

1.10

Corporate Governance

Statement on Application of Corporate Governance Code



<http://ir.nis.eu/en/corporate-governance/code-of-corporate-governance/>

In accordance with Article 368 of the Company Law (“The Law”), 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.

This Statement contains a detailed and comprehensive outline of corporate governance practices implemented by the Company.



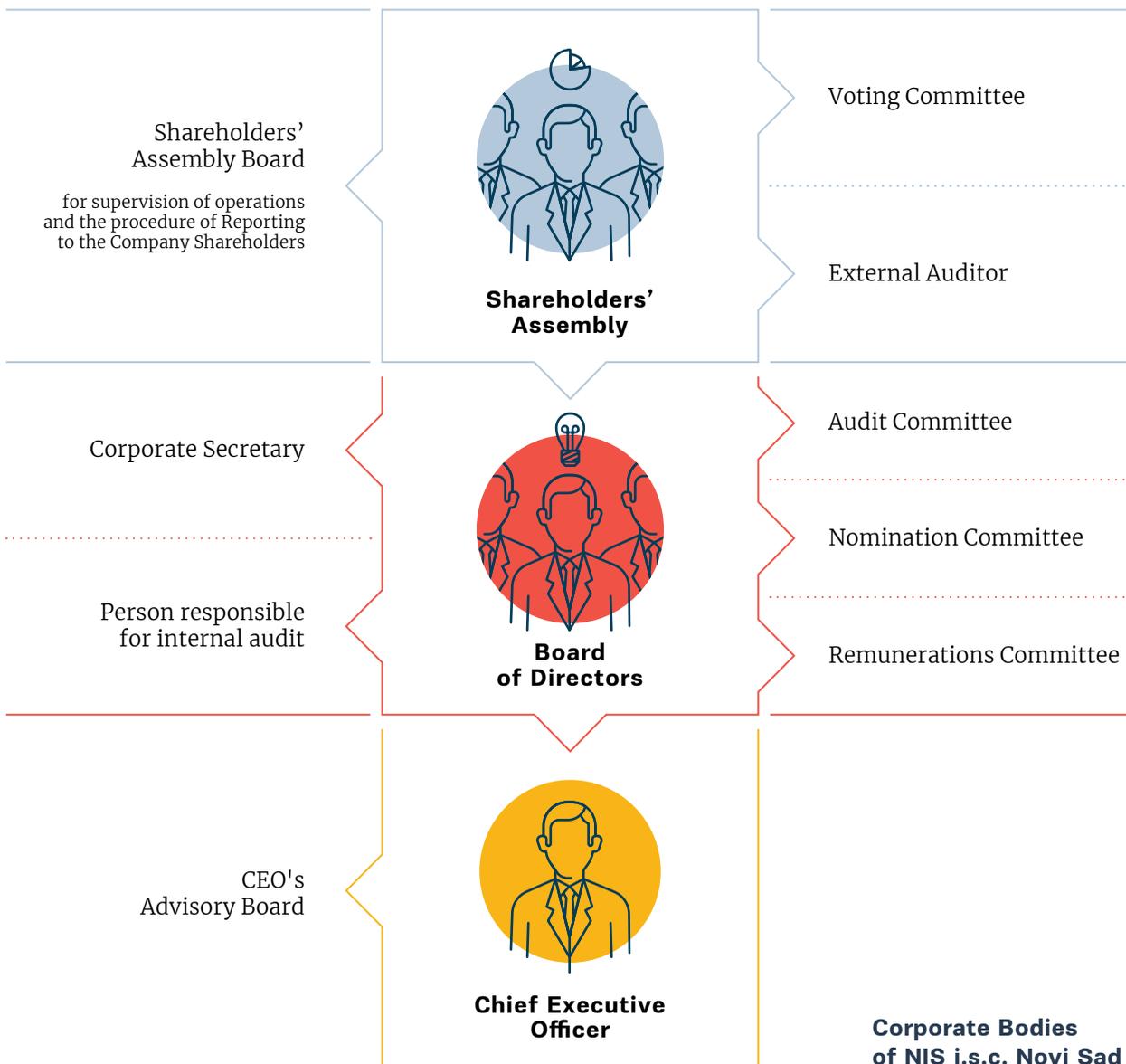
<http://ir.nis.eu/en/corporate-governance/companys-regulations/>

The Code supplements the rules contemplated by the Law and Articles of Association of NIS j.s.c. Novi Sad (“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.



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 meetings.

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 fiscal 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.



<http://ir.nis.eu/en/corporate-governance/shareholders-assembly/>

Both the notice about the Board of Directors' decision to call a meeting of the Shareholders' Assembly and the draft agenda are 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). A meeting of the Shareholders' Assembly may be called on the Company's website (www.nis.eu), on the company register's website (www.apr.gov.rs), on the website of the Central Securities Depository and Clearing House

(www.crhov.rs) and the regulated market's website (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 the extraordinary session. Simultaneously with the announcement of the invitation for 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 the 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 rights, as well as information on the Shareholders' Day. Furthermore, proxy forms and absentee ballots (also available at 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 Committee'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 24 December 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.

In accordance with Article 4.4.1 of the Agreement, as long as the Republic of Serbia is the shareholder holding no less than a 10% equity interest, it shall be entitled to a number of members of the Board of Directors proportional to its equity interest.

Right to Participate in the Operation of the Shareholders' 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), on the basis of 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 2.1 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.

Proposing Amendments to the Agenda

Pursuant to the Law, one or more shareholders of the Company with at least 5% of the voting shares may submit a proposal to the Board of Directors with: additional agenda items to be discussed on a Shareholders Assembly meeting, additional items to be decided on by the Assembly and other decisions on the existing items on the agenda, provided that such proposals are explained and that the text of the proposed decisions is attached (if a decision of the Shareholders' Assembly is proposed).

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 the 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. The members of the Board of Directors provide the answers to the questions.

Voting Majority

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 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, increase and decrease 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.

Shareholders' Assembly Activities in 2019

In 2019, the 11th Ordinary Meeting of the Shareholders' Assembly (27 June 2019) and the 43rd Extraordinary Meeting of the Shareholders' Assembly (6 September 2019) were held. Both meetings were held in Belgrade, in the offices of the NIS Business Centre, 1 Milentija Popovića Street.

At the 11th Ordinary Meeting, the Shareholders' Assembly adopted the financial and consolidated financial statements of the Company for the year 2018 with the opinion of the auditor, and elected the auditor for 2019 (PricewaterhouseCoopers d.o.o. Beograd). The Company's 2018 Annual Report, the Report on the Audit of the Annual Report, the Report on the Performance Analysis of the Board of Directors and Its Committees, the Board of Directors' Annual Report on accounting practices, financial reporting practices and on compliance with laws and other regulations, and the Report on the Performance of the Shareholders' Assembly Board were all adopted. The Shareholders' Assembly adopted the Report on the suitability of the Board of Directors' composition and the number of members in relation to the company needs and the Report on the estimate of the amount and structure of remunerations for the members of the Board of Directors of NIS j.s.c. Novi Sad, which were prepared with the assistance of external experts. The Shareholders' Assembly also adopted the amendments to the Articles of Association and the Rules of Procedure of the Shareholders' Assembly, to ensure compliance with the Law on Companies.

In addition to the aforementioned, the Shareholders' Assembly adopted the Decision on the Distribution of Earnings for 2018, Dividend Payment and Determining the Total Undistributed Earnings of the Company. The Decision prescribes that 25% of the earnings from 2018 is to be allocated for dividend payment, i.e. it was

decided to pay a total of RSD 6.52 billion 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 the reporting procedure for the current term of office, and adopted the information on the approval of deals in which there is a personal interest.

On the 43rd Extraordinary Meeting, the Shareholders' Assembly appointed Dragutin Matanović as member of the Board of Directors.

Shareholder Relations and Information Provision

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More information on Investor Relations on page 118

In addition to the reports NIS is legally required to publish as a joint stock company, and which are publicly available to all interested parties (including performance reports presented to shareholders at Shareholders' Assembly meetings), the Company has also established a two-way communication with shareholders and investors. They can receive all necessary information about the Company's operations and their rights all year round through the Offices for Minority Shareholders Affairs in Novi Sad and Belgrade, dedicated call centre or e-mail service through which each shareholder may ask questions and receive answers electronically, as well as through the Investor Relations Service.

Also, the Company holds special presentations for shareholders and investors on most important events and takes part in meetings with representatives of the investment community. Representatives of the Com-

pany'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 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. 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 five-member commission tasked with resolving complaints of minority shareholders. The commission's responsibilities, manner in which it can be contacted and the manner of its operation are regulated by a special internal document of the Company.



<http://ir.nis.eu/en/usefull-information/>

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 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.

Members of the Board of Directors

The members of the Board of Directors are appointed and dismissed by the Shareholders' Assembly. At the 11th Ordinary Meeting of NIS' Shareholders' Assembly held on 27 June 2019, 10 members of the Board of Directors of NIS were appointed, while the eleventh member was appointed at the 43rd Extraordinary Meeting of the Shareholders' Assembly held on 6 September 2019. 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 Committee 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. Eight out of eleven members of the Board of Directors are Russian citizens, while three 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 in 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 ordinary meeting of the Shareholders' 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 for an unlimited number of times.

Changes in the Composition of the Board of Directors in 2019

At the 11th Ordinary Meeting of NIS' Shareholders' Assembly, held on 27 June 2019, Vadim Yakovlev, Kirill Tyurdenev, Danica Drašković, Alexey Yankevich, Sergey Papenko, Alexander Krylov, Dejan Radenković, Alexander Chepurin, Anatoly Cherner and Olga Vysotskaia were appointed as members of the Board of Directors, while the membership of Nikola Martinović and Wolfgang Ruttendorfer in the Board of Directors of NIS j.s.c. Novi Sad expired on the date of the aforementioned meeting of NIS' Shareholders' Assembly. Dragutin Matanović was appointed as member of the Board of Directors on the 43rd Extraordinary Meeting of NIS' Shareholders' Assembly, held on 6 September 2019.

Board of Directors' Members as of 31 December 2019



Vadim Yakovlev

Chairman of NIS j.s.c. Novi Sad Board of Directors

Deputy Chairman of PJSC “Gazprom Neft”

Executive Board,

Deputy of PJSC “Gazprom Neft” CEO in charge of exploration and production including offshore, strategic planning and mergers and acquisitions

Born in 1970.

In 1993, Mr. Yakovlev graduated from the Moscow Engineering Physics Institute, Department of Applied Nuclear Physics. Mr. Yakovlev graduated from the Faculty of Finance at the International University in Moscow in 1995. Since 1999, he has been a qualified member of the ACCA (Chartered Association of Certified Accountants). In 2009, he earned a degree from the British Institute of Directors (IoD).

During his employment with PricewaterhouseCoopers from 1995 to 2000, Mr. Yakovlev held various positions, starting from a Consultant to being promoted to Audit Manager. In the period from 2001 to 2002, he served as Deputy Head of Financial and Economics Department, YUKOS EP c.j.s.c. From 2003 to 2004, he was Financial Director of Yugansk Neftegaz, NK Yukos. From 2005 to 2006, Mr. Yakovlev held the position of Deputy General Director in charge of economy and finance at SIBUR–Russian Tyres.

From 2007 to 2010 – “Gazprom neft” PJSC Deputy CEO in charge for economics and finance. From 2007 – Deputy Chairman of the Executive Board of “Gazprom neft” PJSC. From 2010 to 2011 – First Deputy CEO – “Gazprom neft” PJSC Financial Director. From 2011 he was at the post of the “Gazprom neft” PJSC First Deputy CEO.

As of 2019 he holds the post of the “Gazprom neft” PJSC Deputy CEO in charge of exploration and production.

Mr. Yakovlev was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10 February 2009. and he was elected Chairman of the NIS j.s.c. Novi Sad Board of Directors as of 31 July 2009.



Kirill Tyurdenev

CEO of NIS j.s.c. Novi Sad

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

Born in 1977.

He graduated with honors from Faculty of International Relations with a bachelor's degree and later with a master degree in International Law (with specialization) at the Moscow State Institute of International Relations (MGIMO). He also obtained a Master of Laws (LL.M) degree from the University of Manchester. Completed executive education programme

at international business school INSEAD and London Business School.

From 2000 to 2004, worked for A.T. Kearney and Unilever. In 2004 he joined McKinsey & Co. From 2007 through 2012, he worked for Sibur Mineral Fertilizers as Deputy CEO for Strategy and Corporate Development. From 2012 he served as Executive Vice President and Board member in JSFC Sistema. Before joining NIS j.s.c. Novi Sad Kirill Tyurdenev occupied the position of the President and Board Chair in United Petrochemical Company which, at that moment, was part of the JSFC Sistema group, and as Chairman of the Board of Directors of Ufaorgsintez.

On April 2016 Kirill Tyurdenev joined NIS j.s.c. Novi Sad as First Deputy CEO for Refining and Sales.

On December 8, 2016, he was elected as member of the Board of Directors, and on March 22, 2017 he was appointed as CEO of NIS j.s.c. Novi Sad.



Danica Drašković

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

Born in 1945.

Ms. Drašković graduated from the Faculty of Law, University of Belgrade in 1968.

From 1968 to 1990, she worked in the field of finance in the banking sector, and in the field of law and commerce within the economy sector, and as a Belgrade City Magistrate. Ms. Drašković is the owner of the publishing house "Srpska reč", founded in 1990. She is the author of three books written in the opinion journalism style.

From 1 April 2009 to 18 June 2013, Ms. Danica Drašković was a member of the NIS j.s.c. Novi Sad Board of Directors, being re-elected on 30 June 2014.



Alexey Yankevich

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

Deputy CEO for Economics and Finance

“Gazprom Neft” PJSC

Born in 1973.

In 1997, Mr. Yankevich graduated from Saint-Petersburg State Electrical Engineering University (“LETI”), majoring in optical and electronic instruments and systems. In 1998, he completed a course at LETI-Lovanium International School of Management in Saint-Petersburg.

Mr. Yankevich was employed with CARANA, a consulting company from 1998 to 2001. In the period

from 2001 to 2005 he served as Deputy Head of Planning, Budgeting and Controlling Department at YUKOS RM o.j.s.c. (business unit responsible for logistics and downstream operations). In 2004, he became a Certified Management Accountant (CMA). From 2005 to 2007 he worked as deputy CFO at LLK-International (production and sale of lubricants and special petroleum products; part of the LUKOIL group). From 2007 to 2011 he held the post of Head of the Planning and Budgeting Department, and was Head of Economics and Corporate Planning Department at “Gazprom Neft” PJSC.

Since August 2011 he has served as acting Deputy CEO for Economics and Finance at “Gazprom Neft” PJSC. Mr. Yankevich has been a member of the Management Board of “Gazprom Neft” PJSC and Deputy CEO “Gazprom Neft” PJSC for Economics and Finance since March 2012.

Mr. Yankevich was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 18 June 2013.



Sergey Papenko

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

Head of Organizational Development and Joint Ventures Management Department of PJSC “Gazprom Neft”

Born in 1973.

Graduated in 1996 from the Kharkov State University, speciality: economic cybernetics. In 1999 he obtained the MBA degree at HOFSTRA University (Hempstead, New York, USA), speciality: Finance&Banking.

From 1994 to 1996 he was Department Manager of the First international Bank of Ukraine in the City of Kharkov. From 1996 to 1998 he worked at the position of the company TACIS Project and during 1998 he also worked with PricewaterhouseCoopers, as an Auditor. From 2000 to 2007 he worked in the Moscow Representative Office of “McKinsey and Company Inc. Russia”, first at the position of Consultant and later as Junior Partner. Since 2007 to the present he has worked as Head of Organizational Development and Joint Ventures Management Department of PJSC Gazprom neft.

Mr. Papenko was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 21 June 2018.



Alexander Krylov

Member of NIS j.s.c. Novi Sad Board of Directors
Director of the Division for Regional Sales in PJSC
“Gazprom Neft”

Born in 1971.

In 1992, Mr. Krylov graduated from LMU (Leningrad) and graduated from the Faculty of Law of Saint Petersburg State University in 2004. In 2007, he earned

MBA degree from Moscow International Business School MIRBIS, specializing in Strategic management and Entrepreneurship.

From 1994 to 2005 Mr. Krylov held managerial positions in the field of real estate sales (Chief Executive Officer, Chairman) in the following companies: Russian-Canadian SP “Petrobild”; c.j.s.c. “Alpol”. From 2005 – 2007 he was deputy director in the Division for implementation in “Sibur” Ltd. In April 2007, Mr. Krylov was appointed Head of the Division for Petroleum Product Supply, head of the Regional Sales Division and Director of the Regional Sales Department at “Gazprom Neft” PJSC.

Mr. Krylov was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 29 November 2010.



Dragutin Matanović

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

Born in 1954.

Batchelor of Electric Engineering (BEE).

He was employed at the position of electric engineer at the Company “Lola računari” in Belgrade.

Director of the Company “Lola računari” in Belgrade.

He was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 06.09.2019.



Dejan Radenković

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

Born in 1971.

Elementary and high education completed in Priština, graduated from the Economy faculty in Priština and awarded a Master degree in the field of Economy from the EDUCONS University.

Mr Radenković has started his professional experience with Company for trade and services “Balkan auto” in Priština and CC PTT “Serbia”. As of 2005 he was at the post of Director of “Orbita” j.s.c. and

from 2010 he was with the “Ratko Mitrović” j.s.c., at the post of General manager, Executive manager and member of the Board of Directors. He held the post of member of the Board of Directors of the Economy faculty in Priština, Deputy General manager of the First Global Brokers company from Belgrade. He was Chairman of the Board for supervision of operations and Member of the Board of Directors of Dunav Bank j.s.c. Zvečan, where he also held the post of the Chairman of the Board of Directors. From 2013 to 2017 he was a member of the Supervisory Board of the JV “Lasta” j.s.c. Belgrade.

He is a member of the Board for supervision of operations of the “MTS bank” j.s.c. Belgrade at the present.

He was elected member of the Parliament of Republic of Serbia in 2008, 2012, 2014 and 2016.

He was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 27.06.2019.



Alexander Chepurin

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

Born in 1952.

Graduated from the Moscow State Institute of International Relations (MGIMO University) in 1975. A career diplomat, from 1975 onwards Mr. Chepurin worked at the Ministry of Foreign Affairs of the USSR and later, the Ministry of Foreign Affairs of the Russian Federation.

From 1986 to 1992, he headed the Economy group of the Embassy of the USSR (Russia) in Italy. From 1994 to 1996, he was Director of one of the leading Departments in the Ministry, the Human Resources Depart-

ment. From 1994 to 1997 he was also a member of the United Nations International Civil Service Commission in New York (ICSC). As from 1996 to 2000 he was Ambassador Extraordinary and Plenipotentiary of the Russian Federation in Denmark.

From 2005 to 2012, Mr. Chepurin was Director of the Russian Federation Ministry of Foreign Affairs Department for Relations with Compatriots Abroad.

From 2012 to June 2019, he served as Ambassador of the Russian Federation to Serbia. He has the rank of Ambassador Extraordinary and Plenipotentiary and several Russian and Serbian state orders and medals. In 2009, he was awarded a PhD Degree in Political Science. From 2012 to 2019 Mr. Chepurin closely dealt with issues of cooperation development between Russian energy companies and the Republic of Serbia, focusing on strengthening cooperation between Russian and Serbian energy companies.

Mr. Chepurin was elected independent member of the NIS j.s.c. Novi Sad Board of Directors as of 27.06.2019.



Anatoly Cherner

Member of NIS j.s.c. Novi Sad Board of Directors
Deputy Chairman of the PJSC 'Gazprom Neft' Executive Board, Deputy CEO for logistics, refining and sales at PJSC "Gazprom Neft"

Born in 1954.

Mr. Cherner graduated from Grozny Oil Institute in 1976 with a degree in chemical oil and gas engineering.

In the same year he was employed at the Sheripov Grozny Refinery, starting as an operator to become refinery director in 1993. In 1996, he joined SlavNeft as Head of the Oil and Oil Products Trading Department and was later appointed Vice-Chairman of the company. He joined SibNeft (from June 2006 – "Gazprom Neft" PJSC) as Vice-Chairman for refining and marketing in April 2006. In December 2007 he was appointed Deputy CEO for logistics, refining and sales in "Gazprom Neft" PJSC.

Mr. Cherner was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 10 February 2009.



Olga Vysotskaia

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

Born in 1961.

Graduated cum laude from the Leningrad State University in 1984, from the Department of Economy Cybernetics, with specialisation in economic mathematics. Post-graduate studies in mathematical cybernetics at the Institute of social and economic studies of the USSR Academy of science, Leningrad division, in 1987. Completed the MBA at Bristol University in 1998. Earned the Professional independent director diploma from the London Institute of Directors in 2009.

She held the position of Chair of the Board of Directors (BoD), CEO, Chair of science and production companies from 1988 to 1995, and she was Director of many private companies. From 1995 to 2003 she held various partner positions with KPMG in New York and Moscow. From 2003 to 2005 she was person in charge of Internal audit Directorate of “Yukos”, Moscow. From 2005 to 2008 she was Consulting services Executive partner of Deloitte&Touche. From 2006 to 2013 she held positions of independent member of the BoD, Chair of the Audit Commission, member of the Strategy Commission, member of the Remuneration Commission of “EM - alliance” and “KIT Finance”, as well as independent member of the Audit Commission of OJSC “Baltika”. From 2012 to 2013 she was a partner in PricewaterhouseCoopers (PwC) and from 2013 to 2014 - independent member of the CJSC “NefteTrans-Service” Board of Directors, Chair of the Audit Commission, member of Remuneration Commission. As of 2013 she is holding position of independent member of LTD “iNK” BoD and from 2015 to 2018 she held position of independent member of BoD of JSC “SUEK”.

Ms Vysotskaia was elected member of the NIS j.s.c. Novi Sad Board of Directors as of 21 June 2018.

Composition of the Board of Directors as at 31 December 2019

Function	Name and surname	Date of the first appointment into BoD	CEO	Non-executive Director	Independent Director	The Audit Committee	Nomination Committee	The Remuneration Committee	Citizen-ship
Chairperson of the BoD	Vadim Yakovlev	February 10, 2009		X					Russian
CEO	Kirill Tyurdenev	December 8, 2016	X				member		Russian
Member of BoD	Sergey Papenko	June 21, 2018		X					Russian
Member of BoD	Alexey Yankevich	June 18, 2013		X					Russian
Member of BoD	Alexander Krylov	November 29, 2010		X					Russian
Member of BoD	Dejan Radenković	June 27, 2019		X		member			Serbian
Member of BoD	Danica Drašković	April 1, 2009 ¹		X					Serbian
Member of BoD	Alexander Chepurin	June 27, 2019		X	X		member		Russian
Member of BoD	Anatoly Cherner	February 10, 2009		X				President	Russian
Member of BoD	Olga Vysotskaia	June 21, 2018		X	X	President		member	Russian
Member of BoD	Dragutin Matanović	September 6, 2019		X			President		Serbian
BoD Commissions members that are not members of BoD									
Member of Audit Committee	Alexey Urusov					member			Russian
Member of the Remuneration Committee	Zoran Grujičić							member	Serbian

¹ Danica Drašković was a member of the Board of Directors of NIS j.s.c. Novi Sad (earlier Executive Board) from April 1, 2009 to June 18, 2013, and she was re-elected as a member of Board of Directors on June 30, 2014.

Board of Directors' Activities in 2019

The Board of Directors held 2 sessions with the personal presence of members and 20 written sessions. All meetings of the Board of Directors were attended by all the members, with a maximum average attendance of 100%.

The regular activities of the Board of Directors include: the review of the Annual Report of NIS j.s.c. Novi Sad, Financial Statements and Consolidated Financial Statements of the Company for 2018; adoption of periodic (quarterly) reports of the Company in 2019; convening of the ordinary meeting of the Shareholders' Assembly; adoption of the Company's Business Plan; determination of the date(s), procedure and manner of dividend payment to the Company's shareholders. In addition, the agenda of the BoD included the decisions to call the 43rd Extraordinary Meeting of the NIS Shareholders' Assembly, terminate membership of NIS j.s.c. Novi Sad in Pannon Naftagas Kft. Hungary due to its liquidation, approve subscription of additional funds into the capital of RAG Kiha Kft Hungary, form branches of the Company, approve the change in the repayment period of subordinated and financial loans between NIS j.s.c. Novi Sad and subsidiaries abroad (NIS PETROL EOOD, Republic of Bulgaria, NIS PETROL S.R.L. Romania, NIS PETROL doo Banja Luka, Republika Srpska and O Zone j.s.c. Beograd), and to approve the conclusion of the Subordinated and/or Financial Loan Agreement between NIS j.s.c. Novi Sad and NIS PETROL S.R.L. Romania. More-

over, the Board of Directors approved a line of credit between the Company and Banca Intesa a.d. Belgrade. The BoD approved several proposals for the dismissal and appointment of representatives of the Company in the subsidiaries of NIS j.s.c. Novi Sad, and appointed the members of the Audit, Remuneration and Nomination Committees of the Board of Directors for the current term of office. In order to achieve the Company's projected goals and assess the Company's performance and effectiveness of corporate governance, the Board of Directors used quarterly reports to review operational analyses for the reporting periods, with the performance assessments of NIS j.s.c. Novi Sad as at the end of 2019. For this purpose, the BoD also used the report on post-investment monitoring of NIS' projects both in Serbia and abroad. To assess its own performance, the Board of Directors analyzed its own work and submitted an adequate report for the 11th Ordinary Meeting of the Shareholders' Assembly. The Board also looked at the performance with regard to the key business indicators for 2018, as well as the system of evaluating key business indicators for 2019, and adopted the Standard of the Long-Term Motivation Program of NIS j.s.c. Novi Sad.

In 2019, the Board of Directors adopted 75 decisions, while the implementation of these decisions is monitored through periodic reports on the implementation of decisions and orders of the Board of Directors.

Attendance at the Meetings of the Board of Directors and Board of Directors' Committees in 2019

BoD Member	Board of Directors		Audit Committee		Remuneration Committee	
	% of attendance	Number of meetings	% of attendance	Number of meetings	% of attendance	Number of meetings
Vadim Yakovlev <i>Chairperson of the BoD</i>	100%	22/22	-	-	-	-
Kirill Tyurdenev <i>CEO</i>	100%	22/22	-	-	-	-
Alexey Yankevich ¹	100%	22/22	100%	5/5	-	-
Sergey Papenko	100%	22/22	-	-	-	-
Alexander Krylov	100%	22/22	-	-	-	-
Nikola Martinović ²	100%	12/12	-	-	-	-
Danica Drašković	100%	22/22	-	-	-	-
Wolfgang Ruttenstorfer ³	100%	12/12	100%	5/5	-	-
Anatoly Cherner	100%	22/22	-	-	100%	3/3
Olga Vysotskaia ⁴	100%	22/22	100%	1/1	100%	3/3
Dejan Radenković ⁵	100%	10/10	100%	1/1	-	-
Alexander Chepurin ⁶	100%	10/10	-	-	-	-
Dragutin Matanović ⁷	100%	8/8	-	-	-	-
Members of the BoD's Committees who are not members of the BoD						
Nenad Mijailović ⁸	-	-	100%	5/5	-	-
Zoran Grujičić	-	-	-	-	100%	3/3
Alexey Urusov ⁹	-	-	100%	1/1	-	-

¹ Member of the Audit Committee until 27 June 2019.

² The term of office of the member of the Board of Directors was terminated on 24 June 2019 due to a resignation.

³ Member of the Board of Directors and Chairman of the Audit Committee until 27 June 2019.

⁴ President of Audit Committee from December, 12 2019.

⁵ Member of the Board of Directors since 27 June 2019 and member of Audit Committee from December 12, 2019.

⁶ Member of the Board of Directors since 27 June 2019.

⁷ Member of Board of Directors since 6 September 2019.

⁸ Member of the Audit Committee until 27 June 2019.

⁹ Member of the Audit Committee since 12 December 2019.

Board of Directors' Rules of Procedure and Meetings

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

For each fiscal 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 Committee Members' Remunerations

Remuneration Policy – In 2016, the Shareholders' Assembly adopted the current Remuneration Policy for the Members of the Board of Directors and of the Board of Directors' Committees. The Policy specifies that the remuneration should be attractive and competitive, in order to attract and retain the persons that meet the professional and other criteria required by the Company for the members of the Board of Directors and its Committees. At the same time, the remuneration should not significantly deviate from the compensation paid to the members of the Board of Directors and its Committees in other companies with the same or similar activities, size and scope of operations.

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 Committees, 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 Committees.

Remuneration Structure – – The remuneration policy stipulates that the remuneration consists of:

- Fixed portion,
- Reimbursement of expenses, and
- Liability insurance for the members of the Board of Directors and its Committees.

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 Committees of the Board of Directors. This type of remuneration includes the compensation for

the time and effort that the members of the Board of Directors or its Committees put into their role and the preparation and active participation in the meetings of the Board of Directors or its Committees. This requires the members to review the documents in advance, be present and take an active part in the meetings.

Reimbursement of expenses – Members of the Board of Directors and its Committees are entitled to reimbursement for all expenses incurred in connection with their membership on the Board of Directors or its Committees, in line with internal corporate documents.

Liability insurance of members of the Board of Directors – Members of the Board of Directors are entitled to liability insurance (Directors & Officers Liability Insurance) in accordance with internal corporate documents.

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. As recommended by the Remuneration Committee, the Shareholders' Assembly adopted the current Remuneration Policy for the Members of the Board of Directors and of the Board of Directors'

Committees on 28 June 2016, when the previous version of the policy ceased to apply.

Remuneration Committee Report – At least once a year, the Remuneration Committee prepares a report on the assessment of the amount and structure of remunerations for the Company's Shareholders' Assembly. Acting within its competence, the Remuneration Committee carried out a 2019 evaluation of the compliance of the amount and structure of remunerations for the members of the Board of Directors with the principles, framework and criteria defined by the current Remuneration Policy. Consequently, it compiled an appropriate report adopted at the 11th Extraordinary Meeting of the Shareholders' Assembly, held on 27 June 2019. Based on the results presented and the analysis of the remuneration market, this report concludes that the annual amount of the fixed remuneration for non-executive members of the Board of Directors is at the level of the corresponding reference group, that the structure of the compensation for independent members of the Board of Directors is in line with the current market practices, and that the amount and structure of the remuneration the members of the Board of Directors is in accordance with the principles, framework and criteria provided for by the current Remuneration Policy for the Members of the Board of Directors and the Board of Directors' Committees.

Total amount paid to Board of Directors members in 2019, net RSD

BoD Members

222,482,266

Long-Term Incentive Program

The long-term incentive program for non-executive directors and members of governing bodies is subject to the Rules on the Long-Term Incentive Program for Non-Executive Directors and Members of Governing Bodies, which lays down the program's underlying principles and parameters.

The program is one of the key elements of the incentive system for non-executive directors and members of the Company of governing bodies, aimed at providing incentives for the non-executive directors and members of governing bodies to ensure the achievement of the Company's long-term objectives.

The purpose of the long-term incentive program is to align the interests of program participants with the long-term interests of the Company and its shareholders, and to provide incentives for program participants which will ensure long-term sustainable development of the Company and the achievement of its strategic objectives. These incentives, in turn, reflect the Company's capabilities and requirements and are linked to the positive performance of the Company during a period that will ensure an increase in shareholder value.

The long-term incentive program consists of consecutive cycles. Program parameters and method of inclusion into the program are defined in advance in the foregoing Rules, whereas the premiums are paid following the completion of a full cycle.

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's

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 Committees 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.

Strategic Meetings

The members of the Board of Directors attend strategic sessions that provide them with a better insight into

the Company's business operations and enable them to analyze the priority areas of development and forecasts for the key performance indicators and prerequisites for the Company's long-term development.

Membership in other Companies' Boards of Directors or Supervisory Boards

Vadim Yakovlev	<ul style="list-style-type: none"> • PJSC NGK "Slavneft" • LTD "Gazprom Neft-Sahalin" • Salym Petroleum Development N.V. (Chairman of Supervisory Board) • FGAOU Tyumen State University (member of the Supervisory board) • LTD "UT IT Novaya Industriya" (Chairman of the BoD)
Kirill Tyurdenev	-
Danica Drašković	-
Alexey Yankevich	<ul style="list-style-type: none"> • PJSC "NGK Slavneft" • "Gazprom Neft Lubricants s.p.a." Italy (Chairman of the BoD)
Sergey Papenko	<ul style="list-style-type: none"> • PJSC NGC "Slavneft" • JSC "Artikgaz" • JSC "Evrotech-Yugra" • CJSC "Nortgas" • LTD "Slavneft-Krasnoyarskneftegaz" • "Gazprom neft – Vostok" LLC • Salym Petroleum Development N.V. (member of the SB) • LTD "Gazprom Resource Nortgaz" (CEO) • Messoyakhaneftegaz (JSC JV) • Tomskneft VNK • LTD "ASB GEO" • PJSC "SN-MNG"
Alexander Krylov	<ul style="list-style-type: none"> • Association Hockey Club "Avangard" (Chairman of the BoD)
Dragutin Matanović	-
Dejan Radenković	-
Alexander Chepurin	-
Anatoly Cherner	<ul style="list-style-type: none"> • PJSC NGK "Slavneft" • PJSC "Slavneft-YANOS" (Chairman of the BoD) • Saint Petersburg International Mercantile Exchange • OJSC "Mozirski NPZ" • "Gazprom Neft Lubricants s.p.a." Italy
Olga Vysotskaia	<ul style="list-style-type: none"> • Nonprofit organization "Serebryanoe vremya" (Chair of the Supervisory Board, Director) • LTD INK (independent member of the BoD, Chair of the Audit Commission)

Board of Directors' Committees

With a view to ensuring efficiency, the Board of Directors established three standing committees 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 Committees:

- Audit Committee,
- Remuneration Committee and
- Nomination Committee.

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

Each of the three Committees 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 Committee 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 Committee 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 Committees among persons who are not the Company's directors but have the adequate knowledge and work experience relevant to the Committees.

The role, competencies and responsibilities of the Committees are defined by law, and by the Rules of Procedure of the Board of Directors and its committees 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' Committees.

At least once a year, these committees 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 committees may seek professional advice from independent experts when necessary for the successful performance of duties.

Audit Committee

In addition to the general conditions for the composition of the Board of Directors' Committees, the Chairperson of the Audit Committee 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 Committee are:

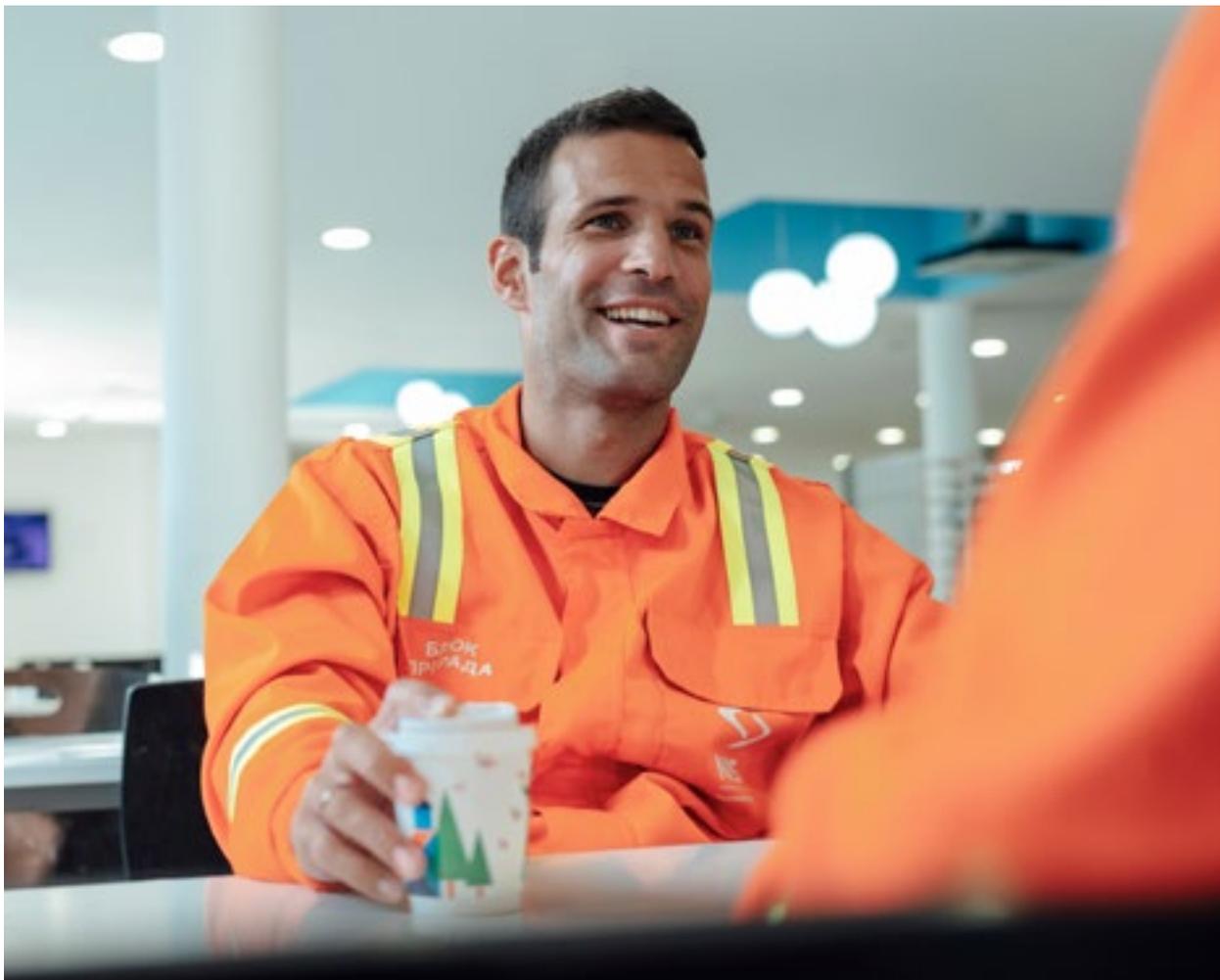
- Olga Vysotskaia, Chair of the Audit Committee,
- Dejan Radenković, Member of the Audit Committee and
- Alexey Urusov, Member of the Audit Committee.

The chair and members of the Audit Committee were appointed by the decision of the Board of Directors dated 12 December 2019, while Wolfgang Ruttensdorfer, Alexey Yankevich and Nenad Mijailović served as the chairman and members of the Audit Committee in the previous term of office (until 27 June 2019).

In 2019, the Audit Committee held two meetings where the members were personally present, as well as four

written sessions. Among other things, the Committee analyzed the Quarterly Report, the Financial Statements and the Consolidated Financial Statements for the first quarter (Q1) of 2019 and subsequently made appropriate recommendations to the Board of Directors. The Audit Committee also analyzed the 2018 Annual Report as well as the report of an independent auditor, PricewaterhouseCoopers d.o.o. Beograd, on the audit of this report. The Committee also assessed the qualifications and independence of the auditors of PricewaterhouseCoopers d.o.o. Beograd relative to the Company. In addition, the Audit Committee prepared

the Annual Internal Audit Plan for NIS j.s.c. Novi Sad for 2019 and the Internal Audit Charter of the Company (version 4.0), and reviewed audit findings and significant audit issues for 2018 and monitored the implementation status of the audit recommendations given in the Management Letter Points of NIS j.s.c. Novi Sad for 2018, and reported on 28 February 2019. The Audit Committee analyzed the Internal Audit's Report with the results of the internal audit of the operations of NIS j.s.c. Novi Sad for year 2018 and 6 months of 2019.





Remuneration Committee

Members of the Remuneration Committee are:

- Anatoly Cherner (Chair of the Remuneration Committee),
- Olga Vysotskaia (Member of the Remuneration Committee) and
- Zoran Grujičić (Member of the Remuneration Committee).

All three members performed functions in the Remuneration Committee in the previous term of office as well, while Olga Vysotskaia served as Chair of the Remuneration Committee (until 27 June 2019).

During the previous term, the Remuneration Committee held 3 written sessions. The Committee reviewed the performance of key indicators for 2018, the rating system and indicators for rewards for 2019, and also proposed remunerations for the auditors of the Financial and Consolidated Financial Statements of NIS

j.s.c. Novi Sad for 2019. The Remuneration Committee prepared the Report on the estimate of the amount and structure of remuneration for the members of the Board of Directors of NIS j.s.c. Novi Sad, which was submitted for review to the Shareholders' Assembly on the session held on 27 June 2019.

Nomination Committee

Members of the Nomination Committee are:

- Dragutin Matanović (Chair of the Nomination Committee),
- Alexander Chepurin (Member of the Nomination Committee) and
- Kirill Tyurdenev (Member of the Nomination Committee).

The chair and members of the Nomination Committee were appointed by the decision of the Board of Directors dated 12 December 2019.

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 2019

At the 11th Ordinary Meeting of the Shareholders' Assembly held on 27 June 2019, the following members of the Shareholders Assembly were elected:

- Zoran Grujičić (Chairman),
- Dragan Bračika (Member) and
- Alexey Urusov (Member),

while Nenad Mijailović ceased to be member of the Board of the Shareholders' Assembly on the date of the above-mentioned meeting of the Shareholders' Assembly.



Zoran Grujičić

Chairman of Shareholder Assembly Board for supervision of operations and reporting to shareholders of NIS j.s.c. Novi Sad

Born in 1955.

Mr Grujičić graduated from the Faculty of Mechanical Engineering of the University of Belgrade.

From 1980 to 1994, he was employed by the “Cer” heat transfer appliances plant in Čačak, where he held a variety of positions, including General Manager, Technical Manager, Production Manager and Design Engineer. From May 1994 to February 1998, he served as Advisor to the General Manager of Interkomerc, Belgrade. From February 1998 to June 2004, he was Managing Director of MNG Group d.o.o., Čačak. From

June 2004 to February 2007, he was Director of the trading company Agrostroj j.s.c. Čačak, Director of the limited partnership company Leonardo from Čačak and Director of the Vojvodina Highway Centre. Since February 2007, Mr. Grujičić has been employed with NIS j.s.c. Novi Sad and has held the following positions: Deputy Director of the Logistics Department in Jugopetrol, Head of RC Čačak at the Retail Department – Čačak Region, Manager of Retail Network Development in the Development Department, Sales and Distribution. From October 2012 to January 2016, he had served as Advisor to the Sales and Distribution Director and since February 2016 has been an Advisor to the Function for External Affairs and Government Relations Director. He has served as Advisor to the General Director since October 2017.

From 30.06.2014 to 27.06.2019, Mr Grujičić was a member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders.

As of 27 June 2019 he was appointed as a Chairman of the the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders.



Dragan Bračika

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

Born in 1982.

Mr Bračika graduated from the Faculty for business and industrial management of the Union University in Belgrade, Department for industrial and economy management and holds a BSc degree in management.

From 2013 to 2015, he was Advisor to General manager of the Novi Sad Fair.

From 2016 to the present he serves as Director of Cep-tor Andrevlje.

Mr Bračika was appointed as a member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 27.06.2019.



Alexey Urusov

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

Director of Economics and Corporate Planning Department in “Gazprom Neft” PJSC

Born in 1974.

Mr Urusov graduated from the Tyumen State University (specializing in finance) and the University of Wolverhampton in the United Kingdom (BA (Hons)

Business Administration). He furthermore holds an MSc degree in Sociology.

From 2006 to 2008, he worked as Executive Vice-President for planning and performance management in the Integra Group. From 2002 to 2006, he was employed at TNK-BP, being a member of TNK BoD’s Group for Monitoring and Control from 2002 to 2003, and CFO of TNK-BP Ukraine from 2004 to 2006. From 2009 to 2012, Mr Urusov was employed with NIS j.s.c. Novi Sad as Chief Finance Officer. From 2012, he has been employed as a Director for economics and corporate planning with PJSC “Gazprom Neft”.

He was appointed member of the NIS j.s.c. Novi Sad Board for the Supervision of Operations and Procedure for Reporting to NIS j.s.c. Shareholders as of 25 June 2012.

Activities of the Shareholders' Assembly Board in 2019

In 2019, the Board of the Shareholder's Assembly held three meetings where the members were personally present, as well as seven written sessions. The Board of the Shareholders' Assembly reviewed the Company's annual financial and consolidated financial statements for 2018, as well as its periodical (quarterly) financial and consolidated financial statements for Q1, Q2 and Q3 of 2019. Additionally, the Board of the Shareholders' Assembly also reviewed the independent auditor's reports on the audit of the Company's financial statements, the proposal on the appointment and compensation of the auditor for 2019, the manner of the distribution of the Company's profits and dividends for 2018, and then submitted a report on its

activities to the Shareholders' Assembly. Moreover, the Board of the Shareholders' Assembly reviewed the proposals for: the termination of membership of NIS j.s.c. Novi Sad in Pannon Naftagas Kft. Hungary due to its voluntary liquidation, approval of subscription of additional funds into the capital of RAG Kiha Kft Hungary, and termination of membership of NIS j.s.c. Novi Sad in RAG Kiha Kft. Hungary due to its liquidation, formation of the Company's branch offices, approval of the modification of the payment deadlines for subordinated loans between NIS j.s.c. Novi Sad and subsidiaries abroad (NIS PETROL doo Banja Luka, Republic of Srpska, and NIS PETROL S.R.L. Romania), and the approval of the conclusion of the Subordinated and/or Financial Loan Agreement between NIS j.s.c. Novi Sad and NIS PETROL S.R.L. Romania. The Shareholders' Assembly Board adopted 38 conclusions in 2019.

Membership in Other Companies' Boards of Directors or Supervisory Boards

Zoran Grujičić	-
Dragan Bračika	<ul style="list-style-type: none"> Member of Board of Directors, Sokobanja Specialized Hospital for Prevention and Treatment of Lung Diseases and Rehabilitation Director, Centre for Economic and Technology Development Ceptor Andrevlje
Alexey Urusov	<ul style="list-style-type: none"> Gazprom Neft – Catalytic Systems LLC (Member of Board of Directors) Gazprom Neft – Energoservice LLC (Member of Board of Directors) ITSK LLC (Member of Board of Directors) Noyabrskneftegazsvyaz LLC (Member of Board of Directors)

Total amount paid to SAB members in 2019, net RSD

Members of SAB	19,581,898
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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 composition of the Advisory Board was determined by the Decision of the CEO, and it includes the First Deputy CEO – Head of Downstream Division, the First Deputy CEO – Head of Exploration and Production Block, Heads of the Refining and Sales and Distribution Blocks, as well as heads of the Company's Functions. In addition to issues related to the business management of the Company, the Advisory Board deals with the strategy and development policy whose basis 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 2019, members of Advisory Board of the CEO were:



Gennady Lubin
First Deputy CEO for
Exploration and Production



Andrey Tuchnin
First Deputy CEO – Head of
Downstream Division



Vladimir Gagić
Head of Refining Block



Alexey Chernikov
Head of Sales and
Distribution Block



Viacheslav Zavgorodnii
Deputy CEO,
Head of Strategy and
Investment Function



Igor Tarasov
Deputy CEO,
Director of Corporate
Security Function



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



Sergey Fominykh
Deputy CEO,
Director of Legal and Corporate
Affairs Function



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 Function



Ulrich Peball
HSE Director*



Valery Proskurin
Director of “Naftagas – Oil
Services” LLC Novi Sad



Biographies of members of the Advisory Board can be found on the corporate website <http://ir.nis.eu/en/corporate-governance/advisory-board-of-the-ceo/>

* Ulrich Peball's membership in the Advisory Board of the CEO was terminated on 22 November 2019, when Mr Peball ceased to be the Head of the HSE Function.

Activities of the Advisory Board in 2019

During 2019, there were 12 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 Division Downstream;
- reports presenting monthly financial results of operations and
- reports on statuses of the key open issues within Functions.

In addition, the reports showing Company's quarterly results of operations, reports on operations of different boards in the Company, and an important issue concerning the update of the corporate strategy for company's development by 2025 were all presented to the members of the CEO Advisory Board. The Internal Audit presented the reports on implementation of the recommendations made based on audits and reports on the conducted activities regarding key risk management.

It is especially worth mentioning that, with the aim to continue realising the "Transformation" project, the proposals made by the members of the Advisory Board to end bureaucracy were discussed at 3 separate sessions.

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 and compiles special lists of successors that include their names, current positions and plans for their professional development.

Acquisition and Disposal of Company's Shares by Managers and Related Parties

Pursuant to Article 84a of 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 employed as managers in the Company, as well as related parties (as defined by the Law), are obliged to report any acquisition or sale of the Company's shares for their own account to the

Securities and Exchange Commission within 5 days, if these individual acquisitions or sales exceed the amount of RSD 100,000, and also if the total value of individual acquisitions or sales in one calendar year exceeds RSD 500,000.

In 2019, 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.

Number and Percentage of NIS j.s.c. Novi Sad Shares Owned by SAB Members

Name and surname	Number of shares	% in total number of shares
Dragan Bračika	5	0.000003066%



Internal Audit Activities

The regulatory framework of operations of the internal control, i.e. internal audit at NIS j.s.c. Novi Sad has been established by the Company Law, Internal Audit Charter, Internal Audit Standard and other relevant legal and internal regulations.

The Internal Audit provides services of independent and objective assurance, and consultancy to add value and improve Company's business. The Internal Audit helps the Company attain its goals by introducing a systematic and disciplined approach to evaluation and improvement of efficiency in risk management, controls, and corporate management.

The Company's Internal Audit operates in compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Global Institute of Internal Auditors, which has been confirmed by the conformity assessment made by the independent external estimator.

In particular, internal audit activities include:

- examination and assessment of the adequacy and efficiency of corporate governance, risk management and internal controls;
- monitoring the compliance of the Company's business activities with the law, other regulations and documents of the Company;
- supervision of the implementation of accounting policies and financial reporting;
- review of the 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 providing proposals for their improvement.

Internal audit activities are performed by the Internal Audit Function. Organizational and functional independence of internal audit is ensured by the Internal Audit Charter. Through the person responsible for internal control appointed by the Board of Directors, the Internal Audit Function is functionally subordinated to the Audit Committee, and linearly to the Company's CEO. As a rule, the person responsible for internal control serves as the Head of the Internal Audit Function. Twice a year, the Head of Internal Audit Function reports to the Audit Committee on the performance of the Internal Audit Function and the evaluation of the internal controls and risk management systems in the Company. The Audit Committee is, among other things, authorized to:

- approve the Internal Audit Charter;
- approve the Annual Internal Audit Plan;
- propose the appointment and dismissal of the person responsible for internal control of Company's business, in accordance with the Company Law, while the Company's Board of Directors adopts the decision on appointment and dismissal of the aforementioned person (who, as a rule, performs the role of the Head of IAF);
- check for any restrictions on access to information (scope limitations) or limitations of resources necessary for internal audit activities;
- monitor the existing risks and measures taken to manage those risks.

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 auditing agency's reports on the audit of the Company's financial statements and consolidated financial statements for 2018 were adopted on 27 June 2019 at the 11th Ordinary Meeting of the Shareholders' Assembly, attended by the auditor of the PricewaterhouseCoopers d.o.o. Beograd (whose attendance at the Assembly's ordinary meetings is mandatory in accordance with the Law). At the same meeting, the Shareholders Assembly elected the same auditing agency, PricewaterhouseCoopers d.o.o. Beograd, to audit its financial statements for 2019.

In accordance with the Law, the Audit Committee was provided with an independent auditor's statement confirming the independence vis-à-vis the Company and informing the Audit Committee about the additional services the auditor provided to the Company. The statement was a part of the material for 11th Ordinary Meeting of the Shareholders' Assembly.

Other Services of the Auditor

Apart from auditing the financial statements and consolidated financial statements for 2018, PricewaterhouseCoopers d.o.o. Beograd and its affiliated

companies provided NIS with other additional services in 2019. Considering the knowledge and experience required for the provision of such services, it was deemed more efficient to contract PricewaterhouseCoopers d.o.o. Beograd rather than a third party.

Integrated Management System

The process of identification and classification of business processes in the entire Company was completed. The defined business processes are mapped in compliance with the Mapping Plan, whereas the method of their implementation is described in relevant normative and methodological documents conforming to the standardisation plan. In addition, *KPIs* (key performance indicators) are also established for all business processes defined in this way.

The business processes identified across the Company are unified in the integrated management system (*IMS*), in line with the requirements of the international standards for the management systems (*ISO 9001, ISO 14001, OHSAS 18001, ISO 50001, CAC/RCP 1*). The established *IMS* is implemented throughout the Company and it is continually developed in line with the Certification Strategy, whose implementation of which is supervised by the *IMS* Committee.

The compliance with the above international standards is audited by accredited certification bodies which issues certificates on the basis of conducted audit.

In addition to external audits, the Company conducts internal audits of business processes and the management systems in line with the annual schedule of internal audits.

The results of these audits are formally presented in reports, whose basis the owners of business processes at the Company define actions to eliminate causes of

the identified or potential non-compliance, with the aim of continuous improvement of the IMS and the business operations in general.

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.

The information on 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.

On its website, the Company publishes important information on activities in which there is a personal interest in accordance with the criteria prescribed by the Law.

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, and within Annual and Quarterly Reports.

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.

Related-Party Transactions

In 2019, 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.

Insider Information

Trading in shares using insider information is strictly forbidden and punishable by law, i.e. the Capital Markets Law. Therefore, the Company requires all persons who have permanent or temporary access to this information to fully comply with the provisions of laws, by-laws, and the Company's documents related to insider information and confidential information.

The criteria for deciding who can be in the capacity of an insider, insiders' rights and obligations, the Company's obligations to ensure the confidentiality of insider information, the procedure for disclosing insider information, and the rules for the compilation, management and updates of the insider list are regulated by the Company's internal documents.

Code of Conduct

The Code of Ethics of NIS prescribes the basic rules and norms of conduct that determine relations with colleagues, clients, business partners, government authorities, local governments, the public and competitors.

The principles contained in the Code give clear recommendations for making ethically balanced decisions in different situations, and the code defines norms and rules of conduct that are based on corporate values and which all employees must comply with, as expected by the Company.

Anti-Corruption and Fraud Policies

The Company adopted the Anti-Corruption And Fraud Policies, with the aim of preventing and combating all forms of corruption and fraud.

The Policy provides the conditions for timely detection, prevention and minimization of the risks of unlawful, unethical and corrupt behavior, based on

the established uniform standard of conduct, values, principles of lawful business and basic rules for combating corruption and fraud.

The Policy prescribes that all persons, if they well-founded suspicions or evidence that corruption or fraud has been or will be committed, must provide appropriate information through pre-defined and protected channels of communication, with the guarantee of confidentiality. Moreover, the Policy defines measures for the protection of persons who provided this information, and outlines the manner in which these measures will be implemented so as to ensure that the position of the person who has revealed corruption or fraud in this manner is not threatened in any way.

Relations with Stakeholders and Corporate Social Responsibility

In relations with its stakeholders, NIS fosters constant communication, mutual trust, partnership and an open dialogue. It is essential for NIS to understand stakeholders' requirements and expectations.