



НИС а.д. Нови Сад / NIS j.s.c. Novi Sad
Народног фронта 12 / Narodnog Fronta 12
ОДБОР ДИРЕКТОРА/ BOARD OF DIRECTORS
КОМИСИЈА ЗА НАКНАДЕ / REMUNERATION COMMISSION
Број (No): 85-2/OD-iz/ XII-3b
Датум (Date): 11.05.2017

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 dated 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 2016 (EUR)*	Correlation between X/ NIS
ROYAL DUTCH SHELL (ON)*	UK	249 512 700 000	160,5
BP	UK	204 349 300 000	131,5
TOTAL*	France	131 488 400 000	84,6
ENI*	Italy	68 945 000 000	44,4
STATOIL*	Norway	50 211 200 000	32,3
REPSOL YPF S.A.	Spain	37 433 000 000	24,1
OMV GROUP*	Austria	22 527 000 000	14,5
PKN ORLEN*	Poland	21 113 400 000	13,6
MOL*	Hungary	13 406 700 000	8,6
PGNIG*	Poland	8 713 000 000	5,6
AMEC*	UK	7 402 500 000	4,8
PETROFAC*	UK	6 274 600 000	4,0
NIS**	Serbia	1 554 230 059	1,0
TULLOW OIL PLC*	UK	1 473 000 000	0,9
CAIRN ENERGY***	UK	-	-

* Data from 2015 (lack of audited annuals results as of 27 February 2017).

** 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 (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 elements 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 2015 – 2016 (EUR, net)		
Groups:	2016	2015
Group 1	134,000 – 269,000	142,000 – 253,000
Group 2	43,000 – 110,000	37,000 – 102,000
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.

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)