of the auditor’s recommendations, provided in the Management Letters (“Management Letters Points”) for NIS j.s.c. Novi Sad for 2022, as of 31.08.2023 and Overview of the auditor’s recommendations, provided in the Management Letters (“Management Letters Points”) for NIS j.s.c. Novi Sad for 2023. <p><u>Activities of the Internal Audit</u></p> <p>The BoD appointed the Person responsible for the internal audit of business operations at the proposal of the Audit Commission of the Board of Directors. The Person responsible for the internal audit of business operations regularly reports on conducted audit of business operations to the Audit Commission of the Board of Directors, which in turn oversees the operation of internal audit at the Company.</p> <p>The person responsible for the internal audit of business operations is Jelena Popara, who is also Director of the Internal Audit, risk management and internal control. The</p>
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person responsible for internal audit is obligated to regularly report on the audit performed to the Audit Commission of the Board of Directors in accordance with the adopted Activity Plan of the body. The aforementioned person meets the statutory requirements for the position of internal auditor. As Internal Audit, risk management and internal control is established as an organizational unit of the Company, which unit is concerned with issues in internal audit (internal control), the issues from Article 452 of the Law on Commercial Entities are largely regulated by the following documents:

- Internal Audit Charter of NIS j.s.c. Novi Sad (PO-13.01.02), version 6.0;
- Corporate Standard – Internal Audit Management (SD-13.01.03), version 4.1;
- Instructions on the Operation of Internal Audit.

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Company's operations. It helps the organization to achieve its goals by introducing a systematic, disciplined approach to assessing and improving the effectiveness of risks management, internal control and corporate governance. Internal Audit acts in accordance with a part of the frameworks of professional internal audit practice of the global Institute of Internal Auditors and the abovementioned internal audit normative and methodological documents, adopted at the corporate level.

Activities of the Monitoring of Risk Management and Internal Controls System

The Company has established a risk management system (IRMS), which is a set of processes, methodological framework and tools aimed at ensuring the efficiency and effectiveness of the corporate risk management process, governed by the following documents:

- Risk and Internal Controls Management Policy at NIS j.s.c. Novi Sad (PO-13.00.02), version 1.0;
- Corporate Standard – Risk Management (SD-13.02.01), version 6.1;
- Instructions Methodological Guidelines for Risk Management (TUS-FIR-77), version 4.0;
- Instructions Key Risk Indicators (UP-13.02.01-003), version 1.0.
- Instructions Methodological Guidelines for Internal Audit (TUS-FIR-1071), version 1.0

In compliance with the Risk and Internal Controls Management Policy during the reporting period the risk registers were reviewed, as well as risk management measures and a final ranked list of key risks for 2024 was established. Review of risks and monitoring of risk management measures was performed regularly on a quarterly basis. After the end of 2023 the effect of risks to the Company goals was analysed. Reports were submitted on a regular basis: to the Advisory Board of the General Director on a quarterly basis, to the Audit Commission of the Board of Directors and to the Board of Directors on an annual basis.

In 2023 an external assessment of the Company risk management system was carried out. In July 2023, the Company was the first business entity in Republic of Serbia to receive an assessment of compliance of the risk management system with international standards in the field of corporate governance, specialised standards in the field of risk management: COSO Enterprise Risk Management (ERM), ISO. 31000 Risk Management framework and IEC 31010 Risk management - Risk assessment techniques.

In accordance with the results of this external assessment and the recommendations received, a Work Plan 2023-2025 has been prepared to continue the development of the risk management system.

During 2023, the Sector for Risk monitoring and Internal control implemented measures

	<p>in accordance with the Plan of integration of HIP-Petrohemija I.I.c. Pančevo.</p> <p><u>Activities to monitor compliance of business with the Agreement on strategic partnership between the Republic of Serbia, HIP-Petrohemija I.I.c. Pančevo and NIS j.s.c. Novi Sad</u></p> <p>In order to implement the necessary measures to fulfil obligations established by the Agreement on strategic partnership, a Group for business compliance monitoring has been established within the Sector for Risk monitoring and Internal control. Document UP-10.01.06-002 Work of the Group for business compliance monitoring was prepared and approved.</p>
<p>Operation of the BoD and Reporting to the BoD Non-Executive Members</p>	<p>The responses of the surveyed BoD members show that the BoD members are generally well prepared for the meetings, and that the BoD basically efficiently manages its operation. The operation of the BoD focuses on key issues which are discussed actively before the BoD takes its decision, which contributes to making constructive decisions on the part of BoD.</p> <p>Members of the Board of Directors assess that under restricted conditions caused by the external factors, they generally have an adequate interaction with the Company management and principally receive the necessary information on all issues taken into consideration in the meetings.</p> <p>In addition to reviewing the issues presented at the meetings, the members of the NIS BoD also periodically review, through work sessions or by providing reports on statuses, possible external constraints on NIS operations that require additional supervision by the BoD and assistance to NIS management.</p> <p>The non-executive members of the BoD are regularly reported to by the Company General Director and top management on issues impacting on business activities, the financial situation, and potential risks in the Company business activities, through the corresponding forms of management and financial reporting (quarterly and annual financial statements and consolidated financial statements, quarterly and annual Company reports, reports on the analysis of business activities and projections for business activities for the upcoming period, reports on the implementation of the decisions and orders of the Board of Directors, reports on key risks to NIS operations and mitigation measures, etc.).</p> <p>In addition to the stated reporting forms, additional requirements were again set upon the Company management by NIS BoD members during the reporting period regarding operational presentation of relevant information on the current and planned business operations of the Company and its subsidiaries, specially with regards to realization of the key investment projects, periodical assessment of results of activities of the Company as well as to the key risks to NIS operations under the volatile market conditions and external constraints.</p> <p>Also, the BoD members held work meetings – consultations during the reporting period in order to elaborate and specify the open issues for consideration at NIS BoD meetings.</p>
<p>Division of Competences and Control of the Work of the General Director and Company Management</p>	<p>The scope, competences, and responsibilities of the Board of Directors and the Company General Director as an executive BoD member are delimited by the NIS Articles of Association No. 70/SA-od/XIV-10a dated 29.06.2022 (consolidated text). The scope of operation of the BoD includes BoD competences prescribed by the provisions of Article 398 of the Law on Commercial Entities (The Official Gazette of the Republic of Serbia No. 36/2011, 99/2011, 83/2014 – other law, 5/2015, 44/2018, 95/2018, 91/2019 and 109/2021) as well as other additional competences in line with the Company business activities, which competences are distinct from operational competences of the NIS General Director.</p> <p>The BoD acts sufficiently independently from the management; the Company management takes into consideration the recommendations and makes necessary</p>

	<p>efforts to meet all the demands and task orders given by BoD, and the BoD supports the management in achieving the set objectives and tasks.</p> <p>In the reporting period, members of the NIS BoD have discussed the issues related to communication and co-operation of General Director and the Company management, quantity, dynamics and timely presentation of required information.</p> <p>The NIS Board of Directors has been continuously considering necessities and options for mitigating key risks of NIS operations, as well as opportunities and plans for cooperation and communication of the Company management with key suppliers and counterparties.</p> <p>The work of the General Director and the Company management is assessed a minimum of once a year based on the defined indicators used to assess their work, as well as the results in achieving the defined Company performance indicators; these indicators are at the same time a reward system, tied to the short and long-term objectives of the Company.</p> <p>Through the Company system of management by objectives, efficient motivational mechanisms are defined which impact on the formation and retaining a highly professional team of higher-ranking managers in order to provide the continual growth, internal efficiency of business activities, and the implementation of investment programmes of the Company and also other activities of the Company management.</p>
<p><i>Ensuring Meetings of the Shareholders Assembly</i></p>	<p>In the previous period, the XV Ordinary Company Shareholders Assembly Meeting (on 29 June 2023) was held and all the conditions required for the meeting had been met.</p> <p>In line with the Articles of Association of the Company, the Rules of Procedure of the Shareholders Assembly, and the Decision of the BoD, the Invitation to the Company Shareholders Assembly meeting contains all the mandatory elements and information, inclusive of the information on the date of announcement of the invitation, the time and place of the meeting, the agenda, the availability of the materials for the agenda, the Shareholders' day, accompanied by the information on the rights of shareholders to participate in the work of the Shareholders Assembly and suggest the agenda, as well as the deadlines for their use, the description of the procedures for voting through authorized representatives, voting in absentia, i.e. granting power of attorney and voting by electronic means (the power of attorney and/or the voting form must be signed by a qualified electronic signature in compliance with the law regulating electronic signature), with the appropriate forms of documents for the exercise of rights of Company shareholders.</p> <p>The content of the invitation to a Shareholders Assembly meeting is regulated by the Company Shareholders Assembly Rules of Procedure (No. 70/SA-od/XI-11a dated 27.06.2019 (consolidated text), which are available to the general public on the Company webpage (www.nis.rs).</p> <p>The invitation for shareholders to attend the XV Ordinary Meeting of the Shareholders Assembly was published on 30 May 2023 on the Company webpage (www.nis.rs), and also on the webpage of the Belgrade Stock Exchange (www.belex.rs), webpage of the Central securities depository and clearing house (www.crhov.rs), the webpage of the Register of Companies (www.apr.gov.rs) and with the Official registry of information of the Securities Commission of the Republic of Serbia.</p> <p>All the decisions taken at the XV Ordinary Meeting of the Shareholders Assembly, as well as other relevant documents (the Reports of the Voting Commission on the voting results and the Minutes) were published by the Company on the Company webpage (www.nis.rs), within the deadline stipulated by the law after the above meeting of the Company Shareholders Assembly was held.</p>

	<p>Adopted decisions, materials, and other published documents pertaining to the operation of the Shareholders Assembly are drawn up and published in English as well, and are available on the Company webpage (www.nis.rs).</p>
<p>Activities of the Board and Major Decisions</p>	<p>In the reporting period, the Board of Directors held 4 meetings personally attended by the BoD members, as well as 19 correspondence BoD meetings.</p> <p>As part of the held meetings of the Board of Directors, in addition to the decisions regarding the reviewing of quarterly NIS reports, the financial statements and consolidated financial statements of the Company for 2022, the following major decisions were taken:</p> <ul style="list-style-type: none"> • Decision on Determining the Draft Decision of the Shareholders' Assembly of NIS j.s.c. Novi Sad on the election and Remuneration of the Auditor of Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for a period of 3 years (2023-2025); • Decision on Determining the Draft Decision of the Shareholders' Assembly of NIS j.s.c. Novi Sad on the Adoption of the Report on the analysis of the operation of the Board of Directors and Commissions of the Board of Directors of NIS j.s.c. Novi Sad for the Period 16 April 2022 – 15 April 2023; • Decision on determining the Draft Decision of the Shareholders Assembly of NIS j.s.c. Novi Sad on Adoption of the Remuneration Policy for members of the Board of Directors and Commissions of the Board of Directors NIS j.s.c. Novi Sad; • Decision on Convocation of the XV Ordinary Meeting of the Shareholders' Assembly of NIS j.s.c. Novi Sad; • Decision on adoption of the Report on the Annual Inventory of Assets and Liabilities of NIS j.s.c. Novi Sad, for 2023; • Decision on reviewing of QPR-1 (Quarterly performance review for 3 Months 2023 and Forecast until the end of 2023); • Decision on reviewing of QPR-2 (Quarterly performance review for 6 Months 2023 and Forecast until the end of 2023); • Decision on reviewing of QPR-3 (Quarterly performance review for 9 Months 2023 and Forecast until the end of 2023); • Decision on reviewing of NIS j.s.c. Novi Sad Business plan for 2024; • Decision on reviewing NIS j.s.c. Novi Sad key business risks under the terms of sanctions and measures for their mitigation; • Decision on reviewing Information about the Status of Implementation of projects of Upstream - NIS PETROL S.R.L.; • Decision on reviewing of „Teremia North Project“ within the frames of activities of Upstream NIS PETROL S.R.L. Romania; • Decision on reviewing matters of activity of NIS PETROL EOOD Bolgaria; • Decision on reviewing the information on perspectives of business activities of Downstream NIS Petrol S.R.L. Romania; • Decision on reviewing Information on the status of the integration HIP Petrohemija I.I.c. Pančevo into NIS group; • Decision on reviewing of the „Construction of new propylene purification and polypropylene production capacities “ Project – approval of the „Planning and preparation - BEDP“ phase; • Decisions on appointment of the members of Commissions of the Board Directors of NIS j.s.c. Novi Sad; • Decision on the changes in the composition of NIS j.s.c. Novi Sad Committee for Procurement/Sale of Crude Oil; • Decision on the approval of Contract on the transportation of crude oil through the Adriatic oil pipeline between NIS j.s.c. Novi Sad and JANAF Plc. Zagreb; • Decision on reviewing the results of fulfilment of key performance indicators of the General Director, the Deputies of General Director, Director of Downstream, Directors of Blocks and Functions of NIS j.s.c. Novi Sad for 2023;

	<ul style="list-style-type: none"> • Decision on adoption of Results of Long-Term Incentive Program for Non-Executive Directors and Members Management Bodies of NIS j.s.c. Novi Sad in 2021-2023; • Decision on reviewing of the Proposal for approval of the candidacies to the positions of the members of Supervisory board of „HIP Petrohemija“ I.I.c. Pančevo; • Decision on reviewing of the Proposal for approval of the candidacy to the position of Managing director „HIP Petrohemija“ I.I.c. Pančevo; • Decision on establishing and cessation NIS j.s.c. Novi Sad branches; • Decision on reviewing of the Annual Report on the analysis of NIS j.s.c. Novi Sad performance for 2023; • Decision on reviewing the Report on the implementation of Decisions and Orders of NIS j.s.c. Novi Sad Board of Directors, as of 30.06.2023; • Decision on reviewing Accounting Policies of NIS j.s.c. Novi Sad, version 3.0. <p>During the reporting period, the BoD took 83 decisions.</p>
<p>Observing the Principles of Corporate Governance</p>	<p>The current and valid Code of Corporate Governance of the Company was adopted on 27.01.2014 by the Board of Directors.</p> <p>The Company is committed to the application of high standards in the domain of corporate governance based on internationally recognized principles and the best world practices. In this way, the necessary prerequisite for successful business operations is ensured – the stable and sustainable development of the Company and the increase of its value.</p> <p>The Board of Directors ensures the application of the principles established by the Code, monitors its implementation and the compliance of the organization and Company activities with the Code and the law.</p> <p>An overview of the most important practices of corporate governance implemented by the Company as well as a detailed explanation of the deviations from the principles defined by the Code are provided in the Statement on the application of the Code of corporate governance, which is an integral part of the Annual Report of the Company for 2023.</p> <p>The Annual Report of the Company for 2023 is available on the Company webpage (www.nis.rs), as well as on the webpage of the Belgrade Stock Exchange and within the Public Company Register of the Securities Commission of the Republic of Serbia.</p>
<p>The Influence of the Board of Directors on Improving the Corporate Image</p>	<p>The contribution of the BoD to the observance of a positive image of the Company is reflected, among other things, in continued efforts to improve the system of corporate governance and maintain the transparency of communication with all the interested parties.</p> <p>In addition to the reports which NIS, being a public joint stock company, publishes in compliance with legislation and which are publicly available to all interested parties, including reports on business results presented to shareholders at the Shareholders' Assembly meeting, the Company has also developed a two-way communication with shareholders and investors, who are able to obtain all the necessary information on the Company operations and their rights throughout the year through the Offices for Minority Shareholders Relations in Novi Sad and Belgrade, a separate call-centre, an e-mail service (servis.akcionara@nis.rs) through which each shareholder may ask questions and receive answers online, as well as through the Investor Relations Services. The Company also participates in the meetings with investment community representatives.</p> <p>Regularly, at the end of each quarter, NIS organizes presentations of its performance results, where the top management representatives analyze performance and the achieved results in detail, in direct communication with representatives of investors (in person, in the Company's premises, via video conference call, and combined). The</p>

Company keeps its door open for those who want to get further information at one-on-one meetings.

NIS organizes an annual Investor Day at its premises, presenting always the important and significant projects. The special section of the corporate website dedicated to investors and shareholders is also an invaluable source of information for all stakeholders. This section of the website is regularly updated with the latest presentations on performance results, financial statements, audit reports, financial calendar, and other various presentations and material.

The Company applies the highest standards in terms of information provision, while respecting the principles of equal treatment of all information users and ensuring that the information published is equally and easily accessible to all stakeholders in the shortest time possible, making most use of its corporate website for this purpose. A special segment of the website intended for shareholders and investors contains the most important news, decisions of the bodies, answers to the most common questions of shareholders, as well as all necessary information on shares, shareholder rights and dividends. All information and documents on the website are available in Serbian, Russian and English.

New digital communication channels on social networks Tik-Tok and Threads were launched in 2023, in order to make information on NIS's activities available to the widest audience.

Regarding to the corporate website (www.nis.rs), additional improvements have been made so that the public can be transparently and comprehensively informed about the most important activities of NIS through this channel.

The content on the corporate website includes electronic versions of annual reports and reports on sustainable development, as well as the "Magazine" platform, where readers can get to know NIS from a different angle and have access to texts in the fields of education, environmental protection, sustainable development, and human resources.

In 2023, NIS published the 13th consecutive, verified Sustainable Development Report under the symbolic slogan "Our Sustainable Community".

In 2023 NIS won the special plaque of the daily newspaper "Večernje Novosti" entitled "The Noblest Feat of the Year", intended for associations and companies that have been continuously helping others and encouraging them to do noble deeds for years.

In 2023 the "May New Hopes be Born" campaign won the award of the "Campaigns with Purpose social 2023", given by the "Yellow Pants" and the "Diplomacy&Commerce" magazine awarded NIS for the same campaign with the Award for the Best Socially Responsible Campaign and NIS also continued activities within the „Energy of Knowledge“ programme.

NIS has also celebrated a significant jubilee – 15 years of the "Together for the Community" programme, which NIS implements by nurturing a close partnership with the local communities in which it operates, with continuous investment in the development of public health and social protection, science and education, environmental protection, culture and sports.

At the International Agricultural Fair in Novi Sad, NIS received the award "Leader of Socially Responsibility among Companies" for 15 years of implementing the "Common Cause Community" programme, and on the same occasion NIS won the "Captain Miša Anastasijević" award in the "Leader of Social Responsibility" category.

The Company's priority was to invest in young people, in accordance with the current corporate strategy and the slogan "Future at Work".

In 2023, in the survey of young people's opinions on the labor market in Serbia – "Voice of Young People of Serbia", conducted by the student organization AIESEC, NIS was

	<p>rated as one of the top 3 most desirable employers for young people, and the NIS Energy programme was the winner of the award “Digital Awards” for the HR Employer branding online campaign, which was given during the conference #Digital2023.</p> <p>The Drive.Go mobile application was given the special award of the magazine “PC Press” magazine – “Top 50” of the best online content in the “Digital Innovation” category.</p> <p>The Society of Mathematicians of Serbia has awarded NIS with a charter for a long-term support to young mathematicians and activities of the Society, and NIS also received the certificate of appreciation from the Serbian Chemical Society for supporting the organization of the Chemistry Olympics in 2023.</p> <p>The Chess Federation of Serbia gave NIS the award for supporting the Chess Federation, as well as for supporting the organisation of the first FIDE Chess Olympics for People with Disabilities.</p> <p>Additionally, the Volleyball Federation of Serbia presented NIS its certificate of appreciation for the successful cooperation and contribution to the development of volleyball in Serbia.</p> <p>In 2023, NIS continued to contribute to the improvement of environmental protection. By the implementation of environmental projects and projects with environmental impact, the level of compliance with the requirements of the legal regulations of the Republic of Serbia has been raised and the environmental management system at NIS improved. This resulted in 2023, in an upward trend of environmental protection indicators (reduction of emission to air and water, without major and medium accidents).</p>
<p>Remuneration of Members of the Board of Directors and its Commissions</p>	<p>The applicable Remuneration Policy for members of the Board of Directors and members of the Commissions of the Board of Directors of the Company (Remuneration Policy) was adopted by the Shareholders Assembly in accordance with the recommendation of the Remuneration Commission on 29.06.2023. The Remuneration Policy is publicly available on the Company's website (www.nis.rs).</p> <p>The structure of remunerations – The Remuneration Policy stipulates that a remuneration for executive members of the Board of Directors shall consist of the following:</p> <ul style="list-style-type: none"> • The fixed (standing) portion; • Variable portion (which includes bonuses for short-term and long-term incentives) and • Other benefits. <p>Remuneration paid to non-executive members of the Board of Directors and members of the Board Committees - total amount of remuneration paid to non-executive members of the Board of Directors and members of the Board Committees consists of:</p> <ul style="list-style-type: none"> • Fixed (standing) portion; • Variable portion (bonuses); • Reimbursement of annual income tax payable in respect of income received in the Company. <p>The Policy stipulates that remuneration should be compensation for work and as a motivating factor enabling to attract and retain persons with professional and other competences required by the Company as members of the Board of Directors and members of the commissions of the Board of Directors, and at the same time should not differ significantly from the remuneration paid to the members of the Board of Directors and members of the commissions of the Board of Directors of other companies comparable to the Company in terms of size and scope of operations, performing the same or similar activities (comparable companies).</p>

	<p>Fixed (standing) portion of the remuneration to the members consists of the fixed annual fee for membership in the BoD and the fixed annual fee for participation in the work of the BoD Commissions. The annual fixed (standing) portion of the remuneration for membership in the BoD implies remuneration for the time and effort of a member of the BoD in relation to his/her function and is associated with the preparation and active participation in the BoD meetings, requiring its members to pre-study the documents and participate in the meetings of the Board of Directors.</p> <p>The annual fixed (standing) portion of the remuneration for membership in the BoD Commissions implies remuneration for the time and effort of a member of the BoD Commissions in relation to his/her function and is associated with the preparation of materials and suggestions of the BoD Commissions, requiring its members to attend and actively participate in the meetings of relevant BoD Commissions.</p> <p>The fixed (standing) part of the remuneration for members of the BoD is paid on a monthly basis in the amount of 1/12 of the annual remuneration.</p> <p>The variable portion of the remuneration is realized based on participation in a three-year program cycle as defined by the Long-Term Incentive Program Regulations for non-executive directors and members of management bodies of NIS, approved by the Shareholders Assembly.</p> <p>The Remuneration Policy stipulates that remunerations for executive directors shall be defined by the employment contract or the temporary service agreement for each of the executive directors at the Company on other grounds - said directors do not receive remuneration for membership in the Board of Directors and the Commissions of the Board of Directors, except in the part related to cost reimbursement and liability insurance pertaining to membership and work in the Board of Directors and the commissions.</p> <p>In line with its powers, the BoD Remuneration Commission carried out the scoring process determining the adequacy of the amount and structure of remuneration for each member of the BOD in relation to the principles, frameworks and criteria laid down under the applicable Remuneration Policy and in relation thereto drew up an appropriate report, adopted in the XV Ordinary Meeting of the Shareholders Assembly of the Company held on 29 June 2023.</p> <p>Based on the analysis of the remuneration market of the reference group companies, it can be concluded that the structure and amount of remuneration of non-executive, independent and executive members of the NIS BoD is consistent with current market practices, incorporates key elements of rewards and helps attract, retain and motivate qualified members of the Board of Directors.</p> <p>It has been additionally stated that in 2022 the Company complied with the Remuneration Policy.</p> <p>In order to maintain the BoD members remuneration at an appropriate level, it has been prescribed that the Remuneration Policy is to be subject to periodic reviews and analysis, and in this respect, in compliance with the needs, abilities and interests of the Company, and also changes of other significant criteria, the BoD Remuneration Commission shall prepare its next report on remunerations of members of the BoD for the next meeting of the Company Shareholders Assembly, planned for June 2024.</p>
<p>2. INDICATORS RELATED TO THE COMPOSITION AND PROCEDURES OF THE BOARD OF DIRECTORS</p>	
<p><i>Number of Members and</i></p>	<p><u>BoD Size</u> BoD consists of 11 members, which, according to the BoD members, is considered to be the optimal size taking into account the needs of the Company and the best</p>

Structure of the Board of Directors

corporate governance practices.

The number of members and the criteria for appointment of BoD members shall be determined under the Articles of Association of the Company, taking into account the need for quick and effective decision-making, but also the requirement set forth under eligibility criteria applying to the members comprising the Board of Directors, possessing, as a whole, the necessary knowledge, skills and professional experience required for the successful performance of duties within the scope of the Board of Directors and management of the Company, making sure that size and composition of the Board of Directors fit the size and structure of the company, the nature of activities performed by the Company as well as the corporate goals and objectives the Company wants to achieve.

In accordance with the above referenced principles, the BoD is composed of the members of different background, age, experience and skills. The BoD includes a significant number of foreign members who bring international experience tailored to suit the challenges faced by the Company and add value to the functioning of the BOD and the decision-making process.

The Board of Directors currently consists of one executive and ten non-executive directors. Two non-executive directors act as independent members of the Board of Directors, as well.

According to the majority of members of the Board of Directors, the BoD composition reflects the required balance between professionalism and independence of the BOD members.

Separation of the General Director and the BoD Chairman roles

The BoD consists of a majority of non-executive directors of the BoD (including independent members of the BoD), with the roles of the General Director and the BoD Chairman completely separated.

Skills and experience within the BoD

The relevant skills and experience represented within the BoD are as follows, inter alia:

- Strategic management;
- Economy;
- Finance;
- Audit;
- Tax system;
- Marketing;
- Trade in Oil and Petrochemicals;
- Sales and Distribution;
- Familiarity with the core business of NIS.

On the whole, the current number of the members and the BoD composition reflect an appropriate mix of skills and experience required to ensure the successful performance of the BoD.

Changes in the composition of the Board of Directors during the reporting period

At the XV Ordinary Meeting of the Shareholders Assembly of NIS held on 29 June 2023, the membership of Alexander Vasilevich Chepurin in the Board of Directors has ceased, while the following members of the Board of Directors were appointed for the current term of office:

1. Vadim Vladislavovich Yakovlev (Chairman – Non-Executive Director)

	<ol style="list-style-type: none"> 2. Kirill Vladimirovich Tyurdenev (Executive Director) 3. Pavel Valeryevich Oderov (Non-Executive Director) 4. Vsevolod Stanislavovich Vorobyev (Non-Executive Director) 5. Alexey Viktorovich Yankevich (Non-Executive Director) 6. Anatoly Moyseyevich Cherner (Non-Executive Director) 7. Dejan Radenković (Non-Executive Director) 8. Danica Draskovic (Non-Executive Director) 9. Dragutin Matanović (Non-Executive Director) 10. Olga Stepanovna Vysotskaia (Independent Director) 11. Goran Knežević (Independent Director). <p>All currently appointed members of the BoD have confirmed compliance with the requirements for appointment to the Board of Directors, filling out the Questionnaire for members of the BOD at their first appointment to the BoD, and in addition the Agreement regulating the mutual rights and obligations between the Company and the BoD/Commission members contains analogous provisions (Form of the Agreement was approved at the XV Ordinary Meeting of the Shareholders Assembly of NIS j.s.c. Novi Sad taking into consideration the requirements of art.463a of the Law of Commercial Entities .</p> <p>The Board of Directors submitted to the Shareholders Assembly the Report on suitability of the composition of the BoD and number of members of the BoD to the needs of the Company and it was adopted at the XV Ordinary Meeting of the Shareholders Assembly of NIS held on 29 June 2023.</p> <p>In the aforesaid Report, drawn up based on the use of experience of B1 GROUP, acquired as the result of work with a large number of clients, a detailed analysis of suitability of the composition of the Board of Directors and number of members of the Board of Directors of NIS j.s.c. Novi Sad to the needs of NIS j.s.c. Novi Sad was performed, in terms of the composition, size and structure of Board of Directors. Based on the performed analysis, it was established that the size and composition of the Board of Directors of NIS j.s.c. Novi Sad followed the practice of large oil and gas companies in Europe, that the current composition of the Board of Directors of NIS j.s.c. Novi Sad had knowledge from all business areas of NIS j.s.c. Novi Sad, that its members held adequate ACCA international certificates, MBA and CMA qualification, that its composition included persons with professional experience with government authorities and oil and gas sector, and that it consisted of both men and women.</p> <p>Based on the analysis and the relevant information, it has been concluded that the composition of the NIS Board of Directors corresponds with the necessities of the NIS j.s.c. Novi Sad corporate governance within the stated reporting period.</p> <p>The next Report on Suitability of the Composition of the BoD and Number of Members of BoD to the Needs of Company, the Appointment Commission will prepare for the next meeting of the Company Shareholders Assembly, planned for June 2024.</p>
<p><i>Obligation to Report Transactions Involving Personal Interest and Non-Competition</i></p>	<p>Upon entering into the Agreement regulating mutual rights and obligations with the Company, all BoD Members were additionally introduced to the obligation to report to the Company in case of any legal transactions they may enter into with the Company, their obligation not to act as a competitor to the Company and other special duties assigned to the BoD members.</p> <p>The methods of approving matters involving the conflict of interest and engagement of members of the Board of Directors considered as competitive is set forth under the provisions of the Law of Commercial Entities. Upon decision-making and</p>

	<p>approval process relating to the matters involving personal interests of the BoD members, as stipulated under the Law, the votes of such members of the BoD are excluded from the voting results assessment. In addition, in order to keep track of any competitors, the Company has introduced the practice of carrying out quarterly surveys of the BoD members regarding circumstances of their current engagement and their membership in managing and supervisory boards in other companies and the results obtained are published on the website of the Company accordingly.</p> <p>The relevant notification on possible approval of this type of transactions, the BoD will forward to the Company Shareholders Assembly meeting planned after the BoD meetings with approval of such transactions of the agenda in accordance with the criteria set by the Law of Commercial Entities.</p> <p>In this reporting period there were no related party transactions requiring approval according to the criteria set by the Law of Commercial Entities.</p>
<p><i>Role of the BoD Chairman and Relation with Other BoD Members</i></p>	<p>In this reporting period, the surveyed BoD Members, based on the Code criteria, have confirmed the high performance of the BoD Chairman in terms of duties assigned and efficiency demonstrated.</p> <p>The BoD Member ratings point to organizational and leadership capabilities, extraordinary professional reputation of the BoD Chairman, earning thus the full confidence of the Company shareholders and other BoD members. He continuously undertakes all the necessary measures for the purpose of: building a trust-based relationship between the BoD members, encouraging open discussion and constructive criticism of the proposed decision, increasing the efficiency of interaction between executive management and members of the Shareholders Assembly Board of the Company.</p> <p>Management style and communication attributed to the Chairman of the BoD, contributes to the efficiency of decision-making and constructive discussions. The Chairman of the BoD makes sure that the rest of the BoD are up-to-date, providing all the information necessary to perform their duties, taking care of meeting schedules and the manner of convening the scheduled meetings.</p> <p>The Chairman of the BoD and the General Director of the Company have highly-effective cooperation with the mutual exchange of professional knowledge and experience.</p>
<p><i>Meetings and Administrative Matters</i></p>	<p>In order to keep the BoD members up to date and adequately informed before decision-making, and capable of monitoring the Company's operations, the General Director and the management executives shall ensure that the BoD Members are provided with accurate and complete information on the full scope of the Board's activities, advising on key Company-specific issues, as well.</p> <p>Therefore, special attention has been given to the matters of both informing of the BoD members and convening and holding meetings under the Rules of Procedure of the BoD and the BoD Meetings. BoD Meetings are prepared with the assistance of the Corporate Secretary of the Company and under the supervision of the Chairman of the BoD, so that each member of the BoD would be able to provide an appropriate contribution to the work of the Board of Directors.</p> <p>In accordance with the established regulations and procedures governing preparation of the BoD meetings, sets of materials are to be prepared by the Company for each item on the agenda which requires a presentation at the BoD Meetings, enabling each member of the BOD to express his/her opinion and take a stand on the respective issue.</p> <p>Matters are distributed by Meetings of the Board of Directors (Meetings with BoD Member Attendance and Correspondence Meetings) within the process of the BoD Activity Plan approval between the members of the Board of Directors and the</p>

	<p>Company's management and in accordance with the current circumstances at the moment of convocation of meetings of the NIS BoD. This makes it possible for members of the Board of Directors to decide beforehand on the matters which require personal attendance of members of the Board of Directors and thus ensure the efficiency of BoD meetings.</p> <p>The BoD Members generally assessed that they meet with sufficient regularity, that the duration of the BoD is adequate to the nature of the issues under consideration and the allocated time is sufficient for a comprehensive review of the issues on the agenda.</p> <p>Meetings take place based on properly prepared agenda, which covers all of the Company's major issues, including matters of strategic, investment and budget planning, determination of operating results, as well as motivation of the senior management of the Company.</p> <p>Discussions held at the meetings and the decisions made shall be properly documented. Each member of the BoD shall have access to and insight into the documents enacted by corporate bodies. For purposes of the BoD members, the Company has and is continually updating a special intranet portal that contains materials for the meetings and official documents of the Company, available to all BoD members via Internet.</p> <p>Based on the survey results of the BoD members, it was agreed that the materials for the BoD Meetings are comprehensive and contain sufficient information to take a stand on any issue. With a view to preparing the materials in a timely fashion, the management of NIS prepares an appropriate Plan on the preparation and submission of material and reports on key business issues in NIS. The said Plan includes elaboration of the activities and deadlines for their implementation to ensure timely preparation and approval of the material to be presented for review at the BoD.</p> <p>According to the general evaluation of the members of the BoD, the reporting period observed provided adequate conditions and adequate resources for the work of BoD, rating the Corporate Secretary of the Company as an effective channel for transmission of information to the Board of Directors and support the BoD Chairman and non-executive directors.</p> <p>The only difficulty seems to be arising from the fact that discussions in the meetings are held in two languages (Serbian and Russian). However, as the Company has arranged for simultaneous interpretation, no negative impacts have been detected so far when it comes to the discussions in the Meetings of the Board of Directors. Additionally, the entire correspondence with members of the BoD and the documents considered in meetings of the BoD are submitted in Serbian and Russian.</p>
<p>Activity Plan of the Board of Directors</p>	<p>The BoD approves its Activity Plan for each business year (on an annual or semi-annual basis) and it contains a range of questions that must be discussed by the BoD in accordance with the legal requirements, the needs of the Company and reporting needs of the BoD members. This Activity Plan sets deadlines for reviewing issues presented at the BoD Meetings, whereas the procedures and deadlines for the timely preparation of relevant materials for members of the Board of Directors of the Company are regulated under special Company Standard SD - 10.02.07 - Ensuring the Activity of Bodies of NIS j.s.c. Novi Sad, Version 4.3, dated 29.09.2016.</p>
<p>Induction into</p>	<p>Upon appointment, the BoD Members are informed about the business activities policy applied in the Company, thus enabling a better insight into the business operations, Company strategy and plans, key risks the Company is faced with, as</p>

<p>Business, Training for the BoD Members</p>	<p>well as their active participation in the operations of the BoD as soon as practicable. This involves, among other things, introduction to the internal documents and rules of procedure, basic information and key facts on the Company, management of the Company, persons holding managerial positions in the Company, key figures on business operations conducted, strategies, business plans, goals and objectives, and other information relevant to the duties assigned.</p> <p>In case it is deemed necessary by the members of the Board of Directors, the Company shall provide the necessary resources to organize specialized additional training programmes.</p>
<p>BoD Commissions</p>	<p>Upon adoption of the Rules of Procedure applying to the BoD and the BoD Commissions No. 85/1-3a dated 25.06.2012, the following Commissions were constituted by the Board of Directors:</p> <ul style="list-style-type: none"> • Audit Commission; • Appointment Commission; • Remuneration Commission. <p>In accordance with the legal requirements for the composition of the Commissions, the rule that one member of a Commission should be an independent director of the Company and that the majority of members should be non-executive directors is followed when Commission members are appointed.</p> <p>In this process, the BoD also ensures that the Commissions are properly constituted and composed of highly qualified professionals with the required knowledge and experience in the scope of work assigned to the Commissions, and that the Commissions are headed by the persons who ensure their effectiveness.</p> <p><u>Audit Commission</u></p> <p>Pursuant to Article 409 of the Law on Commercial Entities, the BoD appointed the members of the Audit Commission. In accordance with the provision set forth under Article 410, Paragraph 5 of the Law on Commercial Entities, the Chairman of the Audit Commission is acting as an Independent member of the BoD with a proven track record of required knowledge and professional experience in accounting and finance. The proven track record of required knowledge and professional experience in accounting and finance, apart from the Chairman, has been demonstrated by the members of the Audit Commission as well.</p> <p>Key matters falling within the competence of the Audit Commission are:</p> <ul style="list-style-type: none"> • Preparing, proposing and testing the implementation of accounting policies and risk management policies; • Proposing appointments/dismissals to the Board of Directors relating to persons responsible for internal audit duties assigned by the Company and overseeing the performance of the internal audit of the Company; • Assessment of the accounting standard application in the preparation of financial statements and evaluation and review of the content of financial statements; • Conducting Auditor elections and proposing candidates for Auditors, expressing an expert opinion on their competence and independence in relation to the Company strategy, as well as supervising the audit process. <p><u>Members of the Audit Commission:</u></p> <ul style="list-style-type: none"> - Olga Vysotskaia, Chairperson of the Audit Commission, - Dejan Radenković, Member of the Audit Commission and - Alexey Urusov, Member of the Audit Commission. <p>The Chairperson and the members of the Audit Commission were appointed upon the Decision of the Board of Directors dated 21 July 2023. The three members also</p>

held the stated positions within the Audit Commission in the previous term of office.

The Audit Commission held 11 correspondence and 4 meetings in presentia within the reporting period. The key issues discussed within the Audit Commission within the reporting period include: review of the content of the Financial Statement, Consolidated Financial Statement and Quarterly Report of NIS for the first, second third and fourth quarter of 2023 and the year 2023. In addition, the Audit Commission discussed the Report on the Annual Inventory of Assets and Liabilities of NIS j.s.c. Novi Sad for 2023, proposal on the Re-election of the Auditor of Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for a period of 3 years (2023-2025) and for other audit services for a period of 3 years (2023-2025) and gave an opinion on the qualifications and independence of FinExpertiza d.o.o. Belgrade relating to the Company, as well as approval to the Contract of the Auditor. The Audit Commission also accepted the Plan for implementation of audit procedure and key issues to be audited for NIS j.s.c. Novi Sad for 2023, discussed the Auditor's findings and significant matters of the audit for 2023 and monitored the status of implementation of the auditor's recommendations provided in the Management Letter ("Management Letter Points") for NIS j.s.c. Novi Sad for 2022 as for 31.08.2023, the Audit Commission reviewed Reports on the results of the Internal Audit operations in NIS j.s.c. Novi Sad for 2022 as well as for 3, 6 and 9 months of 2023, Reports on key risk management of NIS j.s.c. Novi Sad for 3, 6 and 9 months of 2023 and forecast by the end of 2023 and also Report on the NIS j.s.c. Novi Sad key risks realization for 2023 and approved the Strategy for Development of Internal Audit, Risks and Internal Control Function of NIS j.s.c. Novi Sad 2023-2025 – status of realization as at 30.06.2023 and 31.12.2023. The Commission also approved the Annual internal audit plan for NIS j.s.c. Novi Sad for 2023 and 2024, Annual plan of internal controls for NIS j.s.c. Novi Sad for 2024, the NIS j.s.c. Novi Sad Internal audit Charter, version 6.0 and approved the draft Accounting Policies of NIS j.s.c. Novi Sad, version 3.0.

Appointment Commission

Scope of work of the Appointment Commission:

- Proposing candidate members of the Board of Directors, expressing opinion and recommendation on the respective appointments
- Proposing qualification criteria for candidate members of the Board of Directors and appointment procedures;
- Compiling, at least once a year, a report on adequacy of the composition of the Board of Directors and the number of BoD members and providing recommendations relating to these matters;
- Reviewing human resource policy applied in the Company, concerning managerial position appointments.

Members of the Appointment Commission:

- Dragutin Matanović, Chairman of the Appointment Commission;
- Goran Knežević, Member of the Appointment Commission;
- Kirill Tyurdenev, Member of the Appointment Commission.

The Chairman and the members of the Appointment Commission were appointed upon the Decision of the Board of Directors dated 21 July 2023. Alexander Chepurin also held the position of the member of the Appointment Commission in the previous term of office (until 29.06.2023).

Within the reporting period, the Appointment Commission held 2 correspondence meetings and 2 meetings in presentia and reviewed, among the other, Proposals for approval of the candidacy to the position: of Managing Director of „HIP Petrohemija“ llc Pančevo, and the positions of the chairman / members of the Board of Directors / Supervisory board / Internal Supervisory board of the following companies: NAFTAGAS-Naftni servisi llc Novi Sad, NAFTAGAS-Transport llc Novi Sad, NTC

NIS-Naftagas Ilc Novi Sad, NAFTAGAS-Tehnički servisi Ilc Zrenjanin, NIS PETROL Ilc Banja Luka, Jadran-Naftagas Ilc Banja Luka, NIS PETROL S.R.L. Romania, NIS PETROL EOOD Bolgaria, and it also prepared Report on the activities as well as Report on suitability of the composition of the Board of Directors and number of members of the Board of Directors of NIS j.s.c. Novi Sad to the needs of NIS j.s.c. Novi Sad.

Remuneration Commission:

Duties falling under the competence of the Remuneration Commission imply the following:

- Preparing Draft Decisions on Remuneration Policy applying to the Executive Directors of the Board of Directors;
- Proposing compensation amounts and structures for each executive director of the Board of Directors separately, along with forwarding the remuneration proposal to the Auditor;
- Compiling, at least once a year, a report for the General Assembly Meeting presenting the results of the assessment of compensation amounts and structures for each executive director of the Board of Directors separately and
- Preparing proposals for reference of the executive directors of the Board of Directors on compensation amounts and structures for persons holding managerial positions in the Company.

Members of the Remuneration Commission:

- Alexey Yankevich, Chairman of the Remuneration Commission;
- Olga Vysotskaia, Member of the Remuneration Commission;
- Zoran Grujičić, Member of the Remuneration Commission.

The Chairman and the members of the Remuneration Commission were appointed upon the Decision of the Board of Directors dated 21 July 2023, and all three members were members of the Remuneration Commission in the previous term of office.

Within the reporting period, the Remuneration Commission held 3 correspondence meetings and 1 meeting in presentia, determined the proposal of the amount of fee for the auditor of Financial and Consolidated Financial Statements of NIS j.s.c. Novi Sad for a period of 3 years (2023–2025) and for other audit services for a period of 3 years (2023-2025), as well as Report on the activities and Report on remuneration of members of the Board of Directors of NIS j.s.c. Novi Sad for 2022. Additionally, the Remuneration Commission adopted draft Remuneration Policy for the members of the Board of Directors and Commissions of the Board of Directors NIS j.s.c. Novi Sad, as well as results of fulfilment of key performance indicators of the General Director, the Deputies of General Director, Director of Downstream, Directors of Blocks and Functions of NIS j.s.c. Novi Sad for 2023 and results of the Programme of Long-term incentives of non-executive directors and members of the governing bodies of NIS j.s.c. Novi Sad for the cycle 2021-2023.

In addition to the Commissions required by law, the Board of Directors may establish, under a separate decision, other standing or ad hoc Commissions in charge of reviewing issues relevant to the work of the Board of Directors. The decision of the Board of Directors on the establishment of other Commissions as well as the decision on their standing or ad hoc status shall be based on the need for better and more efficient management and resolution of complex issues within its purview. As evaluated by the BoD members, the BoD presently has the appropriate number and types of Commissions.

CONCLUSION

Assessment of the Board of Directors was conducted taking into account the results of completed surveys on key issues relating to the work of the BoD, including: participation in the goal-setting process and monitoring their reach ratio, participation in BoD meeting discussions, adequacy of the form of the meetings, role, duties, powers and responsibilities of the Board of Directors, composition of the Board of Directors and its Commissions, Members, levels of information etc.

Based on the results of the Analysis of responses/scores obtained from the members of the BoD, it has been determined that within the reporting period observed, the Board of Directors once again adequately performed its role of the central governing body of the Company. In accordance with its competence and responsibilities, the BoD discussed all issues important for the Company, including the questions of strategic, investment, and budget planning, determining business results, possible business limitations and prospects of future work in certain areas as well as the issues of senior Company management incentives.

The Board of Directors has constantly monitored both the key risks of NIS' operations and the ongoing and implemented projects of importance for further business of the Company development, in particular the projects within the continued modernisation of the Refinery, energy efficiency – energy transition, achievement of major results within the field of electricity production -, as well as projects aimed towards to reducing the negative impact on the environment.

In a challenging year of 2023, full of challenging macroeconomic and geopolitical events, NIS continued to make a significant contribution to maintaining energy stability in the markets in which it operates. Last year, NIS began a new investment cycle, further expanding its partnership with the company by acquiring a majority stake in the petrochemical company HIP-Petrohemija, and thus taking a major step forward into a new area of business, following global trends in the industry. Development of HIP-Petrohemija is aimed at modernizing existing plants and building new ones to ensure the long-term and sustainable operation of HIP-Petrohemija.

The effects of world events that affected the changing business environment further emphasized the requirements related to BoD, its rapid reaction and decision making with the additional synergy of mutual cooperation and support for management in the processes of preparation and implementation of effective management decisions in the Company.

Based on the above, the Board of Directors intends to continue to monitor the operating environment, forecasted macro-parameters, political and economy conditions so that appropriate actions could be taken to ensure continuity of the Company's business, to provide energy to its customers and also to maintain its role as a guarantor of reliable supplies of all types of petroleum products, and making profits on the long-term basis, and therefore protect the interests of the shareholders of the Company, its investors, the staff, customers and other interested parties of the Company.

Chairman of the Board of Directors

Vadim Yakovlev
(signature and stamp)

To be served to:

1. Shareholders
2. Chairman and members of the NIS j.s.c. Novi Sad Board of Directors
3. Corporate Secretary
4. Archive