



НИС а.д. Нови Сад / NIS j.s.c. Novi Sad
Народног фронта 12 / 12 Narodnog fronta
ОДБОР ДИРЕКТОРА / BOARD OF DIRECTORS
Број (No.): 85/XIV-3a
Датум (Date): 14.05.2013

Pursuant to article 9 clause 9.6 subclause 37 of the Articles of Association of the Company on exploration, production, refining, distribution and marketing of oil and petroleum products and exploration and production of natural gas Naftna Industrija Srbije j.s.c. Novi Sad (hereinafter the “**Company**” or “**NIS j.s.c. Novi Sad**”) No. 70/IV-12a dated 25.06.2012 and article 3.6 of the Code of Corporate Governance of NIS j.s.c. Novi Sad No. 80/XIX-2a dated 10.06.2010 (hereinafter the “**Code**”), the Board of Directors of NIS j.s.c. Novi Sad is presenting the following:

**REPORT ON THE ANALYSIS OF WORK CARRIED OUT BY THE BOARD OF DIRECTORS OF
 NIS J.S.C. NOVI SAD
 DURING THE PERIOD FROM MAY 2012 TO APRIL 2013**

INTRODUCTION

Pursuant to the approved principles of corporate governance and the provisions of article 3.6.1 of the Code, the Board of Directors of NIS j.s.c. Novi Sad (hereinafter the “**Board**” or the “**BD**”) for the third time performed the analysis of its work the results of which are presented in this Report.

The key objective of assessment of the work performed by the BD is to review the following:

- The role and objectives of the Board and its commissions;
- The duties of the Directors;
- The priorities in the work of the Board and its commissions;
- What combination of knowledge, experience and personal qualities must the Directors have;
- The effective procedures used in the work of the Board, the forms of meetings of the Board, including practical preparation for and holding meetings, their frequency, matters related to the informational support for the work of the Board.

For the purposes of analyzing the Board’s work, identifying possible problems in the Board’s work, and proposing measures to improve the Board’s work, the Questionnaire for Assessment of the Work of the Board (hereinafter the “**Questionnaire**”) was developed to be filled in by the Directors. The Questionnaire contains two groups of questions which are essential to the evaluation of the work performed by the BD. The first group includes the evaluation criteria applicable to the work of the Board as such (goals, objectives and responsibility of the Board) while the second group includes the criteria applied to evaluate the procedures used by the Board in its work.

In this Report, the work performed by the Board is evaluated on the basis of the replies provided by the Directors as a result of them filling in the Questionnaire and the analysis of the work carried out by the Board during the Board meetings held during the reporting period.

1. PARAMETERS BASED ON THE GOALS, OBJECTIVES AND RESPONSIBILITY OF THE DIRECTORS

Definition of the Strategy and Business Plan of the Company

During the first quarter of 2011, the Board approved the long-term Development Strategy of NIS j.s.c. Novi Sad until 2020 setting ambitious goals orientated towards achieving the market performance parameters on the level of the largest competitors represented on the European market (Decision of the Board of Directors No. 80/XXXIII-1 dated 30.03.2011).

The Directors actively interact with the company’s management in connection with

	<p>the Company's objectives, shareholder expectations, objective evaluation of the market situation, the Company's financial position, risks and other factors affecting the Company's financial and business position when monitoring the approved Strategy and development of the updated Company Development Strategy until 2030.</p> <p>One example of the above interaction is participation of the Directors, together with the Company's management and representatives of the Company's main shareholders, in the meeting entitled NIS STRATEGY 2020 that took place on 28.11.2012. The above meeting reviewed the priority directions of the Company's development, forecasts for the key performance parameters and prerequisites for the Company's long-term development.</p> <p>Non-executive Directors play a significant role in the development of the Company Strategy.</p> <p>The second NIS STRATEGY 2020 meeting to be held in order to develop the updated Company Strategy is scheduled for the middle of May 2013, after which the above Strategy will be presented to the Board of NIS j.s.c. Novi Sad for approval.</p>
<p><i>Monitoring of the approved Business Plan</i></p>	<p>The Directors have a clear view of the Company's core operations, its strategic goals and the Company's financial and human resources required to achieve the Company's goals, if they regularly review the key performance indicators and take an active part in the Business Plan development and performance evaluation.</p> <p>The Board regularly controls and assesses the achievement of strategic goals, implementation of the Business Plans and effectiveness of the Company's performance on the basis of the Company's quarterly reports (Quarterly Reports, Financial Statements, Consolidated Financial Statements, reports on Performance of the Decisions and Instructions of the Board etc.) and the Reports on the Company's Business Performance Analysis for the previous period and on Performance Forecast for the Forthcoming Period (until the end of the relevant period).</p> <p>The Board holds the same position as the management in relation to setting business objectives and approving criteria for their achievement.</p> <p>The activities performed in 2012 showed that the Strategy and Business Plan are implemented to the benefit of all the parties concerned. In 2012, all the conditions were created to cover the losses of prior years and to pay the dividend to the shareholders in 2013.</p>
<p><i>Control over operations and risk management</i></p>	<p>In the reporting period under consideration, the Directors received the quarterly reports on the Company's performance analysis, including the following matters:</p> <ul style="list-style-type: none"> - The Company's operations, profit and financial position (financial and economic performance parameters); - Profitability of the Company's operations; - Regional market trends; - Key transactions and events that are material to the Company's operations and solvency; - The status of the Company development projects; - The status of implementing the key risk management steps; and - Other important matters related to the Company's current operations and future periods. <p>The Company's Board and management pay due attention to the key risks that may have a material effect on the Company's operations.</p> <p>The Company integrated the internal controls into the system ensuring effective implementation of business processes and appropriate risk management on all</p>

business process levels.

The internal control system includes:

- Internal audit;
- Internal inspection of business processes and existing management systems; and
- Verification of application of security and health protection measures.

The Company established a separate Internal Audit Function reporting directly to the Company's CEO who is at the same time the executive director on the Board.

The supervision and control mechanisms and rules in the Company and action indicator parameters pointing to the necessity to perform preventive supervision and control are defined by the following:

- Internal audit policy of NIS j.s.c. Novi Sad (PO-13.00.01 approved by Order No. 01/11/290 dated 04.04.2012 of the CEO of NIS j.s.c. Novi Sad);
- Regulation on Internal Audit (PR-13.01.01. approved by Order No. 01/11/975 dated 13.09.2012 of the CEO of NIS j.s.c. Novi Sad and the relevant Instruction of the Internal Audit Function);
- Company Standard SD-08.03.12: Implementation of Internal Audits of Management Systems in NIS j.s.c. Novi Sad;
- Company Standards SD-09.05.01: Procedure for Operational HSE Supervision over the Actions, Equipment and Funds and SD-09.05.02: Procedure for Supervision and Audit of Management System and Industrial and Environmental Safety and Health in NIS j.s.c. Novi Sad.

The Company has an integrated management system that applies standards in relation to management systems depending on the processes performed in certain structural units.

The due application of the above standards, in addition to internal verification performed by internal auditors employed by NIS j.s.c. Novi Sad, is also verified by independent certification bodies that issue the appropriate certificates of conformance, including:

- The certificate issued by the certification body Lloyd's Register Quality Assurance (LRQA) and confirming conformance of the existing management system in oil processing to the requirements of international standard SRPS ISO 9001:2008 and extending the validity of the existing certificate for another three years;
- Certificates issued by the International Certification Network IQNet and authorized body for management system certification YUQS which were delivered to Exploration and Production Block and confirm conformance of the quality assurance and HSE management systems to standards ISO 9001:2008, ISO 14001:2004 and the international standard of HSE management system OHSAS 18001:2007.
- Certificates according to the quality assurance system issued by the certification house TÜV NORD CERT GmbH and certificates according to the quality assurance system and environmental protection management system issued by BUREAU VERITAS confirming conformance of the above systems to ISO 9001:2008 and ISO 14001:2004 systems, delivered to the Lubricants Department, Sales Block.
- Certificate issued by TÜV SÜD according to the quality assurance system and HACCP (Hazard Analysis and Critical Control Points) confirming the system's conformance to ISO 9001:2008 and HACCP principles related to the food product safety etc.

The Company controls its operations through internal audit, integrated

	<p>management system and Conformance Evaluation Committee (acting pursuant to PD-08.03.17: Regulation on Conformance Evaluation Committee).</p> <p>Reports of Internal Audit Function are submitted to the CEO and operational management. Internal audit operates pursuant to the International Professional Standards of the Institute of Internal Auditors which are the key directives in internal audit practice.</p> <p>The Articles of Association of NIS j.s.c. Novi Sad (No. 70/IV-12a dated 25.06.2012) provides for establishment by the Shareholders' Assembly of the Shareholders' Assembly Board for Supervision over the Operations and Notification of NIS j.s.c. Novi Sad Shareholders (the "Shareholders' Assembly Board"). The Shareholders' Assembly Board whose members are elected and terminated by the Shareholders' Assembly is an advisory and expert body of the Shareholders' Assembly which assists the Shareholders' Assembly in its work and review of matters within the competence of the Shareholders' Assembly and also performed other acts related to supervision over the Company's operations pursuant to its Articles of Association, its key objectives are control over the most important business processed in the Company and monitoring of conformance of the Company's operations to the rules of laws and regulations and control over information disclosure to the Company's shareholders.</p> <p>The Shareholders' Assembly Board, among other things, presents to the Shareholders' Assembly the independent auditor's reports on the audit of the Company's financial statements, on the internal supervision in the Company and the assessment of the internal supervision in the Company. Members of the Shareholders' Assembly Board attend the Board meetings and discuss with the Directors the matters related to business processes reviewed by the Shareholders' Assembly Board.</p> <p>The Board has not yet appointed members of the Audit Commission or the person in charge of the internal control over the Company's operations, their appointment is expected to take place after the election of the new Directors.</p> <p><u>The following measure is proposed in order to improve the work of the Board:</u> After appointing members of the Audit Commission and electing the person in charge of the internal control over the Company's operations, to consider the possibility of more detailed regulation by the Company's documents of the matters related to internal supervision as set out in article 452 of the Law of Serbia 'On Business Companies'.</p>
<p>Procedure for Notifying Non-Executive Directors</p>	<p>The Company's CEO regularly informs the non-executive Directors about all the matters that may affect the operations, financial position and possible risks of the Company's operations, including provision of management reports (quarterly and annual financial and consolidated financial statements, quarterly and annual reports of the Company, Reports on the Company's Business Performance Analysis and on Performance Forecast for the forthcoming period, reports on performance of Decisions and instructions of the Board etc.).</p> <p>In the beginning of the reporting period, the Board approves the Action Plan of the Board containing the list of questions to be mandatorily resolved by the Board pursuant to the applicable laws, the needs resulting from the Company's operations and the requirement to notify the Directors. The above Action Plan approves the deadlines for resolving such matters during the Board meetings, the procedure and time periods allowed for advance preparation of the materials for the Board are set out in the special Company Standard: BD - 10.02.07: Preparation, Approval, Execution and Submission of Materials to the Board of Directors and Control over Performance of Decisions and Instructions of the Board, version 2 dated</p>

	<p>04.10.2012.</p> <p>The Company's CEO and management, when requested by the Board, procure provision to the Directors of the necessary information in the amount and within the time required.</p>
<p><i>Distribution of Powers and Control over the Actions of the CEO and the Company's Management</i></p>	<p>The activities, powers and responsibility of the Company's Board and the CEO being one of the executive directors on the Board are set out and delineated by the Articles of Association of NIS j.s.c. Novi Sad No. 70/IV-12a dated 21.06.2010, it includes the competence of the Board as provided by article 398 of the Law of Serbia 'On Business Companies' (See Vestnik RS No. 36/2011 and 99/2011). The competence of the Board is defined clearly and strictly separated from the operational activities of the CEO of NIS j.s.c. Novi Sad.</p> <p>The Board acts with a sufficient degree of independence from the management, subject to mutual respect and trust for the Company's management, and the Company's management appropriately responds to the requests and demands asserted by the Board and the Board supports the management in achieving the objectives set.</p> <p>The Board evaluates the work of the CEO and the Company's management at least once a year on the basis of the approved performance assessment parameters and the results of achieving the Company's approved performance indicators which are at the same time the remuneration system for the CEO and the management linked to the Company's long-term objectives.</p> <p>Using the Company's target management system, the Board establishes effective incentive mechanisms contributing to creating a highly professional top management team which results in constant growth, internal effectiveness of the operations and implementation of investment programs.</p>
<p><i>Arrangement of and Holding the Annual Shareholders' Assembly</i></p>	<p>Pursuant to the Boar Decision, a Notice of the Company's Shareholders' Assembly contains all the mandatory elements and information, including the notice of the Shareholder's Day with an explanation of the shareholders related to participation in the work of the Shareholders' Assembly and putting forward proposals related to the Agenda, time for exercising such rights and the description of the procedure for voting via a shareholder's proxy, the absentee vote and the relevant sample documents required for the Company's shareholders to exercise their rights.</p> <p>The content of the Shareholders' Assembly Notice is defined by the Regulation of the Shareholders' Assembly of the Company No. 70/IV-13a dated 25.06.2012 which is publicly available on the Company's web site (www.nis.eu).</p> <p>Notice of the IV scheduled Shareholders' Assembly was published on 25 May 2012 on the Company's web site (www.nis.eu), web site of Belgrade Stock Exchange and web site of the Serbian Business Registers Agency (www.apr.gov.rs).</p> <p>All the Decisions passed by the IV scheduled Shareholders' Assembly and the Report of the Counting Commission on the vote results of the IV scheduled Shareholders' Assembly and the Minutes of the IV scheduled Shareholders' Assembly of NIS j.s.c. Novi Sad were published by the Company on the Company's web site (www.nis.eu) within the time required by law after the Shareholders' Assembly was held.</p>
<p><i>Board Proceedings and Material</i></p>	<p>During the reporting period in question, 4 physical Board meetings and 17 meetings by correspondence took place. The central place among the activities carried out by</p>

<p>Decisions</p>	<p>the Board was occupied by the actions required to convene the IV scheduled Shareholders' Assembly and approve the Company's essential documents (Constituent Instrument, Articles of Association, Regulation on the Shareholders' Assembly etc.). The above documents were developed in order to bring the above documents and structures of NIS j.s.c. Novi Sad in compliance with the new Law of Serbia 'On Business Companies'.</p> <p>The above documents set out the structure of the Company's management bodies in which the key role belongs to the Board of Directors.</p> <p>Immediately after the new Board was elected, it held its first meeting which approved the Regulation on the Board of Directors and the Commissions of the Board, re-elected the Chairman of the Board and appointed the Company's CEO.</p> <p>In its work, the Board pays special attention to reviewing strategic projects aimed at expanding the Company's operations in the country and the region, in connection with the above the Board passed Decisions in relation to the following:</p> <ul style="list-style-type: none"> - Project of Arranging the Production of Base Oil; - Project of construction of wind parks in the Republic of Serbia; - Project to purchase 100% in the Articles of Association capital of OMV BH d.o.o.; - Project of establishing branches of NIS in the Republic of Croatia. <p>Along with scheduled activities related to reviewing quarterly and annual reports of NIS, the Company's Financial Statements and the Consolidated Financial Statements for 2012, the agenda of the Board's meeting also included questions related to human resources, personnel incentives and non-executive Directors, so the Board passed the following Decisions:</p> <ul style="list-style-type: none"> • Decision to review the Top Management Development and Talent Pool System in NIS j.s.c. Novi Sad; • Decision to review the Regulation on the Long-term Employee Incentive Plan in NIS j.s.c. Novi Sad; • Decision to approve the draft Decision of the Shareholders' Assembly approving the Regulation on the Long-term Employee Incentive Plan in NIS j.s.c. Novi Sad; and • A number of Decisions approving nominees to be elected for positions in associated companies of NIS j.s.c. Novi Sad. <p>During the period under consideration, the Board paid special attention to the following questions:</p> <ul style="list-style-type: none"> • Review of Business Plan for 2013; • Approval of the draft Decision of the Shareholders' Assembly of NIS j.s.c. Novi Sad on profit distribution for 2012, dividend payment and determination of the total retained earnings amount of NIS j.s.c. Novi Sad; • Review of the Report on Performance Results for 2012 and the current business sales plans for 2013 of NIS j.s.c. Novi Sad abroad; • Approval of the Code of Business Conduct of NIS j.s.c. Novi Sad. <p>The Board of NIS passed 82 Decisions during the reporting period while performance pursuant to the Decisions adopted was controlled by furnishing the Board with regular reports on implementation of the Decisions and instructions of the Board.</p>
<p>Observance of the Corporate Governance Principles</p>	<p>The list of the best corporate management practices used by the Company and explanations in relation to any deviation from the principles set out in the Code of the Serbian Chamber of Commerce and Industry adopted in December 2012 are provided in the Declaration on Application of the Code of Corporate Governance</p>

	<p>and is included in the Company's Annual Report for 2012.</p> <p>The Company's Annual Report for 2012 is published on the Company's web site (www.nis.eu), on the web site of Belgrade Stock Exchange and in the Register of Listed Companies of the Securities Commission of Serbia.</p> <p>Along with approval of the Declaration on Application of the Code of Corporate Governance, the Board reviewed and approved the responses to the questions related to corporate management practice in NIS j.s.c. Novi Sad contained in the Questionnaire of Belgrade Stock Exchange published on the web site of Belgrade Stock Exchange.</p> <p>The above Questionnaire is a form for verifying the observance of the current corporate management practice in view of the corporate law reform in the Republic of Serbia in 2012.</p> <p><u>Recommendations:</u></p> <p>During 2013, to develop and approve the new Code of Corporate Governance of the Company to include the detailed principles and recommendations for improvement of the corporate management practice in the Company subject to the recommendations of the Code of Corporate Governance of the Serbian Chamber of Commerce and Industry (SCCI Code).</p>
<p><i>Role of the Board in Strengthening the Company's Reputation</i></p>	<p>He Board's contribution to creating a positive image of the Company is expressed through the efforts to create a modern corporate management system and more transparent interaction with all the stakeholders.</p> <p>In November 2012, NIS j.s.c. Novi Sad for the second time received the Prize awarded by Belgrade Stock Exchange for the best interaction with investors in 2012.</p>
<p><i>Remuneration Paid to the Directors and Members of the Board Commissions</i></p>	<p>The IV scheduled Shareholders' Assembly of the Company approved the transparent and publicly available Directors Remuneration Policy BD №70/IV-14a dated 25.06.2012.</p> <p>The Remuneration Policy sets out that the remuneration payable to the Directors may include a variable part the amount of which depends, among other things, on the performance results of the Board and the Company and takes into consideration the personal participation of each Director in the work of the Board and the Company's financial position. The Directors Remuneration Policy is publicly available and published on the Company's web site (www.nis.eu).</p> <p>The above variable part of the remuneration was not paid to the Directors and members of the Board commissions during the reporting period.</p> <p>Pursuant to the Law of Serbia 'On Business Companies', the matters within the competence of the Board Remuneration Commission were resolved by the Board during the second half of 2012 and the first quarter of 2013.</p> <p>During the reporting period, the Board reviewed the Analysis of the Market Level of remuneration Paid to Non-executive Directors in the Reference Group performed in order to attract highly qualified candidates for positions in the Board and Board Commissions, incentivize them and introduce the world best practice of remunerating the Directors. Based on the results of the analysis performed, the Board approved the draft updated Remuneration Policy for Directors and members of the Board commissions and presented it to the Shareholders' Assembly of NIS j.s.c. Novi Sad for review and approval during the V scheduled Shareholders' Assembly.</p>

2. PARAMETERS RELATED TO THE MEMBERSHIP AND PROCEDURES OF THE BOARD	
<i>Number of Directors and Board Structure</i>	<p>According to the Directors, the Board presents a balance between the qualifications and independence of the Directors and the ratio between executive and non-executive directors and especially independent directors is such that at the time of adopting a Decision no director or group can dominate.</p> <p>The existing number of Directors and membership in the Board in general possesses the required expertise required to ensure the good result of the Board's work. In connection with the above, no changes to the number of the Directors are proposed; however, the certain Directors will be replaced subject to the proposals put forward by the shareholders of NIS j.s.c. Novi Sad.</p> <p>During the IV scheduled Shareholders' Assembly that took place on 25 June 2012, the same persons were elected to the Board as were the Directors before that. As there were no changes to the membership of the Board, the Board includes the following persons:</p> <ol style="list-style-type: none"> 1. Vadim Vladislavovich Yakovlev (Chairman – non-executive director); 2. Kirill Albertovich Kravchenko (executive director); 3. Aleksandr Vladimirovich Krylov (non-executive director); 4. Vladislav Valeryevich Baryshnikov (non-executive director); 5. Anatoly Moiseevich Cherner (non-executive director); 6. Igor Konstantinovich Antonov (non-executive director); 7. Slobodan Milosavlevich (non-executive director); 8. Nikola Martinovich (executive director); 9. Danitsa Drashkovich (independent director); 10. Stanislav Vladimirovich Shekshnya (independent director); 11. Wolfgang Ruttendorfer (independent director). <p>The above Directors confirmed their satisfaction of the conditions for being elected to the Board by filling in the Director Questionnaire at the time of the first election to the Board. Also, the Agreement for Settlement of Mutual Rights and Obligations of the Directors and the Company contains similar provisions (the form of the Agreement was approved by the IV scheduled Shareholders' Assembly of NIS j.s.c. Novi Sad and is publicly available on the Company's web site (www.nis.eu)).</p>
<i>Obligation to Notify about Interested-Party Transactions and Non-Competition</i>	<p>When executing the Agreement regulating mutual rights and obligations of the Directors and the Company, the Directors were additionally informed about the obligation to notify the Company about any conflict of interest when entering into transactions with the Company and the obligation not to compete with the Company and other obligations of the Directors.</p> <p>The approval procedure for interested-party transactions and for the activities of the Directors which are considered as competition is regulated by the Law of Serbia 'On Business Companies'. During the reporting period, when approving the transactions in which, pursuant to the Law, the Directors are viewed as interested parties, the voted of such Directors were not taken into account when counting the vote results.</p> <p>In addition, for the purposes of monitoring possible competition, the Company practices quarterly Director survey in relation to their current employment and directorship and membership in supervisory boards of other entities.</p>

<p><i>Role of the Chairman of the Board and Interaction with Other Directors</i></p>	<p>During the survey, the Directors took into consideration the criteria set out in the Company's Code of Corporate Governance and held a very high opinion of the role and effectiveness of the work carried out by the Chairman of the Board and his contribution to organizing the Board's work during the reporting period in question.</p> <p>The Director's opinion testifies to the fact that the Chairman of the Board possesses organizational and leadership qualities, exceptional professional reputation and personal integrity and enjoys the trust of the Company's shareholders and other Directors. He uses every effort to develop the relationships based on mutual trust between the Directors, ensuring the Board's team work, encouragement of open discussion and constructive criticism with respect to the Decisions proposed, increasing the effectiveness of interaction with executive management and members of the Shareholders' Assembly.</p> <p>The Chairman of the Board makes sure that the remaining Directors have the information required for them to perform their duties, procures observance of the meeting schedule and proceedings.</p> <p>The positions of the Chairman of the Board and the CEO are separated in the Company. The Chairman of the Board and the CEO cooperate effectively exchanging professional expertise.</p>
<p><i>Quality of Support and Information Provided during Preparation for Board Meetings</i></p>	<p>When performing its duties, the Board acts pursuant to a number of procedures set out in the Company's internal documents.</p> <p>As per the approved documents and procedures for the preparation for Board meetings, packages of materials are prepared with reference to each agenda item, such materials are submitted for review by the Directors within the time required thus ensuring that each Director has an opportunity to form his/her own opinion.</p> <p>The Board meetings are held according to the duly prepared agenda which includes all the matters important to the Company, including matters related to the strategic, investment and budget planning, approval of the operational results and incentives for the Company's top management.</p> <p>The Directors interact with the Company's management and receive sufficient amounts of information and the discussions that took place and the Decisions that were adopted by the Board are duly documented. Each Director has access to the Company's approved documents. The Company established, specially for the Directors' use, a separate electronic portal containing the documents of the Company's various bodies to which the Directors have on-line access.</p> <p>Based on the results of analyzing the Directors' opinions, it can be stated that the materials prepared for the Board meetings are of high quality and contain full and accurate information for the Directors to form their positions. The materials are provided in advance and the Directors have enough time to examine them and prepare for the Board meetings, also, adequate conditions and resources are provided for the Directors' work. According to the Directors, the Company Secretary ensures an effective communication channel to deliver information to the Board and assists the Chairman of the Board and non-executive directors with their work.</p> <p>The factor complicating the work of the Board is the fact that during the Board meetings the discussion is held in three languages (Serbian-Russian-English), however, the Company provide simultaneous interpretation in all the above three languages, this factor did not have an adverse effect on the discussions held by the Directors and other attendees of such meetings.</p>

<p>Planning Board Meetings, Schedule of Board Meetings and the Form of Meetings</p>	<p>At the beginning of the reporting year, the Board approves its own Action Plan containing the list of questions to be mandatorily resolved by the Board pursuant to the applicable laws, the needs resulting from the Company's operations and the reports submitted by the Directors. The above Action Plan sets the deadlines for resolving such matters during the Board meetings, the procedure and time periods allowed for timely preparation of the materials for the Board are set out in the special Company Standard: BD - 10.02.07: Preparation, Approval, Execution and Submission of Materials to the Board of Directors and Control over Performance of Decisions and Instructions of the Board, version 2 dated 04.10.2012.</p> <p>The matters to be resolved are distributed among the Board meetings (physical meetings and meeting by correspondence) at the Action Plan approval stage by the Directors and the Company management. This enables the Directors to select in advance the questions that must be resolved by the Directors personally. The Board effectively uses the form of adopting Decisions by correspondence.</p>
<p>Review of the Company's Operations, Workshops and Training of Directors</p>	<p>When new Directors are elected to the Board, the management provides the required support to familiarize the new Directors with the Company's operations and functionality of the management in the main lines of business.</p> <p><u>Based on the results of analyzing the Directors' opinions, the following measure is proposed:</u></p> <p>To conduct a survey of the new Directors and, if necessary, arrange the required workshops and training for the Board members in certain activities.</p>
<p>Board Commissions</p>	<p>When approving the Regulation on the Board of Directors and the Board Commissions No. 85/1-3a dated 25.06.2012, the following Commissions were established:</p> <ul style="list-style-type: none"> • The Audit Commission; • The Appointment Commission; • The Remuneration Commission. <p><u>Audit Commission</u></p> <p>The most important matters within the competence of the Audit Commission :</p> <ul style="list-style-type: none"> • Preparation of, putting forward proposals and verification of the implementation of the accounting policy and risk management policy; • Submission of proposals to the Board related to appointment and termination of the persons responsible for internal controls in the Company and control over the performance of such internal controls in the Company; • Verification of observance of the accounting standards during preparation of the financial statements and assessment of the data contained in financial statements; • Conduction the election of the Auditor and nomination of candidates to the appointed as the Auditor, submission of an opinion of such nominee's professional qualities and independence from the Company and control over the audit process. <p><u>Appointment Commission</u></p> <p>Scope of competence of the Appointment Commission :</p> <ul style="list-style-type: none"> • Submission of proposals related to nominees to be elected to the Board and provision of opinions and recommendations with reference to their appointment; • Putting forward proposals related to the requirements for nominees to be elected to the Board and the procedure of electing the Directors; • Preparation of the report on the due composition of the Board and the

number of Directors on the Board and provision of appropriate recommendation in relation thereto at least once a year;

- Review of the Company's human resources policy in relation to election of persons to the management positions in the Company.

Remuneration Commission

Scope of competence of the Remuneration Commission :

- Preparation of the draft Decision on the Directors Remuneration Policy;
- Provision of recommendations concerning the remuneration amount and structure for each executive Director and proposals concerning the Auditor's remuneration;
- Preparation, at least once a year, of the report of the Shareholders' Assembly related to the evaluation of the amount and structure of the remuneration paid to each Director; and
- Provision of recommendations to executive Directors in relation to the amount and structure of the remuneration paid to the persons holding management positions in the Company.

In addition to the commission required by law, the Board may, by a separate Decision, establish other permanent and/or ad hoc commissions to resolve matters material to the Board. The Board passes Decisions to establish other commission and the Decision on their permanent or ad hoc status on the basis of the need for more efficient management and Decisions to be adopted in complex matters within its competence.

As the time of approval of his Report, no members have been appointed to the Board Commissions. All the actions from the scope of competence of the Appointment Commission and the Remuneration Commission were performed, during the reporting period, by the Board pursuant to the Law of Serbia 'On Business Companies'.

Appointment of members of the Board Commissions is a priority task for the Board after the election of the new Directors.

3 Review of the Board meetings held and the participation of the Directors in the work of the Board during the reporting period.

During the reporting period in question, 4 physical Board meetings and 17 meetings by correspondence took place.

Statistics of Directors' participation in Board meetings

Director	Physical Board meetings: 45, 1, 2 and 3				Board meetings by correspondence: XL, XLI, XLII, XLIII, XLIV, XLV, XLVI, XLVII, XLVIII, I, II, III, IV, V, VI, VIII, IX, X, XI, XII и XIII																				%	
	45. 18.05. 2012	1. 25.06. 2012	2. 27.11. 2012	3. 02.04. 2013	4/4	XLV 11.05. 2012	XLVI 18.05. 2012	XLVII 14.06. 2012	XLVIII 25.06. 2012	I 26.07. 2012	II 05.09. 2012	III 06.11. 2012	IV 07.11. 2012	V 23.11. 2012	VI 28.11. 2012	VII 18.12. 2012	VIII 06.02. 2013	IX 28.02. 2013	X 20.03. 2013	XI 15.04. 2013	XII 15.04. 2013	XIII 24.04. 2013				
Vadim Yakovlev	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100
Kirill Kravchenko	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100
Anatoly Cherner	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100
Igor Antonov	+	-	+	+	3/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	95
Vladislav Baryshnikov	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100
Aleksandr Krylov	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100
Stanislav Shekshnya	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100
Nikola Martinovich	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100
Danitsa Drashkovich	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	+	+	15/17	90
Slobodan Milosavlevich	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100
Wolfgang Ruttenstorfer	+	+	+	+	4/4	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	17/17	100

CONCLUSION

The Board of Directors was evaluated on the basis of the Questionnaire concerning the key points of the Board's work, including:

Participation in the Company's goal setting procedure and monitoring of achievement of such goals, discussions that were held during the Board meetings, adequacy of the form of the Board meetings, the role, objectives, competence and responsibility of the Board, composition of the Board and Board Commissions, the sufficiency of information provided to the Directors etc.

On the basis of the analysis of the Directors' responses/opinions it can be stated that during the reporting period the Board generally managed the Company effectively and when performing its role within the corporate governance system, managed to provide the required balance between the following key components:

The Company's strategy management, representation of the shareholders' interests, carrying out the required control over the Company's operations and the activities of the Company's management, and combining the long-term interests of the Company's management and the Directors with the interests of the Company's shareholders and other stakeholders.

During the reporting period, the positive trends in the Board's work continued, both in terms of the number of questions resolved (the Board adopted 82 Decisions) and the participation by the Directors in the Board meetings (the Directors' participation in the Board meetings was almost maximum possible – 98.6%).

Such trends the work of the Board and more intense effort made by the Board confirm the effectiveness of tis work as a collegial management body of the Company aimed at achieving the Company's ambitious long-term objectives.

Along with the observed positive trends, when analyzing the Board's work during the preparation of this Report, the Board took into account the survey results concerning the Board structure (establishment of the Board Commissions) and identified several key tasks/directions to which the Company should pay special attention during the next period.

Chairman of the Board of Directors

Vadim Yakovlev
(signature and seal)

To be delivered to:

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