

**НИС а.д. Нови Сад / NIS a.d. Novi Sad**  
**Народног фронта 12 / 12, Narodnog fronta St.**  
**УПРАВНИ ОДБОР / BOARD OF DIRECTORS**  
**Број (No.): 80/45**  
**Датум (Date): 18.05.2012**

Pursuant to Art. 13, it. 13.4 of the Incorporation Act of the of the Joint Stock Company for Exploration, Production, Processing, Distribution and Sales of Oil and Oil Products and Exploration and Production of Natural Gas "Naftna industrija Srbije" a.d. Novi Sad (hereinafter referred to as: the Company or NIS a.d. Novi Sad) – revised version, No. 70/II-13a dated 21.06.2010, and Art. 3.6 of the Code of Corporate Governance of NIS a.d. Novi Sad, No. 80/XIX-2a dated 10.06.2010 (hereinafter referred to as: "**the Code**"), the Board of Directors of NIS a.d. Novi Sad adopts the following:

**REPORT ON THE REVIEW OF WORK OF THE BOARD OF DIRECTORS OF NIS A.D. NOVI SAD  
 AND ITS COMMITTEES  
 FOR THE PERIOD MAY 2011 – APRIL 2012**

**INTRODUCTION**

The Board of Directors of NIS a.d. Novi Sad (hereinafter referred to as: the Board of Directors or the BoD), in line with the adopted corporate governance principles and provisions of Art. 3.6.1. of the Code, performed the analysis and assessment of its work in the given reporting period, as presented herein.

This is the second assessment of the work of the Board of Directors (since the adoption of the Code of Corporate Governance of NIS a.d. Novi Sad in 2010).

The objective of the assessment of the BoD work is to improve the efficiency of the Board of Directors, increase its contribution to a successful development of the Company in general, and therefore improve the confidence of investors and shareholders of the Company in the work of the Board of Directors.

A survey for self-assessment has been prepared (the Survey) for the purpose of monitoring and self-assessment, identification of any problems in the work of the Board of Directors, identification of results of such self-assessment, and recommendation of measures for improvement. The survey contains two groups of key questions for comprehensive assessment of the BoD work. The first group contains criteria resulting from the core performances of the Board of Directors (objectives, tasks and responsibilities of the Board of Directors) and the second group contains criteria related to the structure, processes and activities of the Board of Directors.

The assessment of work of the Board of Directors contained herein takes into account the responses given by members of the Board of Directors as filled in the survey forms, and the review of the BoD work through sessions of the Board of Directors held in the reporting period.

**A – ASSESSMENT OF THE BOARD OF DIRECTORS AS MANAGEMENT BODY IN ITS ENTIRETY**

The purpose of assessment of the Board of Directors in its entirety is to identify the efficiency of its work as a collective management body and its scope of activities against the needs of the Company.

The assessment of the Board of Directors in its entirety was performed through questions articulated in the survey for the core segments in the BoD work: participation in setting objectives of the Company; discussions in BoD sessions, formal adequacy of BoD sessions; the role, functions, competences and responsibilities of the Board of Directors, its priorities in work, management controls, the composition of

<p>the Board of Directors and its committees, the combination of knowledge, skills, experiences of its members in general, the level of information and communication between BoD members, BoD committees and the management, etc.</p>	
<p><b>1. INDICATORS ARISING FROM OBJECTIVES, TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS</b></p>	
<p><b><i>Achieving the objectives of the Company</i></b></p>	<p>The Board of Directors was included in the process of preparing the Business Plan of the Company and setting out the directions for strategic development and business policy of the Company. In 2011, the Board of Directors adopted a long-term development strategy of NIS a.d. Novi Sad until 2020, with ambitious objectives, and foreseeing achievement of the indicators equivalent to those of the top competitors in the European market. (Decision of the Board of Directors No. 80/XXXIII-1 dated 30.03.2011).</p> <p>The assessment of efficiency of the Board of Directors in terms of achieving the objectives of the Company has been monitored on a quarterly basis through the implementation of the corporate business plans for the respective reporting period, as set out in line with the pre-defined long-term strategy of the Company.</p> <p>The achievement of the pre-set objectives of the Company indicates how efficient are the efforts of the Board of Directors to build a good system of corporate governance and influences on performances of the Company.</p> <p>The Board of Directors, through the corporate objective management system, has set up efficient incentive mechanisms that contribute to creating a highly professional top-management team, which is then manifested in constant growth, internal efficiency of business operations and implementation of investment programs.</p> <p>Activities implemented in 2011 show that the strategy is being implemented as planned.</p>
<p><b><i>Delineation of competences, cooperation with the management and control over the work of the Company's management</i></b></p>	<p>The scope of work of the Board of Directors is defined in the Incorporation Act of NIS a.d. Novi Sad No. 70/II-13a dated 21.06.2010 and encompasses the competences provided for in Art. 313 of the Companies Law (Off. Gazette of RS, No. 125/2004 dated 22.11.2004), which competences are delineated from the operating competences of the Executive Board and the General Manager of NIS a.d. Novi Sad.</p> <p>The draft Statute of NIS a.d. Novi Sad has been prepared in line with provisions of the new Companies Law (Off. Gazette of RS Nos. 36/2011 and 99/2011) (hereinafter referred to as the Law), defining more specifically and delineating the competences of the future Board of Directors from the competences of the General Manager of NIS a.d. Novi Sad.</p> <p>In the observed reporting period, the Board of Directors has monitored the work of the Company's management through relevant reporting mechanisms (quarterly and annual financial statements, business reports, reports on the analysis of business operations and business projections), and, in line with its competences, has supervised the governance and executive management of the Company, as one of the primary tasks of the Board of Directors.</p>

	<p>The work of the General Manager and executive management is assessed based on pre-defined performance assessment indicators that also imply the management remuneration system.</p>
<p><b>Activities of the Board of Directors and major decisions</b></p>	<p>In the reporting period, the Board of Directors held 4 ordinary sessions, and also had 14 statements of opinions without holding sessions.</p> <p>Based on the agenda of the Board of Directors, in addition to regular activities related to the review of business results reports, financial and consolidated financial statements of NIS a.d. Novi Sad for 2010 and 2011 and the adoption of interim reports and statements (semi-annual, and reports and statements for the first and third quarters of 2011), the Board of Directors:</p> <ul style="list-style-type: none"> <li>- adopted the activities related to the registration of real property ownership rights of NIS for 2011;</li> <li>- on a periodical basis, reviewed the reports by the General Manager of NIS a.d. Novi Sad, on the status of the registration of real property ownership rights of NIS a.d. Novi Sad;</li> <li>- made the Decision on profit and loss distribution for 2010 (by which, according to the law, the entire profit earned in that year was allocated to cover the losses from the preceding years), and also</li> <li>- endorsed the proposed decision of the Shareholders Assembly on profit and loss distribution for 2011 (by which, according to the law, the entire profit earned in that year was allocated to cover the losses from the preceding years).</li> </ul> <p>In addition to afore-mentioned, in 2011, the Board of Directors reviewed:</p> <ul style="list-style-type: none"> <li>- the new collective agreement of NIS a.d. Novi Sad;</li> <li>- the report on the compliance of the organization and operations of the Company with the Code of Corporate Governance of NIS for the period June 2010 – April 2011;</li> <li>- the report on the work of the Board of Directors and its committees for the period June 2010 – April 2011;</li> <li>- the 2012 business plan of NIS a.d. Novi Sad.</li> </ul> <p>Special attention was paid to the matter of setting up new subsidiaries in Bulgaria, Romania, the Republic of Srpska (Bosnia and Herzegovina), Hungary, and the Republic of Serbia, in accordance with the strategy of NIS a.d. to expand its operations both throughout the country and in the region. In order to provide funds for the operation of the subsidiaries out of the country, the BoD made a series of decisions on approving the entry into subordinated loan agreements between NIS a.d. Novi Sad and the respective subsidiaries.</p> <p>Some of major activities of the Board of Directors implied making the following decisions:</p> <ul style="list-style-type: none"> <li>- on convening III Annual NIS Shareholders Assembly Meeting;</li> <li>- on reviewing the concept of development of NIS a.d. Novi Sad in the areas of power generation and gas monetization;</li> <li>- on approving legal activities involving personal interests (related to which a special report is submitted to the Shareholders Assembly of the Company);</li> <li>- on reviewing the concept of development strategy for two brands of NIS a.d. Novi Sad;</li> </ul>

	<p>- on the cooptation of an independent member of the Board of Directors NIS a.d. Novi Sad.</p>
<p><b>Monitoring the implementation of decisions and orders of the Board of Directors</b></p>	<p>The Board of Directors has set up an efficient mechanism to monitor the execution of decisions and orders of the Board of Directors by regular reporting on the implementation of decisions and orders passed by the Board of Directors in the BoD sessions attended by the BoD members in person.</p> <p>This criterion is evaluated based on the monitoring of results achieved in the implementation of both the decisions and orders passed by the Board of Directors in the relevant reporting period, and those that were in the implementation process in the preceding reporting period. The present report provides information on the status of implementation for each decision and order of the Board of Directors, including the statement of reasons and deadlines for implementation, and actual/expected implementation periods.</p>
<p><b>Compliance with the Code of Corporate Governance of the Company</b></p>	<p>In 2011, the application of the adopted corporate governance principles has been raised to a high level, as confirmed by an external expert for the assessment of corporate governance practice from the Serbian Chamber of Commerce and IFC (International Finance Corporation) who gave the total score of 90.25% to NIS for the corporate governance practice of NIS in 2011 (the score of 75% is considered as very high, while the zone up to 100% should stimulate companies to apply higher corporate governance principles). The score achieved in 2011 is higher by 4.25% than the total score received for 2010.</p> <p>This criterion is evaluated based on the number of variations from the adopted corporate governance principles. Variations from the best corporate governance practices (the presence of census) are necessary due to the specific shareholders structure of NIS and the millions of shareholders of the Company.</p> <p><u>Recommended measures:</u></p> <ul style="list-style-type: none"> <li>• To elaborate a format for reviewing the compliance with the current corporate governance practice and other accepted principles of corporate behavior (including principles from other acts governing corporate behavior in the Company if enacted, e.g. the Code of Conduct);</li> <li>• To review the results obtained by assessing the compliance with the principles and define corrective actions, if needed (in case of variations from the predefined principles of corporate behavior in the Company) in the session of the Board of Directors preceding the session in which the Annual business results report of the Company is to be endorsed (including the statement on implementation of the Code of Corporate Governance).</li> </ul>
<p><b>Availability and quality of prepared documents</b></p>	<p>The Board of Directors, acting within its remit, is governed by a series of procedures defined in the internal acts of the Company. Sets of materials for sessions of the Board of Directors are prepared in line with the predefined acts and procedures for their preparation, for each particular item of the agenda, and furnished in due time for sessions of the Board of Directors, so that each BoD member can take his/her position regarding the matter.</p> <p>In preparation of the proposed decisions of the BoD and its committees, key aspects of each item are presented on 1-2 pages, with the details enclosed with the proposed decisions. The proposed decisions of the BoD are also accompanied with cover letters with short explanation for presentation of the matter to the Board</p>

	of Directors for consideration, a brief account of the matter, a summary of pertaining materials.
<b>Influence of the Board of Directors on improvement of the Company's image</b>	<p>Contribution of the Board of Directors in creating a positive image of the Company is reflected both in their efforts to establish a modern system of corporate governance and transparent communication with all stakeholders, and in the personal engagement of each of the members of the Board of Directors.</p> <p>In November 2011 NIS a.d. Novi Sad was granted the Belgrade Stock Exchange award for the best investor relations in 2011.</p>
<b>Remuneration of members of the Board of Directors and its committees</b>	A fixed part of remuneration to members of the Board of Directors and its committees is defined in the Remuneration and reward policy for members of the Board of Directors NIS a.d. Novi Sad No. 70/II/19a dated 21.06.2011. In addition to the fixed part of remuneration, upon proposal by the BoD Remuneration Committee, in accordance with parameters defined in the afore-mentioned policy of the Company, a variable part of remuneration can also be defined for members of the Board of Directors of the Company. This part of remuneration was not paid to members of the Board of Directors and its committees during the reporting period.
<b>INDICATORS RELATED TO THE COMPOSITION AND PROCEDURES OF THE BOARD OF DIRECTORS</b>	
<b>Number of members and structure of the Board of Directors</b>	<p>On 16 March 2011, Dusan Petrovic, after submitting his resignation, ceased to be a member of the Board of Directors. In III annual meeting of the Shareholders Assembly held on 21 June 2011, the vacant position in the Board of Directors was filled by electing Slobodan Milosavljević, and the other members were re-elected. By the decision of the Board of Directors NIS a.d. Novi Sad on cooptation of an independent member of the Board of Directors No. 80/XLIV-1 dated 20.04.2012, the vacant position in the Board of Directors was filled by Wolfgang Ruttenstorfer, and therefore, the composition of the Board of Directors, in line with provisions of the Incorporation Act of NIS a.d. Novi Sad, is as follows:</p> <ol style="list-style-type: none"> <li>1. Vadim Vladislavovich Yakovljev (Chairman)</li> <li>2. Kirill Albertovich Kravchenko (member)</li> <li>3. Alexander Vladimirovich Krilov (member)</li> <li>4. Vladislav Valerjevich Barisnjikov (member)</li> <li>5. Anatoly Moyseyevich Cherner (member)</li> <li>6. Igor Konstantinovich Antonov (member)</li> <li>7. Slobodan Milosavljević (member)</li> <li>8. Nikola Martinović (member)</li> <li>9. Danica Drašković (independent member)</li> <li>10. Stanislav Vladimirovich Seksnja (independent member)</li> <li>11. Wolfgang Ruttenstorfer (independent member)</li> </ol> <p>By co-opting an independent member of the BoD, based on recommendations of the best corporate practice, the share of independent members of the Board of Directors has been increased in its structure, while the appointed independent member has relevant knowledge and experience that could contribute to the development of operations in the EU market.</p> <p>As for the currently defined requirements/conditions for election of members to the Board of Directors, a proper format of an obligatory Questionnaire for candidates for membership in the Board of Directors has been prepared. During election of the current composition of the Board of Directors, all candidates for membership in the</p>

	<p>Board of Directors filled in the Questionnaire, based on which it was determined that the requirements were met.</p> <p><u>Recommended measures to improve the work of the BoD:</u></p> <ul style="list-style-type: none"> <li>• To assess the adequacy of the current number and composition of the Board of Directors against relevant aspects (e.g. objectives and challenges faced by the Company through the work of the Board of Directors, specific activities of the Company, structure of capital of the Company, business directions of the Company, and competences of BoD members with respect to specific directions, legal requirements for setting up committees of the Board of Directors from within the BoD etc.)</li> <li>• To observe the following principles when taking into consideration the respective criteria: <ul style="list-style-type: none"> <li>- the composition of the Board of Directors – to be assessed based on an optimum balance of professional experience, knowledge, skills and personal qualities of BoD members;</li> <li>- the composition of the BoD – to be assessed from the aspect of maximizing the BoD contribution to successful development of the Company and provision of solutions for key tasks;</li> <li>- to assess the established mechanisms for remuneration of BoD members, and, if needed, create proposals for efficient motivation of BoD members.</li> </ul> </li> </ul>
<p><b>Obligation to report matters involving personal interest and restriction on competition</b></p>	<p>When filling in the questionnaire (representing the statements given by the BoD members related to the requirements to be met for nomination to membership in the Board of Directors), and by signing the Agreement regulating their rights and obligations with the Company, members of the Board of Directors are made familiar with their obligation of reporting to the Company, due to any potential entry into a legal affair with the Company, and with their obligation not to act as a competitor to the Company, not to use their position in the Company for their personal matters, etc.</p> <p>The Agreements regulating the mutual rights and obligations between the Company and the BoD members were approved by the Shareholders Assembly of the Company by Decision No. 70/II-21 dated 21.06.2010.</p> <p>The way to approve matters involving the conflict of interest and to approve engagement of members of the Board of Directors considered as competitive is set forth in provisions of the Companies Law. In the reporting period, when deciding on approving matters involving personal interests of the BoD members, the votes of such members of the BoD were excluded.</p> <p>In addition, in order to keep track of any competitors, the Company has introduced the practice to carry out quarterly surveys of the BoD members regarding circumstances of their current involvement, and on their membership in the managing and supervisory boards in other companies.</p>
<p><b>Role of the BoD Chair and its relation with other BoD members</b></p>	<p>The analysis of responses obtained from members of the Board of Directors regarding the role of the chair of the Board of Directors in the organization of work of SD in the reporting period has produced high grades in the aspect of criteria from the Code of Corporate Governance of the Company.</p> <p>The functions of the Chair of the Board of Directors and the General Manager of</p>

	<p>the Company are delineated.</p> <p>The Chair of the Board of Directors encourages members of the Board of Directors to take an active part in the work of sessions, checks whether other members of the Board of Directors are in possession of information they need to fulfill their obligations, takes care of the schedule of sessions and the way they are held.</p>
<p><b>Quality of support and information in the organization of sessions of the Board of Directors</b></p>	<p>In the process of planning, holding and preparing sessions of the BoD, the BoD members are timely provided with an inquiry regarding their availability for specific BoD sessions, and the BoD sessions are then schedules according to timing coordinated with all BoD members. In this way, members of the BoD are informed of the forthcoming BoD session in due time.</p> <p>Handouts for sessions of the Board of Directors are distributed within time specified in the Rules of Procedure of the Board of Directors, to ensure adequate preparation for sessions.</p> <p>As a rule, handouts for sessions of the BoD and its committees are complete, precise and contain ample information for members of the BoD and its committees to take position.</p> <p>Discussions held and decisions made are properly documented.</p> <p>The BoD has resources needed for efficient work at its availability.</p> <p>As a result of scores given by surveyed members of the BoD, the following measures are recommended:</p> <ul style="list-style-type: none"> <li>• To survey members of the BoD regarding circumstances whether BoD members, with specified time for submission of materials for sessions, have enough time to become familiar with the materials and get prepared for sessions, and whether there is a need to provide for additional time / reduce time for submission of materials for certain matters from the Work Plan of the BoD).</li> <li>• To survey members of the BoD regarding circumstances whether there is a need for, and if yes – for which, additional resources, information and conditions to be provided for efficient work of the BoD and for holding sessions of the BoD and its committees.</li> </ul>
<p><b>Planning the work of the Board of Directors, schedule and format of BoD sessions</b></p>	<p>In principle, the schedule of sessions of the Board of Directors is set out in the Work Plan of the Board of Directors at the beginning of the planning period (business year) and is based on time periods defined in line with laws and bylaws of the Republic of Serbia, internal acts of the Company, and needs arising from business operations of the Company.</p> <p>Matters are distributed by sessions of the Board of Directors (with the personal attendance of members of the BoD in sessions in writing) in the process of harmonizing the Work Plan of the Board of Directors between the members of the Board of Directors and the Company's management. This ensures that the members of the Board of Directors decide beforehand for which issues the personal attendance of members of the Board of Directors is needed in order to have a discussion and expression of views by all members of the Board of Directors.</p>

	<p><u>As a results of scores given by surveyed members of the BoD, the following measure is recommended:</u></p> <ul style="list-style-type: none"> <li>• During the phase of elaboration of the Work Plan of the BoD, to consider a possibility to distribute tasks among the members of the BoD regarding supervision of the material preparation process by certain key issues for the Board of Directors.</li> </ul>
<b>Training</b>	<p>In the reporting period there were no group training sessions organized for the BoD members.</p> <p><u>As a result of scores given by surveyed members of the BoD, the following measure is recommended:</u></p> <ul style="list-style-type: none"> <li>• To survey members of the BoD on the need to design proper trainings, and, based on the survey results, implement trainings for the BoD members depending on the needs expressed by the members of the Board of Directors for improvement of knowledge and skills in certain areas of business.</li> </ul>
<b>Meetings of independent BoD members</b>	<p>The Board of Directors takes into account the best corporate governance practices that recommend holding of separate meetings of independent BoD members and independent and non-executive members of the BoD in order to review and discuss issues related to the work of the BoD. This practice ensures higher independence of the Board and reduces any influences on decisions to be made by the Board of Directors.</p> <p><u>As a result of scores given by surveyed members of the BoD, the following measure is recommended:</u></p> <ul style="list-style-type: none"> <li>• To make time for separate meetings of independent directors of the BoD (within the schedule of sessions of the Board of Directors with personal attendance).</li> </ul>
<b>BoD committees and quality of their work</b>	<p>The Board of Directors formed the Nomination Committee and the Remuneration Committee, the members of which are also the members of the Board of Directors.</p> <p>In line with the Decision on forming BoD committees, the goal for forming the committees is to improve comprehensive reviews of materials by subject matter in the area of HR policy for appointment to key positions in the Company and its subsidiaries, and in the area of remuneration for members of the Board of Directors, the General Manager, the Directors of Functions and Blocks in the Company.</p> <p>The remuneration committee consists of three members, as follows:</p> <ul style="list-style-type: none"> <li>• Stanislav Vladimirovich Seksnja, Chair of the Committee</li> <li>• Anatoly Moysiyevich Cherner, member of the Committee</li> <li>• Nikola Martinović, member of the Committee</li> </ul> <p>In 2011, the composition of the committee underwent a change; by the Decision of the Board of Directors dated 27 July 2011, Dusan Petrovic was replaced as member of the Committee with Nikola Martinović.</p> <p>The Nomination Committee consists of the following three members:</p> <ul style="list-style-type: none"> <li>• Slobodan Milosavljević (Chair of the Committee)</li> <li>• Kirill Albertovich Kravchenko (member of the Committee)</li> <li>• Igor Konstantinovich Antonov (member of the Committee)</li> </ul>

	<p>In 2011, two members of the committee were replaced; by the Decision of the Board of Directors dated 27 July 2011, the previous chair Nikola Martinović was replaced with Slobodan Milosavljević, and Vladislav Barishnikov, as a member of the committee was replaced with Kirill Kravchenko.</p> <p>In the reporting period, the involvement of members of the committees in their work and decision making was stated as high.</p>
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**Statistics of participation of members of the Remuneration Committee in sessions:**

Member of the Remuneration Committee	Sessions of the Remuneration Committee – 4, 5, 6 and 7						
	Ordinary sessions of the Remuneration Committee and I session in writing						
	4. 23.08.2011	5. 11.11.2011	6. 21.12.2011	7. 05.03.2011		I in writing 28.02.2012	
Stanislav Seksnja	+	+	+	+	4/4	+	1/1
Anatoly Cherner	+	+	-	+	3/4	+	1/1
Nikola Martinović	+	+	+	+	4/4	+	1/1

**Statistics of participation of members of the Nomination Committee in sessions:**

Member of the Nomination Committee	Sessions of the Nomination Committee in writing- III, IV, V, VI, VII, VIII, IX and X								
	III	IV	V	VI	VII	VIII	IX	X	
	26.05. 2011	13.06. 2011	20.06. 2011	16.08. 2011	19.12. 2011	11.01. 2012	26.01. 2012	06.04. 2012	
Slobodan Milosavljević				+	+	+	+	+	5/5
Kirill Kravchenko				+	+	+	+	+	5/5
Igor Antonov	+	+	+	+	+	+	+	+	8/8
Nikola Martinović	+	+	+						3/3
Vladislav Barishnikov	+	+	+						3/3

<b>Evaluation of the system and criteria for self-</b>	<p>The Board of Directors self-assessed its work in the period May 2011 – April 2012 against key criteria relevant for an efficient work of the Board of Directors.</p> <p>Based on self-assessment results obtained from the members of the Board of</p>
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<p><b>assessment of the work of the Board of Directors</b></p>	<p>Directors against this criterion, the following measures are recommended for better work of the Board of Directors in the self-assessment process.</p> <ul style="list-style-type: none"> <li>• To formalize the self-assessment procedure and a set of criteria for assessment of the work of the BoD and its committees, according to the following principles: <ul style="list-style-type: none"> <li>- <u>Frequency</u> – Annual self-assessment;</li> <li>- <u>Comparison of results</u> – the results of current assessment should be compared with the results of the preceding assessment in order to track changes in the quality of work of the BoD and its committees;</li> <li>- <u>Confidentiality of the BoD self-assessment and its results</u> - the self-assessment of the BoD and its committees shall be performed in a closed session (a part of the session) of the Board attended by BoD members only.</li> <li>- <u>Comments / proposals / suggestions of the BoD members</u> – To ensure time for comments / proposals / suggestions by the BoD members within each group of criteria / indicators for self-assessment (if the evaluation is done in writing);</li> <li>- <u>Summarized report on self-assessment of the Board</u> in its entirety and compliance of its work with the pre-set standards of the Company, to be submitted to shareholders of the Company as a special section in the Business results report, and the detailed report with recommendations for improvement of the work of BoD – to be discussed in a BoD session.</li> <li>- <u>Regular review</u> of evaluation criteria and procedure for their implementation (BoD evaluation system). In order to ensure an efficient evaluation system, within regular (annual) self-assessment of the BoD work, to take into consideration and discuss the existing assessment criteria and streamline or modify them, if needed;</li> <li>- <u>Planning time for self-assessment procedure</u> – the BoD self-assessment shall be performed in the session preceding the session of the Board in which the decision is to be made to convene an ordinary meeting of the Shareholders Assembly.</li> </ul> </li> </ul>
<p><b>3 Overview of sessions and decision-making of the Board of Directors, and participation of members of the Board of Directors in its work in the reporting period</b></p>	
<p>In the reporting period, the Board of Directors held 4 sessions – with the attendance of members of the Board of Directors, and 14 sessions in writing – decision-making by the Board of Directors through written statement of opinions.</p> <p><b><u>Statistics of participation of the BoD members in its sessions</u></b></p>	



## CONCLUSION

The review of particular and all responses/scores given by members of the BoD in general show that the the Board of Directors managed the Company efficiently in the reporting period, and was capable of finding, by playing its role in the corporate governance system, an optimum balance of different key components as follows: to stand for the interests of its shareholders, and to perform an adequate control of operations of the Company, without resorting to operating control of management and also to manage the Company's development strategy.

The evaluation identified a positive trend in the work of the Board of Directors from the aspect of an increasing number of issues addressed in the reporting period (84 decisions of the BoD were made, comparing to the preceding reporting period (June 2010 – April 2011) when 46 decisions of the BoD were made), significance and quality of decisions made to expand operations of the Company, active participation of the members of the Board of Directors in sessions of the BoD and its committees.

Such trends in the work of the Board of Directors and intensified efforts of the Board of Directors to build a good system of corporate governance and influences on better performances of the Company, are directed toward achievement of ambitious objectives of the Company.

The quality of work of the Board of Directors in the given reporting period is also highlighted by the results of the review of implementation of the adopted corporate governance principles of NIS a.d. Novi Sad in 2011, performed by the expert from the Serbian Chamber of Commerce and IFC (International Finance Corporation). As mentioned above, the corporate governance practice of NIS was given the score of 90.25 %, which is higher by 4.25% than the total score achieved in 2010.

Beside the identified positive trends, the review of the work of the BoD has also detected some aspects in the BoD work that, as assessed by BoD members, can be improved.

The presented review gives sufficient grounds for elaboration and implementation of measures for better assessment of the work of the BoD, which can certainly help to improve the quality of work of the BoD in all aspects relevant for making better strategic choices, better risk control, better supervision of operations of the Company, etc.

Chairman of the Board of Directors

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Vadim Yakovljević  
(signature and seal)

To be submitted to:

1. Shareholders
2. Chairman and members of the Board of Directors of NIS a.d. Novi Sad
3. Secretary of NIS a.d. Novi Sad
4. Archive