



**НИС а.д. Нови Сад / NIS j.s.c. Novi Sad**  
**Народног фронта 12 / 12 Narodnog Fronta**  
**ОДБОР ДИРЕКТОРА/ BOARD OF DIRECTORS**  
**КОМИСИЈА ЗА НАКНАДЕ / REMUNERATION COMMISSION**  
**Број (No): 85-2/OD-iz/III-26**  
**Датум (Date): 07.05.2014**

Pursuant to the Article 413 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 16 and 17 of 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 Remuneration Commission of the Board of Directors (hereinafter referred to as the Remuneration Commission) hereby presents the following

**REPORT**  
**ON EVALUATION OF THE AMOUNT AND STRUCTURE OF REMUNERATION OF MEMBERS**  
**OF THE BOARD OF DIRECTORS OF NIS J.S.C. NOVI SAD**

*The subject of this report is assessment of the conformity of the amount and structure of the remuneration of each member of the Board of Directors of NIS j.s.c. Novi Sad (hereinafter referred to as BoD or NIS BoD) to the principles, frames, criteria determined by the effective Remuneration policy of BoD members and BoD commissions members.*

For the purposes of the analysis of the amount and structure of the remuneration of NIS BoD members, the data from the report of PricewaterhouseCoopers (hereinafter referred to as - PWC) was used on the amount and structure of the remuneration of non-executive (inclusive of independent) directors of leading international petroleum companies.

Please find below a more detailed description of the companies participating in the survey:

Name of the company	Country	Total income in 2012 (EUR)*	Correlation between X/ NIS
Royal Dutch Shell (ON)	UK	361 420 611 166	175,6
BP	UK	263 137 119 764	127,9
TOTAL	France	143 680 000 000	69,8
Statoil	Norway	95 837 933 565	46,6
REPSOL YPF S.A.	Spain	58 924 000 000	28,6
OMV Group	Austria	42 649 000 000	20,7
PKN Orlen	Poland	29 377 611 174	14,3
MOL	Hungary	18 676 299 300	9,1
BG Group Plc	UK	14 377 406 878	7,0
Essar Ennergy	India	12 678 624 099	6,2
ENI	Italy	10 746 600 000	5,2
PGNIG	Poland	5 219 325 473	2,5
Amec	UK	5 097 470 818	2,5
Petrofac	UK	4 794 743 506	2,3

<b>NIS</b>	<b>Serbia</b>	<b>2 058 000 000</b>	<b>1,0</b>
Tullow Oil plc	UK	1 777 178 807	0,9
CAIRN ENERGY	UK	1 749 732 616	0,9

The information is based on annual reports and Factiva (database research) as of April 10, 2014.

With a view of significant differences among the surveyed companies in terms of their size and geography, two subgroups were created. Statistical analysis of non-executive (independent) directors' remuneration was performed as per these groups, which resulted in a higher level of transparency and comparability:

**Group 1:** this group consists of petroleum companies (BG Group; BP Group; ENI; Repsol, Shell, Total).

**Group 2:** this group consists of medium and small petroleum companies (Amec, Cairn Energy, Essar Energy, Petrofac, Statoil, Tullow Oil, MOL, OMV Group, PGiNG, PKN Orlen).

The structure of remuneration of non-executive BoD members of reference group is fairly simple and usually equal to:

- Fixed amount of annual/monthly remuneration dependent on the size of the company and effective position (chairman, deputy, member);
- Additional payments for participation in committees dependent on the function performed (chairman or member of the committee), type of the committee (bigger remuneration for Audit committee). However, some organizations include these additional payments into a fixed amount of the remuneration from the outset;
- Other constituents of the remuneration such as additional payments dependent on the number of meetings per year; retirement allowances, etc. are applied much less frequently.
- Unfortunately, the companies of reference group in this survey have not provided a detailed description of the long-term motivation plan for non-executive BoD members in their annual reports. Therefore it is impossible to obtain an accurate statistical analysis of this component.

<b>Overview of the amount of total annual remuneration of non-executive members of the Board of Directors of petroleum companies (Q1 – Q3) for 2011 – 2013 (EUR, net)</b>			
<b>Groups:</b>	<b>2013**</b>	<b>2012</b>	<b>2011</b>
Group 1	118,000 – 221,000	114,000 – 162,000 (	104,000 – 184,000
Group 2	10.000 – 87.000	10.000 – 99.000	19.000 – 90.000
<b>NIS</b>	Fixed part of remuneration for BoD membership is 80,000.		

\* Group 1. The survey included the following companies: BG Group; BP Group; ENI; Repsol, Shell, Total.

Group 2. The survey included the following companies: Amec, Cairn Energy, Essar Energy, Petrofac, Statoil, Tullow Oil, MOL, OMV Group, PGiNG, PKN Orlen.

**PwC\*\*** Companies: ENI, Cairn energy, Essar, MOL, PGNIG, PKN Orlen did not participate in the survey as of the date of preparation of this report.

An analysis of the reference group remuneration market shows that the amount of the annual fixed remuneration of the non-executive members of the NIS BoD is at the level of the cumulative remuneration received by the non-executive members of the boards of directors of companies such as Amec, Cairn Energy, Essar Energy, Petrofac, Statiol, Tullow Oil, MOL, OMV Group, PGING, PKN Orlen.

The remuneration structure of the independent members of the NIS BoD is also consistent with the current market practices because it includes the main elements of fixed remuneration of a member of the Board of Directors.

Taking into consideration that NIS j.s.c. Novi Sad is a growing Company with ambitious plans in all areas of business, the objective of which is to attract and retain highly competent non-executive directors with work experience with major international oil and gas companies, the main issue related to retention of such directors is a competitive size of remuneration.

Accordingly, the structure and amount of the remuneration received by members of the NIS BoD is consistent with the principles, framework and criteria that are laid down by the effective Remuneration Policy for the members of the BoD and Commissions of the BoD.

**Председник Комисије за накнаде /  
Chairman of the Remuneration Commission**

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Станислав Шекшња / Stanislav Shekshnya  
(потпис и печат) / (signature and stamp)