



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/ X-3b
Датум (Date): 27.04.2016

Pursuant to the Article 413 of the Law on Commercial Entities (Official Gazette of the Republic of Serbia No 36/2011, No 99/2011, 83/2014 – other law and 5/2015), Article 9 Item 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/SA-od/VI-11a, dated 30.06.2014 (consolidated text) 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 Consulting d.o.o. Belgrade (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 2015 (EUR)*	Correlation between X/ NIS
Royal Dutch Shell (ON)*	UK	355 211 784 000	205,61
BP	UK	204 349 220 000	118,29
TOTAL*	France	174 596 823 000	101,07
ENI*	Italy	110 948 000 000	64,22
Statoil*	Norway	68 870 620 000	39,87
REPSOL YPF S.A.	Spain	41 741 000 000	24,16
OMV Group*	Austria	35 913 000 000	20,79
PKN Orlen*	Poland	25 501 000 000	14,76
BG Group Plc*	UK	16 428 002 000	9,51
MOL*	Hungary	15 658 256 000	9,06
PGNIG*	Poland	8 188 000 000	4,74
Petrofac*	UK	5 217 6966000	3,02
Amec*	UK	5 120 624 000	2,96
Tullow Oil plc*	UK	1 822 324 000	1,05
NIS**	Serbia	1 727 565 000	1,0
CAIRN ENERGY***	UK	-	-

* Data from 2014 (lack of audited annuals results as of 7 March 2016).

** Data retrieved from EMIS.

*** Company did not report any operating income.

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 Plc, BP, ENI, REPSOL YPF S.A., Royal Dutch Shell (ON), TOTAL).

Group 2: this group consists of medium and small petroleum companies (Amec, CAIRN ENERGY, Petrofac, Statoil, Tullow Oil plc, 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.

Overview of the amount of total annual remuneration of non-executive members of the Board of Directors of petroleum companies (Q1 – Q3) for 2013 – 2015 (EUR, net)			
Groups:	2015*	2014	2013
Group 1	142,000 – 253,000	137,000 – 222,000	120,000 – 206,000
Group 2	15.000 – 113.000	15.000 – 93.000	11.000 – 99.000
NIS	Fixed part of remuneration for <u>BoD membership</u> is 80,000.	Fixed part of remuneration for <u>BoD membership</u> is 80,000.	Fixed part of remuneration for <u>BoD membership</u> is 80,000.

* Group 1. The survey included the following companies: BG Group Plc, BP, ENI, REPSOL YPF S.A., Royal Dutch Shell, TOTAL.

Group 2. The survey included the following companies: Amec, CAIRN ENERGY, Petrofac, Statoil, Tullow Oil plc, MOL, OMV Group, PGING, PKN Orlen.

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 Amec, CAIRN ENERGY, Petrofac, Statoil, Tullow Oil plc, 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**

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