

## Overview of financial instruments used by the Group

Due to its exposure to the foreign exchange risk, the NIS Group practises forward transactions and successive purchases in the foreign exchange market as an instrument for managing this type of risk.

## Rating

Rating assigned by	Member of Group	Previous rating Rating	Date	Rating score Rating	Date
Business Registers Agency – Republic of Serbia	-	BB - Very good	25 July 2022	BB - Very good	21 June 2023
Dun&Breadstreet	Dun&Breadstreet	O-	10 October 2022	5A1	25 May 2023

## CORPORATE GOVERNANCE

### Statement on Application of Corporate Governance Code

#### Corporate Governance Report

In accordance with Article 368 of the Company Law (hereinafter “The Law”) and Article 35 of the Law on Accounting, NIS j.s.c. Novi Sad hereby states that it applies the Code of Corporate Governance of NIS j.s.c. Novi Sad (hereinafter “The Code”) which is available on the Company website (<https://ir.nis.rs/en/corporate-governance/code-of-corporate-governance/>). This Statement contains a detailed and comprehensive outline, as well as all relevant information of corporate governance practices implemented by the Company.

The Code supplements the rules contemplated by the Law and Articles of Association of NIS j.s.c. Novi Sad (hereinafter “the Articles”), which are to be complied with by the persons responsible

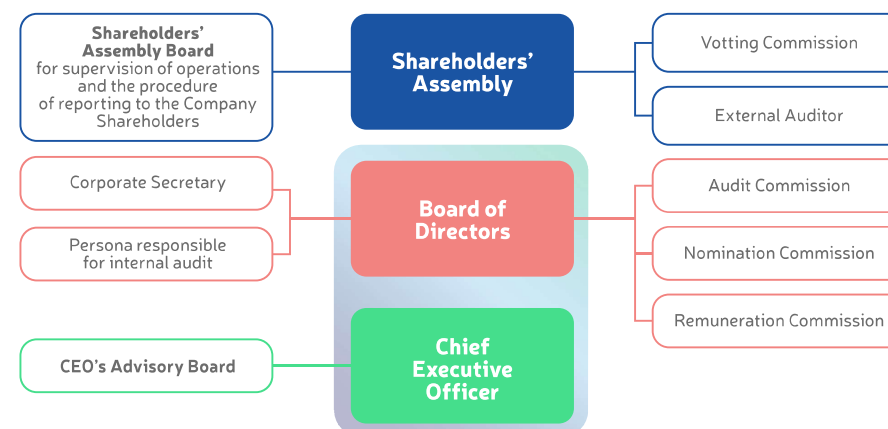
for the corporate governance of the Company. The corporate Board of Directors ensures the application of the principles established under the Code, monitors their implementation and the compliance of the Company’s organisation and operations with the Code and the Law.

#### Corporate Governance System

The Company has established a one-tier governance system, where the Board of Directors has the central role in the corporate governance. The Board of Directors is responsible for the implementation of the objectives and the achievement of results, while the shareholders exercise their rights and control primarily through the Shareholders’ Assembly.

The provisions of the Articles of Association fully and clearly differentiate between the scope of work of the Board of Directors and the scope of work of the Shareholders’ Assembly, the CEO of the Company and the bodies set up by the corporate governance bodies.

#### Corporate Bodies of NIS j.s.c. Novi Sad



## Shareholders' Assembly and Shareholders' Rights

As the highest authority of the Company, the Shareholders' Assembly is made up of all shareholders. All NIS j.s.c. Novi Sad shares are ordinary shares that give their owners the same rights, where one share carries one vote. The corporate documents do not impose restrictions regarding the number of shares or votes that a person may have at a Shareholders' Assembly meeting.

The Shareholders' Assembly meetings may be ordinary or extraordinary. Ordinary meetings are convened by the Board of Directors no later than six months after the end of a business year. The Board of Directors convenes extraordinary meetings at its discretion or at the request of shareholders holding at least 5% of the Company shares.

The rules regarding the method of convening meetings, operation and decision-making process of the Shareholders' Assembly, and particularly the issues relating to how shareholders exercise their rights in connection with the Shareholders' Assembly, are laid down in advance and incorporated into the Rules of Procedure of the Shareholders' Assembly, which are made public and available to all shareholders.



Notice about the Board of Directors' decision to call a meeting of the Shareholders' Assembly, with the proposed agenda is published on the first business day following the adoption of the decision; on the Company's website and on the regulated market's website ([www.belex.rs](http://www.belex.rs)). The invitation to a meeting of the Shareholders' Assembly is sent by publication on the Company's website ([www.nis.rs](http://www.nis.rs)), and it is also published on the website on the company register's website ([www.apr.gov.rs](http://www.apr.gov.rs)), the website of the Central Securities Depository and Clearing House ([www.crhov.rs](http://www.crhov.rs)) or on the regulated market's website ([www.belex.rs](http://www.belex.rs)). The invitation is sent no later than 30 days

prior to the day of an ordinary meeting, or 21 days prior to an extraordinary session. Simultaneously with the announcement of the invitation to the Shareholders' Assembly meeting, the Company's website also publishes the materials for a meeting of the Shareholders' Assembly, which are also available for inspection at the Company's headquarters, to each shareholder who so requests, or to their proxy until the day of the meeting.

In addition to information about the meeting time, venue and agenda, the call for a meeting of the Shareholders' Assembly also includes information on how the shareholders may access the materials for the meeting, explanations on the shareholders' rights, manner and deadlines for the exercise of those rights, as well as information on the Shareholders' Day. Furthermore, proxy forms and absentee ballots (also available from the company headquarters) and electronic ballots are also published along with the call.

All decisions adopted by the Shareholders' Assembly are published on the corporate website together with the Voting Commission's report on the voting results, minutes of the Shareholders' Assembly meeting, the list of the attendees and invitees, and the list of the attending and represented shareholders of the Company.

Calls and materials for Shareholders' Assembly meetings, decisions adopted and other documents published following a Shareholders' Assembly meeting are available in Serbian, Russian and English.

### Special Shareholders' Rights

The Agreement for the Sale and Purchase of Shares of NIS j.s.c. Novi Sad, entered into on December 24, 2008 between PJSC Gazprom Neft and the Republic of Serbia, stipulates that, as long as the contracting parties are shareholders of NIS j.s.c. Novi Sad, neither party shall sell, transfer or otherwise dispose of ownership of the share package, in part or in its entirety, for the benefit

of any third party, unless it previously offers to the other party the option of purchasing the share package under the same terms as offered by the third party.

Pursuant to Articles 4.4.1 and 4.4.2 of the same Agreement, as long as the Republic of Serbia is a shareholder of the Company with at least 10% share in the share capital, it will be entitled to the number of members of the Board of Directors, which shall be proportional to its share in the base equity. The chairperson and one Board member of the Shareholders' Assembly are appointed upon the proposal of the Republic of Serbia, while the remaining member of the Board of the Shareholders' Assembly is appointed on the proposal of PJSC Gazprom Neft.

Decisions made by the Shareholders' Assembly on the basis of the Agreement in question and the Articles of Association, with the obligatory positive vote of the Republic of Serbia are listed in the section Majority for decision-making and amendments to the Articles of Association.

### Right to participate in the operation of the Shareholder Assembly

The right to participate in and vote at the Shareholders' Assembly meeting is held by all shareholders who own NIS j.s.c. Novi Sad shares on the Shareholders' Day (the tenth day prior to a Shareholders' Assembly meeting), according to the central registry of shareholders maintained by the Central Securities Depository and Clearing House.

The right to participate in the operation of the Shareholders' Assembly includes the rights of shareholders to vote and participate in the discussion about the items on the agenda of the Shareholders' Assembly meeting, including the right to put forward motions, ask agenda-related questions and receive answers in accordance with the Law, Articles of Association and Rules of Procedure of the Shareholders' Assembly, which specifically establish the procedures for exercising such rights.

In accordance with the Articles of Association, the right to personally participate in the Shareholders' Assembly meeting is granted to a company shareholder with at least 0.1% shares of the total number of company shares, or to a proxy representing at least 0.1% of the total number of Company shares. Company shareholders who individually hold less than 0.1% of the total number of company shares may participate in the Shareholders' Assembly meeting through a joint proxy, vote in absentia or vote electronically, regardless of the number of shares held, whereby all of the above voting methods have the same effect. The stipulation of a threshold for personal participation is due to the fact that the Company has a very large number of shareholders (about 2.05 million) and a threshold in these circumstances is necessary in order not to compromise the efficiency and rationality in terms of planning and holding Shareholders' Assembly meetings.

The Company makes it possible for all shareholders to grant an online proxy and vote online prior to the meeting, wherein the proxy, i.e. the ballot must be signed by a qualified electronic signature in accordance with the law governing electronic signatures.

A shareholder of the Company who has the right to participate in the work of the session of the General Meeting shall have the right to vote on any matter voted on at the session of the General Meeting by filling in and sending the voting form through direct submission, courier service, by registered mail or electronically, which form must be received by NIS j.s.c. Novi Sad no later than 3 (three) working days before the date of the General Meeting.

### Proposing Amendments to the Agenda

Pursuant to the Law, one or more shareholders of the Company, who own at least 5% of shares with voting rights, may send a proposal to the Board of Directors containing additional items for the agenda of the meeting of the Shareholders'

Assembly which they propose to discuss or which are proposed to be discussed by the Shareholders' Assembly make decisions, as well as proposals for different decisions according to the existing items of the agenda, on the condition that they justify their proposal and submit the text of the proposed decisions (if it is proposed to adopt a decision of the Assembly of Shareholders).

#### *Right to raise Questions, receive answers and put forward motions*

A company shareholder who has the right to participate in the work of the Shareholders' Assembly may ask questions relating to items on the agenda of the Shareholders Assembly meeting, as well as other issues related to the Company, to the extent that the answers to these questions are necessary for the adequate assessment of the issue regarding the items on the agenda of a Shareholders' Assembly meeting. Members of the Board of Directors provide the answers to the questions.

#### *Voting majority and amendment to the articles of association*

Decisions of the Shareholders' Assembly are adopted, as a rule, by a simple majority of the votes of the present company shareholders who have the right to vote on the subject matter, unless the Law, the Articles of Association or other regulations for certain issues have not determined a higher number of votes.

Notwithstanding the above, as long as the Republic of Serbia has at least a 10% share in the Company's share capital, it is necessary that the Republic of Serbia confirms the decisions of the Shareholders' Assembly on the following issues: adoption of financial statements and auditor's reports, changes to the Articles of Association, increases and decreases in share capital, status changes, acquiring and disposing of company assets of significant value, changes of the Company's core business activity and registered office, as well as termination of the Company.

The Decision on Amendments to the Articles of Association shall be adopted at the Shareholders' Assembly by a simple majority vote of all voting shareholders, where the affirmative vote of the Republic of Serbia is required. In accordance with the Law, the Memorandum of Association of the Company shall not be amended.

#### *Activities of the Shareholders' Assembly in 2023*

In 2023, XV Annual General Meeting of the Shareholders' Assembly (29 June 2023) was held in Belgrade, at the NIS Corporate Centre, at Milentija Popovica 1, while there were no extraordinary meetings.

At the XV ordinary meeting, the Shareholders' Assembly adopted the Company's financial and consolidated financial statements for 2022 with the auditor's opinion and elected auditor FinExpertiza d.o.o. Beograd to conduct the audit for the next three-year period (2023–2025). The Annual Report of the Company for 2022, including the independent auditor's report on the Annual Report, the Report on the Analysis of the Work of the Board of Directors and the Board of Directors Committees, the Annual Report of the Board of Directors on Accounting Practices, Financial Reporting Practices, and Compliance of Operations with the Law and Other Regulations, as well as the Report of the Activity of Shareholders' Assembly were also adopted. In addition, the Shareholders' Assembly adopted the Remuneration Policy for the members of the NIS j.s.c. Novi Sad Board of Directors and the Board of Directors committees of, Report on Remuneration for the members of the Board of Directors for 2022, including the independent auditor's report, as well as the Report on Adequacy of the Composition of the Board of Directors and the Number of Members of the Board of Directors to the needs of the Company.

In addition to the above, the Shareholders' Assembly also adopted the Decision on the Distribution of Profits for 2022, Payment of Dividends, and Determination of the Total

Retained Earnings of the Company, according to which 25% of the profit generated in 2022 is allocated for dividend payment, i.e. it was decided that a total of RSD 23.36 billion would be paid to the Company's shareholders.

The Shareholders' Assembly also appointed members of the Board of Directors as well as the Chairman and members of the Shareholders' Assembly Board for supervision of Shareholders' Operations and Reporting Procedure for the current term of office.

#### *Shareholder relations and information provision*

In addition to the reports that NIS, as a public joint-stock company, publishes in accordance with legal regulations and which are publicly available to all interested parties, including reports on business results that are presented to shareholders at the meeting of the Shareholders' Assembly, the Company also has a developed two-way communication with shareholders and investors, which have the additional opportunity to receive all the necessary information about the Company's operations and their rights during the year through the Offices for Minority Shareholders Affairs in Novi Sad and Belgrade, a special call center, and an email service (servis.akcionara@nis.rs) through which every shareholder may ask questions and receive answers electronically, as well as through Investor Relations Services.

Also, the Company takes part in meetings with representatives of the investment community. Representatives of the Company's top management regularly attend quarterly presentations of business results, and these presentations include both the results from the past period, as well as the Company's future plans and strategies.

NIS j.s.c. Novi Sad applies the highest standards in the area of information sharing, and ensures equal treatment of all information users. The Company ensures that published information is



*More information on Investor Relations on page 101*

available to all interested parties in an equal and easily accessible way as soon as possible, and mostly uses its website for this purpose. A special segment of the website intended for shareholders and investors contains the most important news, decisions of the authorities, answers to the most common questions of shareholders in the previous period, 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. In September 2023, a redesigned version of the website intended for investors and shareholders was launched, at it warranted the improvement of the Company's visual identity and additionally facilitated access to all the information of importance for shareholders and investors. The new redesigned version of the website reflects the Company's commitment to the constant improvement of relations with investors and shareholders. The statutory reporting procedure is defined by special company documents governing the method and process of publishing information and submitting information to the relevant authorities.

The Company has an established mechanism for preventing and resolving potential conflicts between minority shareholders. There is a three-member commission tasked with resolving complaints of minority shareholders. The commission's responsibilities, manner in which it can be contacted and the way of its operation are regulated by a special internal document of the Company.

Information for minority shareholders regarding the proceedings before this Commission is available on the Company's website.



## Board of directors

The Board of Directors has a central role in corporate governance. It is collectively responsible for the long-term success of the Company, setting the main business objectives, identifying the Company's directions of future development, as well as for establishing and monitoring the effectiveness of the corporate business strategy.



The most important issues within the competence of the Board of Directors include: determining the business strategy and business objectives of the Company, managing the Company's affairs and determining the internal organisation of the Company, performing internal supervision of the Company's operations, establishing the Company's accounting and risk management policies, determining periodic financial statements and reports on the Company's operations (quarterly and semi-annually), determining the business plan of the Company and its amendments, executing decisions made at the Shareholders' Assembly, appointing and dismissing the Chief Executive Officer and Chairperson of the Board of Directors, and making decisions on the establishment or liquidation of Company where the Company has a share in capital (decisions regarding the increase of capital, purchase and sale of shares or stakes in these Companies).

Board of Directors shall also issue the price of convertible bonds and warrants, if the Shareholders' Assembly has, with the power granted it by the Board of Directors, determined the range of the issue price within that range and the market value of those shares in accordance with the Law. The Board of Directors may also make a decision on the share buyback if this is necessary to prevent major and immediate damage to the Company, in which case it is obliged to inform the shareholders at the first next session of the Shareholders' Assembly about the reasons and manner of acquiring its own shares, their number and total nominal value of shares, their share in the share capital of the Company, as well as the total amount paid by the Company for them.

## Appointment and members of the Board of directors

The members of the Board of Directors shall be appointed and dismissed at a Shareholder Assembly by a simple majority vote of the present voting shareholders. At the XV General Annual Shareholder Assembly held on June 29, 2023, 11 members of the Board of Directors of NIS were appointed. The members elect the Chairperson of the Board of Directors, while the responsibilities of the Board of Directors' Chairperson and the CEO are clearly divided. The members of the Board of Directors have the right combination of the required knowledge, skills and experience relevant for the type and scope of activities performed by NIS j.s.c. Novi Sad.

Candidates for members of the Board of Directors could be proposed by the Nomination Commission or company shareholders that individually or jointly possess at least 5% of the Company's shares.

The Board of Directors consists of executive and non-executive directors. The Board of Directors consists of one executive member, while all the other members are non-executive. Two of these non-executive members are also independent members of the Board of Directors who meet special criteria prescribed by the Law.

The Board of Directors has a significant number of foreign members who bring international experience and who have an understanding of challenges faced by the Company. Seven out of eleven members of the Board of Directors are Russian citizens, while four members of the Board of Directors are citizens of the Republic of Serbia.

The members of the Board of Directors must fulfil the criteria prescribed by the Law, as well as special conditions prescribed by the Articles of Association, about which they are required to give a statement at the beginning of their term of office. They are also obliged to inform the Company about all changes regarding their status,

especially if these changes affect their ability to meet the requirements for membership of the Board of Directors, create a conflict of interest or breach the non-compete clause.

The term of office of the members of the Board of Directors is terminated at the first subsequent General Annual Shareholder Assembly, except in the case of co-optation, when the term of office of co-opted members of the Board of Directors lasts until the next meeting of the Shareholders' Assembly. Upon the expiration of their term of office, each member of the Board of Directors may be reappointed an unlimited number of times. The Shareholders' Assembly may dismiss a member of the Board of Directors even before the expiry of the term of office for which they are appointed, and a member of the Board of Directors may also resign at any time in writing.

**Report of the Appointments Committee** – In accordance with the Law, and taking into account the principles set out in Article 5, item 5.1 of the Code, the Appointments Committee shall, at least once a year, prepare a report for the Shareholders' Meeting of the Company on the adequacy of the composition of the Board of Directors and make recommendations regarding this issue. Thus, in 2023, at the XV regular session, the Appointments Committee submitted to the Shareholders' Assembly the Report on the Suitability of the Composition of the Board of Directors and the 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. Based on the performed analysis, it was determined that the size of the composition of the Board of Directors of the Company corresponds to the practice of large companies in the oil and gas sector of Europe and that the existing composition of the Board of Directors of the Company is knowledgeable in the field of auditing, finance, strategic management, tax system, marketing, trade in oil and petroleum products, as well as sales and distribution, and the composition of the Board of Directors includes both men and women. It has been established that the members of the Board of Directors have international certificates

ACCA and MBA and CMA qualifications. The report concludes that the composition of the Board of Directors corresponds to the needs of the Company's corporate governance and the principles set out in Article 5, item 5.1 of the Code. The report in question is publicly available on the Company's website.

More information on the application of the Diversity Policy applied in relation to the governing authorities is available in the section of this report on page 114.

## Changes in the composition of the Board of Directors in 2023

At the XV regular session of the NIS Shareholders' Assembly, held on 29 June, 2023, the following persons were appointed as members of the Board of Directors: Vadim Yakovlev, Kirill Turdeney, Danica Drašković, Alexey Yankevich, Pavel Oderov, Vsevolod Vorobev, Dejan Radenković, Dragutin Matanović, Goran Knežević, Anatoly Cherner and Olga Vysotskaya, while the membership of the Alexander Chepurin in the Board of Directors of NIS j.s.c. Novi Sad ended as of the date of the aforementioned session of the NIS Shareholders' Assembly.

### Board of directors' members as of 31 December 2023

**Vadim Yakovlev**  
Chairman of NIS j.s.c. Novi Sad Board of Directors  
Non-executive director

**Kirill Tyurdeney**  
Member of NIS j.s.c. Novi Sad Board of Directors  
Executive director  
Member of Nomination Commission

**Danica Drašković**  
Member of NIS j.s.c. Novi Sad Board of Directors  
Non-executive director



**Alexey Yankevich**

**Member of NIS j.s.c. Novi Sad Board of Directors**

**Non-executive director**

*Chairman of the Remuneration Commission*

**Pavel Oderov**

**Member of NIS j.s.c. Novi Sad Board of Directors**

**Non-executive director**

**Vsevolod Vorobev**

**Member of NIS j.s.c. Novi Sad Board of Directors**

**Non-executive director**

**Dragutin Matanović**

**Member of NIS j.s.c. Novi Sad Board of Directors**

**Non-executive director**

*Chairman of Nomination Commission*

**Dejan Radenković**

**Member of NIS j.s.c. Novi Sad Board of Directors**

**Non-executive director**

*Member of the Audit Commission*

**Goran Knežević**

**Independent Member of NIS j.s.c. Novi Sad Board of Directors**

**Non-executive director**

*Member of Nomination Commission*

**Anatoly Cherner**

**Member of NIS j.s.c. Novi Sad Board of Directors**

**Non-executive director**

**Olga Vysotskaia**

**Independent Member of NIS j.s.c. Novi Sad Board of Directors**

**Non-executive director**

*Chairman of the Audit Commission*

*Member of the Remuneration Commission*

**Board of Directors' Activities in 2023**

The Board of Directors held 4 sessions in presentia and 18 sessions in absentia. All meetings of the Board of Directors, recorded practically maximum attendance.

In addition to regular activities of consideration of the annual report of NIS j.s.c. Novi Sad, the following items were also on the agenda of the Board of Directors: financial statements and consolidated financial statements of the Company for the year 2022, the adoption of periodic (quarterly) reports of the Company in 2023, convening of a regular session of the Shareholders' Assembly, the adoption of the Company's business plan, scheduling the date, procedure and method of paying dividends to the Company's shareholders. Decisions were also made to approve the termination of the interest of NIS j.s.c. Novi Sad in the company NICCO AGRAR LLC BANATSKI BRESTOVAC, through the sale of its shares, then on the formation and termination of the Company's branches and the approval of the conclusion of the Annex to the Agreement on an intercompany loan between NIS j.s.c. Novi Sad and NAFTAGAS - Oilfield Services LLC. Novi Sad, i.e., between NIS j.s.c. Novi Sad and Scientific Technical Centre (NTC) NIS - Naftagas LLC, Novi Sad. The Board of Directors also approved proposals for the approval of candidacies for the positions of Supervisory Board members, and the position of the director of HIP-Petrohemija LLC, Pančevo, and appointed the members of the Committee of the Company's Board of Directors for auditing, compensation and appointments for the current period of their office. For the purposes of achieving the Company's planned goals, reviewing the Company's performance and the quality of corporate management, the Board of Directors, through quarterly reports, discussed the business analysis in the reporting period, with the assessments of the business activity of NIS j.s.c. Novi Sad until the end of 2023. The Board of Directors also analysed its own work and submitted the appropriate Report at the XV regular session of the Shareholders' Assembly. Besides, the Board discussed the results of the

fulfilment of key business indicators for 2022, as well as the evaluation system for key business indicators for 2023. In addition, Board of Directors also adopted the Decision on the approval of the donation of NIS j.s.c. Novi Sad for supporting the projects of the Government of the Republic of Serbia in the field of education, social and health care, and adopted the Accounting Policies of the Company, version 3.0.

In 2023, the Board of Directors adopted 73 decisions, and the enforcement of these decisions is monitored through periodic reports on the enforcement of Board of Directors decisions and orders.

**Board of Directors' Rules of Procedure and Meetings**

The Rules of Procedure of NIS' Board of Directors and Commissions of the Board of Directors (hereinafter "BoD Rules of Procedure") govern the operation and decision-making process of NIS' Board of Directors and Commissions of the Board of Directors, including the procedure for convening and holding meetings.

For each business year, the Board of Directors adopts a work plan which includes all issues to be considered in accordance with the applicable laws and Company business needs, and establishes the deadlines for these issues to be considered in the meetings of the Board of Directors. In addition to planned issues, the Board of Directors also deals with other issues within its scope of work, as required.

In order to ensure that the members of the Board of Directors are adequately informed before making decisions, and to keep them up to date with the activities of the Company, the CEO and the management ensure that the members of the Board of Directors receive accurate, timely and complete information on all issues reviewed at meetings and all other important issues concerning the Company. Meetings of the Board of Directors are prepared with the assistance of the Corporate Secretary and under the supervision of

the Chair of the Board of Directors, so that each member may adequately contribute to the work of the Board of Directors.

The Board of Directors adopts decisions by a simple majority of votes of all members of the Board of Directors, except for the decision to co-opt, which is made by a simple majority of votes of attending members, and decisions requiring a different majority under the Law and/or the Articles of Association. Each member of the Board of Directors has one vote.

**Board of Directors and Commission Members' Remunerations**

**Remuneration Policy** – In 2023, the Shareholders' Assembly adopted the current Remuneration Policy for the Members of the Board of Directors and of the Board of Directors' Committees.

The objective of the Remuneration Policy is to ensure the transparency of the remuneration system and to keep the shareholders and potential investors informed, as well as to connect the interests of the members of the Board of Directors and Board of Directors' committees with the long-term interests of the Company and shareholders, and the successful implementation of business plans and strategies, which contributes to the long-term sustainability of the Company.

To this end, when defining remunerations, the Company assumes that fees and remunerations should be the compensation for engagement, but also a motivating factor, so that the Company is able to attract and retain as members of the Board of Directors and Board of Directors committees persons who possess professional and other competencies necessary for the Company, at the same time without significantly deviating from the fees paid to members of the Board of Directors and Board of Directors' committees in other companies of the same or similar size and business scope, engaging in the same or similar activity, i.e., peer companies.

When determining the type and amount of remuneration, the Company takes into account the following criteria:

- tasks, i.e., obligations and responsibilities of a member of the Board of Directors and committees;
- the financial standing of the Company;
- the economic environment in which the Company is located;
- the assessment of the previous work of the Board of Directors in general;
- the link between the results achieved by members of the Board of Directors and the committees, and their remuneration;
- the principles of best practices of corporate governance and
- the level of fees and remuneration in peer companies.

**Remunerations for executive members of the Board of Directors** – In line with the remuneration policy, the remuneration for executive directors is specified under employment contracts or fixed-term contracts for each executive director of the Company. In this case, they do not receive any remuneration for their membership in the Board of Directors and its Commissions, except for the compensation of costs and professional liability insurance in relation to the membership and work as part of the Board of Directors and its Commissions.

**Remuneration Structure** – The remuneration policy stipulates that the remuneration for executive members of the Board of Directors consists of:

- Fixed portion,
- Variable part (which includes short-term and long-term motivation),
- Other benefits.

**Remuneration for non-executive members of the Board of Directors and members of committees of the Board of Directors** – The total remuneration paid to non-executive members of the Board of Directors and members of committees of the Board of Directors consists of:

- Fixed (permanent) part,
- Variable part (bonus),
- Other benefits.

**Fixed (permanent) portion** of the remuneration to the members consists of a fixed portion of the annual remuneration for the membership in the Board of Directors and the fixed annual remuneration for participation in the Commissions of the Board of Directors. The annual fixed part of the remuneration for membership in the Board of Directors is the remuneration for the time and effort of a member of the Board of Directors and is related to the preparation and active participation in sessions and meetings of the Board of Directors, which requires the members to study the documents in advance and participate in the meeting of the Board of Directors.

The annual fixed part of the remuneration for participation in the work of the Board of Directors committees is the remuneration paid to members for participation in the work of one or more committees of the Board of Directors, with the exception of executive directors and also members of the committees of the Board of Directors employed by the Company. This type of remuneration represents the compensation for the time and effort of members of the Board of Directors' committees for their participation in the work of the Board of Directors' committees, including the preparation of materials and proposals by the Board of Directors committee. The annual fixed part of the remuneration for participation in the work of the Board of Directors committees will be paid only for participation and active work at the sessions relevant of the Board of Directors committee.

The entitlement to the variable part of the remuneration is acquired for participation in the three-year program cycle defined by the Rulebook on the Programme of Long-Term Stimulation of Non-Executive Directors and Members of the Governing Bodies of NIS j.s.c. Novi Sad, adopted by the Shareholders' Assembly.

The long-term incentive program for non-executive directors and members of the governing body is regulated in more detail by a special Rulebook adopted by the Shareholders' Assembly, which regulates the basic principles and parameters of the program.

This program is one of the key elements of motivation for non-executive directors and members of the company's governance bodies towards the implementation of the company's long-term strategic goals.

The long-term stimulation program is aimed at connecting the interests of its participants with the long-term interest of the company and its shareholders to facilitate long-term sustainable development and achievement of the company's strategic goals. The motivation is adequately measured to the company's resources and needs and pertains to a specific time period sufficient to establish that there was value created for the company's shareholders.

The long-term stimulation program is comprised of successive cycles. The parameters and participants of the program are determined in corresponding regulations.

The shareholders' assembly adopted a list of key indicators that significantly contribute to the strategic development of the Company for the cycle of the Long-term Stimulation Program for non-executive directors and members of the governing bodies of NIS for the period from 2021 to 2023.

**Reimbursement of expenses** – Members of the Board of Directors and its Commissions are entitled to reimbursement for all expenses incurred in connection with their membership on

the Board of Directors or its Commissions, in line with internal corporate documents.

**Liability insurance** – Members of the Board of Directors are entitled to liability insurance (Directors & Officers Liability Insurance).

**Amendment to the Remuneration Policy** – In order to maintain the remuneration at an appropriate level, the remuneration policy is subject to periodic reviews and analyses, and should reflect the needs, abilities and interests of the Company and other changes in relevant criteria.

**Remuneration Commission Report** – The Remuneration Commission prepares a report on the assessment of the amount and structure of remunerations for the Shareholders' Assembly at least once a year, as well as a clear, comprehensive and comprehensible report on all remuneration paid by the Company or an affiliated company, operating within the same group of companies, paid or allocated to be paid to each individual current and former member of the Board of Directors, in the last business year preceding the year in which the report is drawn up. Thus, for the calendar year 2022, the Remuneration Commission submitted a Report on remuneration for the members of the Board of Directors of NIS j.s.c. Novi Sad for 2022, which contained both of the aforementioned reports, and was adopted at the XV regular session of the Shareholders' Assembly, held on 29 June 2023. As part of the scope of the Report in question, the Remuneration Commission acted in accordance with its competences, assessed the adequacy of the amount and structure of the remuneration for the members of the Board of Directors against the principles, frameworks and criteria defined by the applicable Remuneration Policy, and concluded that in 2022, the Company was in the compliance with the said Remuneration Policy. One of the principles for determining the amount of remuneration for members of the Board of Directors and the Board of Directors committees is the comparability of the remuneration with the level of remuneration paid by NIS j.s.c. Novi Sad

peer companies in terms of type and scope of activity. And in order to ensure a relevant sample of companies participating in the comparison, the impact on the economy and energy security of the state was used as the criterion. The conclusion is that the structure and amount of remuneration for non-executive, independent and executive members of the Company's Board of Directors is in accordance with current market practice, and that it includes the main elements of compensation and helps attract, retain and motivate qualified members of the Board of Directors. The aforementioned Report on the remuneration of the members of the Board of Directors of NIS j.s.c. Novi Sad for the year 2022 was audited by the independent auditor FinExpertiza d.o.o. Belgrade, and the relevant Auditor's Report was also adopted at the XV regular session of the Shareholders' Assembly.

Total amount paid to Board of Directors members in 2023, net RSD	
BoD Members	252,803,547 RSD

Number and percentage of shares of NIS j.s.c. Novi Sad owned by BoD members

Name and surname	Number of shares	% in total of shares
-	-	-

Description of the diversity policy applied in relation to the governing authorities

Documents Equality Policy, Corporate Governance Code of NIS j.s.c. Novi Sad and the Report on adequacy of the composition of the Board of Directors and the 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 adopted by the Shareholders' Assembly of NIS j.s.c. Novi Sad (hereinafter referred to as the Documents) define company's commitment to observation of various aspects of diversity in terms of representation in the Board of Directors.

Usage of gender-specific expressions in the following text shall be understood as neutral, applicable both to female and male gender.

One of the objectives of the abovementioned Documents is to ensure complementarity and diversity within the Board of Directors, taking into account the presence of all aspects of diversity: gender, age, level of education and skills, and other differences among the Management Bodies that can help improve the Company's managerial decisions.

We believe that cherishing diversity improves our Company's operations on multiple levels – it strengthens them by including diverse experiences, enriches them with different cultures, providing a diversity of ideas and viewpoints, whilst ensuring competitiveness in the marketplace. With these Documents, we aim to provide a framework for better implementation of the strategies, as well as opportunities for maximum effectiveness of our performances and sustainable business operations, as we provide equal opportunities for employment and decision-making for all – regardless of their gender, age, level of education or skills, and all other differences. The purpose of the Documents' segments that are tackling diversity is to promote diversity among the members of the Board of Directors. This approach ensures team diversity and ensures the presence and exchange of different experiences, as well as the application of more or less specific skills, but also competencies and personality traits that will inspire learning and mutual development. This aspect reflects a key difference in the operation of every company, as a basis for further growth.

Defined conditions for the selection of suitable candidates for membership in the Board of Directors represent the basis for composition of the Board thus making sure that this corporate body as a whole acts in compliance with defined rules, possesses an appropriate set of competencies and skills, qualifications and experience required for the long-term and sustainable business of the company.

Diversity aspects are numerous, the key ones are defined in relation to numerous factors – economic environment, strategic direction of the company, talent development strategy, new trends in the industry and many others. However, we would like to single out several aspects that are essential for our business and are deeply woven into our corporate culture – gender and age diversity, professional diversity, diversity of competencies.

Gender diversity

Under-representation of women in management positions is still a norm in the global energy sector. Gender balance in management and supervisory bodies is an important aspect of a company's diversity.

Our Company seeks to ensure both genders are equally represented.

In the current composition of the Board of Directors of NIS j.s.c. Novi Sad, 18% of members are women (2 out of 11).

Age diversity

Aware of the importance of age diversity among the members of the Company's management bodies, NIS j.s.c. Novi Sad expresses a particular readiness and commitment to diversification by bringing together different generations, whereas each generation is leaving their particular mark and contributing with their specific strengths. This combination of experience and knowledge, ideas and initiatives, traditional and modern approaches aims to achieve a synergistic effect that will vouch for best results in the Company's operations.

Professional diversity

Special attention is given to the professional qualifications of the members of the Company's management bodies. The Board of Directors comprises of professionals in their respective

fields, whose individual experiences, competencies, motivations, ambitions, visions and personal contribution ensures that the Company, with its numerous employees, keeps the same common goal towards which it is striving for many years now.

Diversity of competencies

Considering the importance of diversity of competencies, special attention is given to the competencies of the members of the Board of Directors such as: having appropriate business and life experiences relevant for the management of the Company; possess knowledge, capabilities and experience for successful performance of tasks within the scope of the Company; knowledge of the Company's operational environment, technology, market and industry in which it operates; financial competencies; competencies in the field of the oil industry or some other specific competencies, all in order to achieve an appropriate balance of diversity in skills, experience and expertise of the Board of Directors.

The official Diversity Code was adopted on January 28, 2022. This document establishes rules regarding the representation within the Board of Directors (gender diversity; age diversity; professional diversity; diversity of competences), aiming to establish and promote a balanced representation of all aspects of diversity in the Management Bodies, thus helping us improve the Company's overall managerial decisions.

Induction and Training of the Board of Directors' Members

Upon appointment, members of the Board of Directors are introduced to the Company's operations, and provided with greater insight into the Company' operating procedures, strategies and plans, and the key risks it faces, and their expedited active involvement in the activities of the Board of Directors. This includes, among other things, introducing them to internal company documents, and providing basic information about



the Company, corporate governance, persons appointed to managerial positions, information on the corporate performance, business strategy, business plan, objectives and other information they need to be able to perform their roles.

The Company also organises special programs for additional training and development and allocates funds for these purposes in cases where members of the Board of Directors express the need for this.

### *Analysis of the Board of Directors' Activities*

The Board of Directors analyzes its performance and the performance of its Commissions annually, in order to identify potential problems and propose measures to improve its performance.

Its performance is analyzed through a survey completed by the members of the Board of Directors which contains two sets of key questions for evaluation of the Board of Directors' performance. The first group comprises criteria for evaluating the work of the Board of Directors with respect to its objectives, duties and responsibilities, while the second group comprises criteria for evaluating the procedures applied in the work of the Board of Directors.

The results of the valuation, which are derived from the responses of members of the Board of Directors provided in the survey, are presented to the Shareholders' Assembly in a special report.

At the XV regular session held on 29 June 2023, the Shareholders' Assembly adopted the Report on the Analysis of the Work of the Board of Directors and Committees of the Board of Directors of NIS j.s.c. Novi Sad for the period April 16, 2022 - April 15, 2023. The subject report is publicly available on the Company's website.

### *Strategic meetings*

Members of the Board of Directors consider strategic goals during development of the Company's business plan for the next years,

and periodically also take part at the strategic meetings which provide a better insight into the Company's business and thereby enabling them to review and reconsider priority development directions and KPI forecasts and assumptions for Company's development on a long-term basis.

### *Board of Directors' Commissions*

With a view to ensuring efficiency, the Board of Directors established three standing Commissions as its advisory and expert bodies which provide assistance to its activities, particularly with regard to: issues in its domain, preparation and supervision of the implementation of decisions and documents it adopts, and performance of certain specialised tasks required by the Board of Directors.

The Board of Directors established the following Commissions:

- Audit Commission,
- Remuneration Commission and
- Nomination Commission.

As appropriate, the Board of Directors may establish other standing or ad hoc Commissions to deal with issues relevant for its activities.

Each of the three Commissions consists of 3 members which are appointed and dismissed by the Board of Directors. The Board also appoints one of its members as the Chairperson, who manages the work of the Commission and prepares, convenes and presides over its sessions and performs other tasks necessary for carrying out activities from its domain.

The majority of members in each Commission are non-executive directors, and at least one member must be an independent director of the Company. The Board of Directors can choose members of its Commissions among persons who are not the Company's directors but have the adequate knowledge and work experience relevant to the Commissions.

The role, competencies and responsibilities of the Commissions are defined by law, and by the Rules of Procedure of the Board of Directors and its Commissions which also regulate the composition, conditions for selection and number of members, term of office, dismissal, manner of operation, as well as other relevant issues related to the work of the Board of Directors' Commissions.

At least once a year, these Commissions draft and submit to the Board of Directors reports on issues within their scope of work, but the BoD may request reports on all or some of the issues within their scope at shorter intervals as well.

The Board and its Commissions may seek professional advice from independent experts when necessary for the successful performance of duties.

### *Audit Commission*

In addition to the general conditions for the composition of the Board of Directors' Commissions, the Chairperson of the Audit Commission must be an independent director of the Company, while at least one member must be a certified auditor or who has the adequate knowledge and work experience in the field of finance and accounting, and who is independent from the Company.

Members of the Audit Commission are:

- Olga Vysotskaia, Chairperson of the Audit Commission,
- Dejan Radenković, Member of the Audit Commission and
- Alexey Urusov, Member of the Audit Commission.

The Chairperson and members of the Audit Commission were appointed by a decision of the Board of Directors dated 21 July 2023, and all three members performed the above functions in the Audit Committee in the previous term of office as well.

During 2023, the Audit Commission held three sessions in the presence of members and nine written sessions. The Commission considered, inter alia, the contents of the Quarterly Report, the Financial Report and the Consolidated Financial Report for Q1, Q2 and Q3 of 2023 and made appropriate recommendations to the Board of Directors. The Audit Commission also considered the Annual Report for 2022 with the report of the independent auditor FinExpertiza LLC Belgrade. The Committee deliberated on the proposal for the selection of the auditor of the Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for the 3 - year period (2023-2025) and the performance of other audit services for the period of 3 years (2023-2025), gave an opinion on the qualification and independence of the auditor FinExpertiza d.o.o. Belgrade in relation to the Company, as well as consent to the contract with the auditor for 2023. In the same way, the Audit Committee accepted the Plan for the implementation of the audit procedure and for determining key issues that should be the subject of audit, and defined the Annual Plan for the performance of the internal audit at NIS j.s.c. Novi Sad for 2023. It also considered the audit findings and significant audit issues for 2022, and monitored the implementation status of the auditor's recommendations given in the Management Letter Points of NIS j.s.c. Novi Sad for 2022 and with the balance as of 31 August 2023. The Audit Committee analysed the report on results of internal monitoring of the operations of NIS j.s.c. Novi Sad for the year 2022 and for six and nine months of 2022, as well as for 3 months of 2023, and the Report on the management of key risks of NIS j.s.c. Novi Sad for 9 months of 2022 (with a forecast until the end of 2022), then for 3 and 6 months of 2023 (with a forecast until the end of 2023), as well as the Report on the realisation of key risks of NIS j.s.c. Novi Sad for 2022. The Committee determined the proposal of Accounting Policies of NIS j.s.c. Novi Sad, version 3.0, approved the Charter of Internal Audit of NIS j.s.c. Novi Sad, version 6.0 and the Development Strategy of the Internal Audit, Risk and Internal Control Functions 2023-2025 - Implementation status as of 30 June 2023.

### Remuneration Commission

Members of the Remuneration Committee are:

- Alexey Yankevich (Chairperson of the Remuneration Committee),
- Olga Vysotskaia (Member of the Remuneration Committee) and
- Zoran Grujičić (Member of the Remuneration Committee).

The Chairperson and members of the Remuneration Committee were pursuant to the decision of the Board of Directors dated 21 July 2023, and all the three members performed the above functions in the Remuneration Committee in the previous term of office as well.

During 2023, the Remuneration Committee held two sessions in presentia and two sessions in absentia. The Committee deliberated the results of the fulfilment of key performance indicators for the year 2022, as well as the system of evaluation and indicators for the purposes of remuneration for the year 2023 and, in addition, defined the proposal for the amount of remuneration for the auditor of the Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for the 3-year period (2023–2025) and performance of other audit services for a period of 3 years (2023–2025). Also, the Committee put forward the draft Compensation Policy for the Members of the Board of Directors and of the Board of Directors Committees of NIS j.s.c. Novi Sad. The Remuneration Committee also prepared the Report on Remuneration to the Members of the Board of Directors of NIS j.s.c. Novi Sad for the year 2022, which contains the Report on the assessment of the amount and structure of remuneration for each member of the Board of Directors and the Report on the remuneration of the members of the Board of Directors for the year 2022, which was submitted for deliberation to the Shareholders' Assembly at the session held on 29 June 2023.

### Nomination Commission

Members of the Nomination Commission are:

- Dragutin Matanović (Chairperson of the Nomination Commission),
- Goran Knežević (Member of the Nomination Commission) and
- Kirill Tyurdenov (Member of the Nomination Commission).

The Chairperson and members of the Nomination Commission were appointed by a decision of the Board of Directors dated 21 July 2023, while the function of a member of the Remuneration Committee was performed by Aleksandar Chepurin in the previous term of office (until 29 June 2023).

In 2023, the Nomination Commission held two sessions in the presence of members and one written session. The Committee considered the candidacy proposal for the position of director of HIP Petrohemija LLC, Pančevo and the Commission also prepared a Report on the Suitability of the Composition of the Board of Directors and the 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, which was submitted for consideration to the Shareholders' Assembly at the session held on 29 June 2023.

### Shareholders' Assembly Board

The Shareholders' Assembly Board for the Supervision of Operations and Reporting to the Company's Shareholders (hereinafter: "the Shareholders' Assembly Board") is a body of advisors and experts providing assistance to the Shareholder's Assembly with respect to its activities and of issues within its domain. Members of the Shareholders' Assembly Board report to the Shareholders' Assembly, which appoints them and relieves them of duty.

Pursuant to the powers granted to it by the Articles of Association, the Shareholders' Assembly Board

also presents its assessments of: reporting to the Shareholders' Assembly on the implementation of accounting practices; financial reporting practices of the Company and its subsidiaries; reporting of the Shareholders' Assembly concerning the credibility and completeness of reports to the Company's shareholders on relevant issues; proposed methods for the distribution of profit and other payments to the Company's shareholders; procedures for the independent audit of the Company's financial statements; internal control activities in the Company and evaluation of their effectiveness; proposals for the incorporation or liquidation of companies in which the Company holds a share, or of the Company's subsidiaries; proposals for the acquisition and sale of shares, stakes and/or other interests that the Company holds in other companies; and of the evaluation of the manner in which the Company handles complaints filed by its shareholders.

### Members of the Shareholders' Assembly Board as at 31 December 2023

The Board of the Shareholders' Assembly has 3 (three) members, one of whom is the Chairperson of the Board of the Shareholders' Assembly. The Shareholders' Assembly appoints simultaneously both the Chairperson and the members of the Board of the Shareholders' Assembly by a special decision. The mandate of the Chairperson and members of the Board of Shareholders' Assembly ends at the next regular session of the Shareholders' Assembly, except in the case of co-optation, when the term of the co-opted member of the Board of Shareholders' Assembly lasts until the first next session of the Shareholders' Assembly. The Chairman and each member of the Board of Shareholders' Assembly may be reappointed an unlimited number of times. The Shareholders' Assembly may dismiss and appoint a new Chairperson and/or member of the Board of the Shareholders' Assembly at any time.

At the XV General Annual Shareholders' Assembly held on 29 June 2023, all members of the Board of the Shareholders' Assembly Board

whose term of office ended were re-elected, so that in 2023 there was no change in the composition of the Board of the Shareholders' Assembly, and the composition is as follows:

- Zoran Grujičić (Chairperson)
- Dragan Bračika (Member) and
- Alexey Urusov (Member).

**Zoran Grujičić**  
Chairman of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad  
Member of the Remuneration Commission

**Dragan Bračika**  
Member of the Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad

**Alexey Urusov**  
Member of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad  
Member of the Audit Commission

### Activities of the Shareholders' Assembly Board in 2023

In 2023, the Board of the Shareholders' Assembly held eight sessions in absentia. The Board of the Shareholders' Assembly deliberated on the Company's annual financial and consolidated financial statements for 2022, as well as interim (quarterly) financial and consolidated financial statements for Q1, Q2 and Q3 of 2023. Apart from that, the Board of the Shareholders' Assembly considered the reports of the independent auditor on the audit of the Company's financial statements, the proposal on the appointment and remuneration of the auditor of the Financial Statements and Consolidated Financial Statements of NIS j.s.c. Novi Sad for a period of 3 years (2023–2025) and the appointment of auditors for the performance of other audit services for a period of 3 years (2023–2025), as

well as the method of profit distribution for the year 2022, payment of dividends and determining the total amount of retained earnings, and submitted a Report on its work to the Company's Shareholders' Assembly. Apart from the above-said, the Board of the Shareholders' Assembly deliberated also on proposals for forming and closing the Company branches, on the termination of NIS j.s.c. stake in NICCO AGRAR DOO BANATSKI BRESTOVAC, through the sale of its share, and approved the conclusion of an Annex to the Intercompany Loan Agreement between NIS j.s.c. Novi Sad and NAFTAGAS – Oilfield Services LLC Novi Sad, and also NIS Novi Sad and NTC NIS Naftagas LLC Novi Sad. In 2023, the Board of the Shareholders' Assembly adopted 33 conclusions.

#### Chief executive officer

The Board of Directors appoints one of its executive members to act as the Chief Executive Officer. The CEO coordinates the activities of the executive members of the Board of Directors and organizes the Company's activities. In addition to this, the CEO performs daily management activities and is authorized to decide on matters which do not fall under the competence of the Shareholders' Assembly and the Board of Directors. The Chief Executive Officer is a legal representative of NIS j.s.c. Novi Sad.

#### Advisory Board of the CEO

The Advisory Board of the CEO is a professional body that helps the CEO in his activities and in the consideration of matters within his responsibilities. The members of the Advisory Board were determined by the Decision of CEO, and they include First Deputy CEO - Director of the Exploration and Production Block, First Deputy CEO - Director of the Downstream, Directors of the Refining and the Energy Blocks, Directors of Functions, Consultant for petrochemical affairs and Director of Naftagas-Oilfield Services LLC Novi Sad. In addition to the competencies related to the management of the Company's operations, the Advisory Board deals with the issues of strategy and development policy, the basis of

which is set by the Shareholders' Assembly and the Board of Directors of the Company.

#### Members of the Advisory Board of the CEO

On 31 December 2023, members of Advisory Board of the CEO were:



**Andrei Shoshin**  
*Deputy CEO for Exploration and Production*

**Andrey Tuchnin**  
*First Deputy CEO – Head of Downstream*

**Vladimir Gagić**  
*Head of Refining Block*

**Viacheslav Zavgorodnii**  
*Deputy CEO,  
Head of Strategy and Investment Function*

**Igor Chernov**  
*Deputy CEO,  
Director of Corporate Security Function*

**Anton Cherepanov**  
*Deputy CEO,  
Director of Finance, Economics, Planning and Accounting*

**Sergey Fominykh**  
*Director of Energy Block*

**Natalia Bylenok**  
*Deputy CEO,  
Head of Function for Organizational Affairs*

**Vadim Smirnov**  
*Deputy CEO,  
Director of the Function for Government Relations and Corporate Communications*

**Miloš Grbić**  
*Deputy CEO, Director of Procurement Function*

**Jelena Popara**  
*Director of the Internal Audit and Risk Management Function*

**Ivan Dmitriev**  
*HSE Director*

**Nikola Radmilović**  
*Director of Naftagas – Oil Services LLC Novi Sad*

**Oksana Kovaleva**  
*Deputy CEO,  
Director of Legal and Corporate Affairs Function*

**Goran Stojilković**  
*Consultant for petrochemical affairs  
Director of HIP-Petrohemija LLC Pančevo*

#### Activities of the Advisory Board in 2023

During 2023, there were 14 Advisory Board sessions, chaired by the CEO, where the members discussed the following matters on a monthly basis:

- reports on HSE incidents and initiatives from the preceding period;
- reports on implementation of the decisions and tasks delegated at the sessions;
- reports regarding operational and financial indicators for the Exploration and Production Block;
- reports regarding operational and financial indicators for the Downstream;
- reports presenting monthly financial results of operations;
- reports on the key issues related to the functions and Naftagas – Oilfield Services Ltd;
- report on the statuses of the most important open issues related to HIP Petrohemija.

In addition, the reports showing Company's quarterly results of operations, and an important issue concerning the update of the corporate strategy for Company's development

were all presented to the members of the CEO Advisory Board. The Internal Audit Function presented the reports on implementation of the recommendations made based on audits and reports on the conducted activities regarding key risk management.

#### Company Management Succession Plan

In order to minimise the potential risks for the Company and increase operational efficiency, there are special systems and processes aimed at filling possible vacancies when it comes to the top operational management of the Company. They include the implementation of specialized training programs, so that continuous investment in the development of knowledge, and skills the Company ensures long-term reduction of potential risks in relation to its key management positions.

Moreover, the Company assesses potential successors in the highest management positions and compiles special lists of successors that include their names, current positions and plans for their professional development.

#### Insider information and acquisition and disposal of the Company's shares by managers and related parties

Trading shares using insider information is strictly prohibited to all persons under threat of penalties provided for by the Capital Market Law. The Company requires all persons, who permanently or occasionally have access to this information, to fully comply with the provisions of laws, by-laws, as well as the Company's documents relating to insider information and confidential data.

The criteria on the basis of which certain persons have the status of persons with access to insider information, their rights and obligations, the obligations of the Company in order to ensure the confidentiality of insider information, the procedure for publishing insider information, as well as the rules related to preparing, keeping, and



updating the list of persons with access to insider information and the list of persons performing the duties of the manager and related persons are specifically regulated by the Company's internal acts.

Pursuant to the Capital Market Law and internal documents of the Company, all persons employed as managers in the Company are prohibited from performing transactions for their own account or for the account of a third party in relation to equity or debt securities of the Company or other related financial instruments during the period of 30 days prior to the publication of the annual, semi-annual or quarterly financial statements. The Company may grant a special written consent for trading during the period of prohibition, if there are conditions prescribed by law and the documents of the Securities Commission.

In addition, all persons performing the duties of managers in the Company, as well as persons related to them (defined by the aforementioned law), are obliged to report to the Securities Commission and the Company, within three business days, each subsequent transaction for their own account with the subject of the Company's shares (or possibly debt instruments or other related financial instruments), after the sum of the values of transactions in one calendar year exceeds the value of EUR 5,000.

In 2023, the Company did not receive any information of any acquisitions or sales of the Company's shares by any members of the Company's bodies or related parties.

### Internal Audit Activities

The regulatory framework of internal supervision, i.e. internal auditing in NIS j.s.c. Novi Sad was established by the Law on Companies, the Internal Audit Charter, the Internal Audit Standard and other relevant legal and internal regulations.

The Internal audit provides independent, objective assurance services, as well as consultancy aimed

at adding value and improving the Company's operations. Internal Audit helps the Company achieve its objectives by introducing a systematic, disciplined approach to assessing and improving the effectiveness of risk management, controls and corporate governance.

The Company's Internal Audit operates in accordance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Global Institute of Internal Auditors, which is confirmed by an obtained conformity assessment from an independent external assessor.

Internal Audit activities in particular include:

- examination and assessment of the adequacy and effectiveness of corporate governance, risk management and internal controls
- control of compliance of Company's business activities with the law, other regulations and acts of the Company
- supervision of the implementation of accounting policies and financial reporting
- checking implementation of the risk management policy
- monitoring the compliance of the organization and activities of the Company with the corporate governance code
- evaluation of policies and processes in the Company, and proposals for their improvement.

Internal auditing is performed within the Internal Audit, Risk Management and Internal Controls Function (hereinafter: IARMICF). Organisational and functional independence of the Internal Audit is secured by the Internal Audit Charter. The IARMICF, through the person responsible for internal control of business, appointed by the Board of Directors, is functionally subordinated to the Audit Commission, and linearly to the CEO of the Company. As a rule, the person responsible for internal control of business performs the role of the Director of the IARM. The Internal Audit

Charter defines protection measures in order to ensure the independence and objectivity of the internal audit in the Company's risk management process. The IARMICF reports four times a year to the Audit Commission on the results of its work.

The Audit Committee of the Board of Directors is, inter alia, authorized to:

- approve the Internal Audit Charter;
- approve the Annual Plan on Internal Auditing;
- the adoption of the development strategy of the Internal Audit and Risk Management Function;
- receives reports on the performance of the internal audit in relation to the plan and other important issues, in accordance with the reporting dynamics;
- approves changes in the organizational structure and changes in the number of job positions in IARM;
- suggest the appointment and discharge of the person responsible for internal control of Company's business, in accordance with the Company Law, while the Board of Directors of the Company makes the Decision on appointment and discharge of the aforementioned person,
- check whether there is a possible restriction on access to data (restriction of coverage) or resource limitations to performing the internal audit;
- monitor existing risks and measures taken to manage those risks.

### System of internal controls and risk mitigation in connection with financial reporting procedure

The internal control system includes five key components:

- Control environment,
- Risk assessment,
- Control measures,

- Information and communications,
- Monitoring.

There are the following internal regulations concerning internal control at the Company:

- PO-06.04.26 Corporate Policy of NIS j.s.c. Novi Sad - internal control and finance
- UP-06.04.00-011 Development of Internal Controls in Finance and Accounting
- UP-06.04.00-013 Recording Financial Incidents at SUFI Portal.

### 1. Control environment

Management creates an atmosphere characterised by understanding the importance of control procedures by employees, and also informs employees of expectations and precise procedures. Managers and employees comply with internal control requirements and demonstrate their positive consistent attitude to these requirements in their work.

Additionally, a controlled environment comprises honesty and respect for ethical values, provision of competent and highly qualified personnel, a defined organisational structure and clear split of authorities and responsibilities.

### 2. Risk assessment

Based on the approved business goals, significant risks associated with achievement of these goals are identified and analyzed. Organisational Units identify the risks in processes and activities carried out by such units which may lead to errors in financial reports.

### 3. Control measures

Control measures comprise procedures and activities used to manage the defined risks in processes through their reduction or elimination. They include a variety of measures, such

as compliance with relevant standards and procedures, adequate split of responsibilities among process participants, precise definition of tasks, check of availability of required approvals and completeness of documentation, control of data bases, various types of reconciliation and verification of balance sheet items and preservation of assets.

#### 4. Information and communication

In order to assure effective exchange of information and effective communication, a system of information distribution is in place through an internal portal accessible to all employees where all important information and adopted internal acts are published. Additionally, information systems have been implemented to assure exchange of information, documentation and various types of reports that allow for the generation of timely information.

#### 5. Monitoring

Internal controls efficiency and compliance with requirements prescribed by internal acts are continuously monitored, and if needed improvement measures or measures aimed at eliminating identified violations to prevent their recurrence are developed. Possibilities of process improvement and their efficiency are considered through the process analysis, areas for improvement, new possible solutions or technologies for process implementation are considered.

#### External auditor

##### Audit of Financial Statements

In accordance with the Law and Articles of Association, the Auditor of the Company is appointed by the Shareholders' Assembly at the proposal of the Board of Directors. The Company's auditor is elected at every ordinary meeting of the Shareholders' Assembly, and according to

the Capital Market Law. Since NIS j.s.c. Novi Sad is a public joint-stock company, the legal entity that performs the audit, can perform up to five consecutive audits of its annual financial statements.

The reports of the Audit Company on the audit of the financial statements and consolidated financial statements of the Company for 2022 were adopted on 29 June 2023 at the XV regular session of the Shareholders' Assembly, which was attended by the auditor of the company FinExpertiza LLC Belgrade, which in accordance with the Law is obligatorily invited to the regular session of the Assembly. At the same meeting, the Board of Directors nominated the audit firm FinExpertiza d.o.o. Belgrade as the auditor of financial statements and consolidated financial statements of the company in the period from 2023 to 2025.

As required by the law, the Audit Committee received the auditor's statement confirming impartiality of the firm and its licensed auditors towards the company. The aforementioned statement was part of the material for the XV regular session of the Shareholders' Assembly.

#### Integrated management system

The company applies all the requirements of SRPS ISO 9001: 2015 Quality management, SRPS ISO 14001: 2015 Environmental management, SRPS ISO 45001: 2018 Management of health and safety at work and SRPS EN ISO 50001: 2018 Energy management, as well as SRPS ISO 39001 Management road safety, SRPS EN ISO 22000: 2018 Food safety management or CAC / RCP 1 where applicable. The applied management systems are incorporated into an integrated management system (IMS), which is based on a process approach. The established IMS is continuously developed in accordance with the Certification Strategy, the implementation of which is supervised by the IMS Board.

The elements of individual business processes (BP) and the order of activities within them are determined in the BP modeling procedure. All identified BP of the Company are classified and presented in the the Company's Process Model together with the organizational structure integrated into the business architecture of the Company. KPIs (key performance indicators) are also determined for business processes defined in this way.

The manner of the implementation of activities from the business process is described by appropriate normative-methodological documents in accordance with the Standardisation Plan.

The verification of compliance with the applied national and international standards is carried out by accredited certification bodies, which issue appropriate certificates on the basis of the performed verification.

In addition to external audits, the Company conducts internal audits of business processes and established management systems, in accordance with the annual program of internal audits. The results of these checks are formalised through reports, on the basis of which the owners of business processes in the Company define corrective and improvement measures in order to eliminate and prevent recurrence of identified non-compliances and prevent the actualization of potential ones.

#### Transactions involving personal interest and non-compete clauses

**Transactions involving personal interest** – A person who, in accordance with the Law, has special duties towards the Company, is obliged to promptly inform the Board of Directors about the existence of a personal interest (or interest related to him/her) in a legal contract concluded by the Company, or in a legal action undertaken by the Company.

The Company identifies legal affairs and actions with related parties, in order to ensure that they are concluded only if they are not harmful to the Company's operations. Legal affairs and actions with related parties are approved by the Board of Directors in accordance with the Law.

Information concerning the approval of the conclusion of affairs in which there is a personal interest is submitted to the Shareholders' Assembly at its first subsequent meeting by the Board of Directors.

In accordance with the Law, the Company is obliged to publish on its website the intention to conclude a legal transaction, ie to undertake a legal action that requires approval with important information on activities and activities in which there is personal interest, in accordance with the criteria prescribed by Law. Immediately after the decision on approval is made, and no later than on the day of concluding that legal transaction, ie undertaking that legal action. Data on approved legal transactions and legal actions taken are also published in the annual financial statements.

**Non-Compete Clause** – In order to monitor compliance with non-compete agreements, the Company carries out quarterly surveys of members of the Board of Directors about the current engagement, as well as about membership in boards of directors and supervisory boards of other companies. Data on memberships in the management bodies of other companies are published on the Company's website.

By concluding the Agreement Mutual Rights and Obligations with the Company, the members of the Board of Directors are additionally acquainted with their obligation to notify the Company in the event of the conclusion of a legal transaction with the Company, as well as with their obligation of non-competition to the Company and other special duties of the members of the Board of Directors.

## Information on Acquisition Bids

In 2023, neither NIS j.s.c. Novi Sad nor its subsidiaries made any bids for acquisition of another company, in accordance with the regulations providing for acquisition of companies, or any bid was made under such regulations for acquisition of shares of NIS j.s.c. Novi Sad or any of its subsidiaries.

## Related-Party Transactions

In 2023, NIS Group entered into business partnerships with its affiliates. The most important related-party transactions involved the supply/delivery of crude oil, petroleum products and electricity. An outline of related-party transactions is part of the Notes to the Financial Statements.<sup>84</sup>

## Code of Business Ethics

As employees, we reflect our Company - we individually represent our Company and by our actions affect its business atmosphere, results and reputation. We are not all the same, but we are all equal. If each of us would try to act in accordance with the defined Company values and follow ethical codes and rules of conduct, we would jointly transform our vision into reality.

The rules and codes of conduct provided herein are based on our corporate values and should be used by all of us, employees, third parties and managing bodies, as a general guideline when making decisions in our day-to-day activities. This enables us to jointly create and maintain a healthy business climate, efficiently achieve results and improve business.

## Significant contracts of the Company where the change of control by a bid for takeover affects their execution, change or termination, as well as the consequences of such contracts

The Company's contracts where the change of control by a bid for takeover affects their execution, change or termination, contain standard clauses.

## Contracts between the Company and its management or employees, which provide compensation in the event of dismissal or discharge without just cause or the termination of the employment contract due to a takeover bid

The Company does not have this type of contract with the management, nor with the employees.

## HUMAN RESOURCES

As one of the best employers in Serbia, we strive to constantly adapt to the labour market, employees' expectations and the needs of the business. The greatest effort was invested in the stability of the company as an employer, programs focused on the recruitment and development of the young, new models of motivation, learning, development and promotion of respectful corporate culture.

Our long-term goal is to strengthen employee engagement and improve HR practices to offer the best possible employee experience. For this reason, we have continued to invest in employee engagement in 2023 and have initiated the implementation of various activities based on the results of the latest employee engagement survey and our company's strategic plans. We continued with the implementation of and upgraded the Engagement Academy Program, which aims to develop highly dedicated and motivated teams through the active role of senior and middle management in our Company and from this year also lower management. We have restarted the "First-Time Managers" Programme, within which, through several education modules, we help colleagues who have just taken on managerial functions to be as better managers and leaders as possible. In May, the new academic year of the Drive Leadership Programme began, and the new generation of NIS "academics" includes 22 colleagues from almost all organizational units of the Company. The programme is implemented in cooperation with the "Cotrugli" Business School, and the lecturers are experienced European and global experts in various areas of leadership skills development. The Easter workshops that we organized for the children of our employees in the business premises of NIS in Belgrade, Pančevo, Novi Sad and Zrenjanin also contributed to the better atmosphere in our working environment. In addition, we have made a new decision regarding the entry of children of our employees into the business premises of NIS in Belgrade and Novi Sad, which gives parents more flexibility to bring their children to the workplace.

Our HR strategy, new company values, and employer value proposition (diversity and inclusion initiative, employer brand strategy and learning and development strategy) have produced a large number of HR projects and initiatives. They will improve the experience of both candidates and employees of NIS, starting from recruitment to rewarding, remuneration and benefits, development and promotion.

## Professional development of employees

In the face of new challenges on a global scale, we have managed, by practising the responsible treatment of its employees, to maintain stability in ensuring full support to employee development and learning. We continued to dedicate ourselves to the development and implementation of the Engagement Academy, leadership programs, and digital competencies development programs, including unavoidable academies, programs and training courses for the professional and technical development of our employees.

During 2023 we continued to provide support Company's digital transformation through several segments. This year, the largest project in this area was the implementation of the SAP Success Factors system: the installation and integration of the programme and user training took place at the beginning of the year.

As part of the Digital Academy strategic programme, the NIS Training and Development Sector, in cooperation with digitalisation specialists and external experts, organised all planned trainings on topics related to digital transformation for different groups of employees, with the fact that in 2023, in addition to acquiring knowledge in the field of digital transformations, digital technologies and project and product management, special emphasis was on data management.

<sup>84</sup> More information on related party transactions can be found on page 290.