



**НИС а.д. Нови Сад / NIS j.s.c. Novi Sad**  
**Народног фронта 12 / 12 Narodnog fronta**  
**ОДБОР ДИРЕКТОРА/ BOARD OF DIRECTORS**  
**КОМИСИЈА ЗА ИМЕНОВАЊА/APPOINTMENT AND GOVERNMENT COMMISSION**  
**Број (No): 85-1/OD-iz/V-26**  
**Датум (Date): 30.04.2014**

Pursuant to the Article 412 subparagraph 3 of the Law on Commercial Entities (Official Gazette of the Republic of Serbia No 36/2011 and No 99/2011), Article 9.12 of Articles of Association of NIS j.s.c. Novi Sad (hereinafter referred to as the Company or NIS j.s.c. Novi Sad) No 70/IV-12a of 25.06.2012 and Articles 15 and 17 of the Rules of Procedure of the Board of Directors and Commissions of the Board of Directors of NIS j.s.c. Novi Sad No 85/1-3a of 25.06.2012, the Appointment and Government Commission of the Board of Directors of NIS j.s.c. Novi Sad (hereinafter referred to as the Appointment and Government Commission) hereby presents the following

**REPORT**  
**ON SUITABILITY OF THE COMPOSITION OF BOARD OF DIRECTORS AND NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS OF NIS J.S.C. NOVI SAD TO THE NEEDS OF NIS J.S.C. NOVI SAD**

*The subject of this report is assessment of suitability of the composition of the Board of Directors of NIS j.s.c. Novi Sad (hereinafter referred to as BoD or NIS BoD) and the quantity of members of BoD to the need of NIS j.s.c. Novi Sad pursuant to the principles outlined in the Article 5.1. of the Corporate governance code of NIS j.s.c. Novi Sad.*

This report draws on the knowledge of PricewaterhouseCoopers (hereinafter referred to as PWC) accumulated as a result of cooperating with multiple customers (predominantly, on GB market).

**The role of a non-executive director.**

Major functions of a non-executive director:

- monitoring of the management quality;
- assurance of reliability of financial control and risk management systems; and
- assistance and advice on strategic issues.

**The structure of the board of directors and committees in Great Britain.**

- Structure of the board of directors is unitarian;

Corporate management code in Great Britain recommends establishing 4 committees:

- 1) Remuneration committee;
- 2) Audit committee;
- 3) Appointment committee and
- 4) Risk management committee.

Other committees are generally determined by the area of company operations.

**The structure of the board of directors in Europe** is typically of two layers (Supervisory board and the Executive Board).

**The composition and structure of the board (unitarian board)**

The composition of the board of directors is a critical element of corporate management. Independence and diversity have a special role to play in the board of directors, as well as assurance of a set of suitable knowledge, experience and skills.

**Chairman** is the head of the board who determines the agenda and assures effective management of the company. A combined code presupposes that the functions of chairman and CEO cannot be performed by one and the same person.

**Practices of selection of non-executive members of the board**

Members of the Board of Directors shall possess a balanced set of skills, experience, independence and knowledge to provide for effective execution of their duties.

In order to assure independence of thinking and willingness to challenge the ideas of others, the Board shall have a diverse composition to avoid group conformism resulting in irrational and dysfunctional decision-making.

The variety dimension of the Board includes:

1. Personal individual qualities, for instance, intelligence, decision-making ability, courage, openness, honesty, the ability to listen, establish relations, and reinforce trust;
2. Professional experience in different organizations including not only persons with vast technical expertise but also the persons who can represent the interests of stakeholders within the frames of a well-balanced structure.

The Board of Directors of **petroleum companies** is often inclusive of:

- People with track record in state authorities (taking into account high level of state involvement in and regulation of the petroleum industry)
- People representing consumer base (for instance, public utility enterprises)
- People experienced in solving environmental protection issues.

3. Gender variety.

**The size and composition of the board of directors**

The survey has a clear indication that top FTSE 100 companies have a more numerous Board of Directors compared with the companies at the bottom of the index. It results from the size and complexity of the business operations within large enterprises. Petroleum companies that made the survey have over 6 non-executive directors, as well as Senior independent director (SID). As a rule, the Chairman is a non-executive director; there was only one company where an executive director concurrently performed the function of the chairman of the board.

Name of the company	Number of non-executive directors	Executive/ Non-executive status of the chairman	SID
Amec	6	Non-executive	Yes
BG Group	10	Non-executive	Yes
BP	11	Non-executive	Yes
Cairn Energy	6	Non-executive	Yes
Essar Energy	6	Executive	Yes
Petrofac	7	Non-executive	Yes

Royal Dutch Shell	9	Non-executive	Yes
Tullow Oil	7	Non-executive	Yes

At the moment, NIS j.s.c. Novi Sad has a unitarian Board of Directors consisting of:

- Chairman of BoD
- 1 executive member of BoD
- 7 non-executive members of BoD
- 2 independent members of BoD

Board of Directors has established the following Commissions:

- Appointment and Government Commission
- Remuneration Commission
- Audit Commission

Therefore the size of the Board of Directors of NIS is consistent with the practices of major petroleum companies of Western Europe, including Great Britain.

Current composition of the Board of Directors of NIS possesses the knowledge of audit, finance, economics, strategic management, taxation, occupational safety, marketing, trading crude oil and derivatives, sales and distribution.

Members of NIS Board of Directors have international certificate ACCA, international license CFA, qualifications MBA, CMA.

The composition of NIS BoD is compliant with the criterion of selection and engagement of BoD members with a track record in state sector and experience in solving environmental protection issues.

The Board of Directors is inclusive both of men and women.

Based on a thorough and detailed analysis and the aforementioned information, it may be concluded that the composition of NIS Board of Directors is consistent with the needs of corporate management of NIS j.s.c. Novi Sad and principles indicated in the Article 5.1 of the Corporate governance code of the Company.

Председник Комисије за именовања / Chairman of the Appointment and Government Commission

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Никола Мартиновић / Nikola Martinovic  
(потпис и печат) / (signature and stamp)