

**QUESTIONNAIRE  
ON CORPORATE GOVERNANCE PRACTICE FOR ISSUERS**

Business name of the Company:	Društvo za istraživanje, proizvodnju, preradu, distribuciju i promet nafte i naftnih derivata i istraživanje i proizvodnju prirodnog gasa Naftna industrija Srbije a.d. Novi Sad
Company Headquarters:	Narodnog fronta 12 Novi Sad Republic of Serbia
Company ID No.:	20084693
Company Tax ID No.	104052135

**Questionnaire instructions:**

- When answering a question, a more detailed explanation is required in addition to a YES/NO answer.
- If a question was answered based on information gathered from a publicly available Company act, it is required to indicate the location where the act can be read (e.g. the website where the act has been published), and if it is an act which has not been published, indicate the act's full name and number and the Company body which has adopted it.
- If the answer is grounded on a usual corporate practice, it is required to provide a specific example to demonstrate such answer.

**1. Has the Company adopted its own Code of Corporate Governance or has it applied another organisation's Code of Corporate Governance?**

Answer: Yes. The NIS j.s.c. Novi Sad Code of Corporate Governance (No. 85/OD-od/XXVI-3a) was adopted on 27 January 2014.

website where the applicable Code is publicly available: [www.nis.eu](http://www.nis.eu)

**2. Have applicable corporate governance principles been incorporated into the Company acts and are they easily available to all stakeholders?**

Answer: Yes.

The most significant acts on corporate governance, and the manner in which they have been made available. NIS j.s.c. Novi Sad Articles of Association, NIS j.s.c. Novi Sad Code of Corporate Governance, NIS j.s.c. Novi Sad Shareholders' Assembly Rules of Procedure, NIS j.s.c. Novi Sad Dividend Policy. All of the above documents are available on the Company website ([www.nis.eu](http://www.nis.eu)).

**4. Does the Company publish in its annual reports the information on its business operations' compliance with the corporate governance principles or provide explanations for any departure from the principles, in line with Article 368 of the Law on Commercial Entities?**

Answer: Yes. The Corporate Governance Statement is an integral part of the Company's Annual Report and includes the information on applicable Code of Corporate Governance, the website where it is available, the overview of the most important corporate governance practices applied by the Company as well as the explanation of any

departures from the principles prescribed by the Code. The Company's Annual Report is available on the Company website ([www.nis.eu](http://www.nis.eu)) as well as the website of the Belgrade Stock Exchange and in the Public Company Register of the Serbian Securities Commission.

#### ASSEMBLY AND SHAREHOLDERS

**5. Does a Invitation for meeting of the Shareholders Assembly include all the prescribed elements and information, including the Shareholders Day details and information on shareholders' rights to participate in the activities of the Shareholders Assembly and propose items of the agenda, with timeframe for exercising these rights, as well as the description of voting procedures, either by proxy, absentee ballot or electronically?**

Answer:

Yes. The Invitation for meeting of the Shareholders Assembly includes:

- date of publishing of the Invitation,
- time and place of the meeting,
- agenda of the meeting with clearly specified items on the agenda regarding which the Shareholders Assembly is proposed to pass a decision, total number of voting shares that have the right to vote on that decision and the majority required to adopt the decision,
- information that materials for the Shareholders Meeting may be downloaded from the Company website ([www.nis.eu](http://www.nis.eu)) and are also available to shareholders in the Company registered seat,
- guidance on shareholders' rights to participate in the Shareholders' Assembly activities and a clear and precise information on rules for their exercise,
- notice of the Shareholders Day, explanation persons which are Company shareholders on that day are entitled to participate in the Shareholders' Assembly activities as well as the information on how to access the list of shareholders,
- notice of shareholders right to propose items of the agenda and address questions with the indication of deadlines for exercising such rights, with a clear note that detailed information on the exercise of such rights is available on the Company website ([www.nis.eu](http://www.nis.eu))
- description of the voting procedure by shareholder proxy and deadlines for submitting the Power of Attorney, as well as the information about the way in which the company allows shareholders to submit notices of appointment of proxies electronically,
- note that a Power of Attorney Form may be downloaded from the Company website ([www.nis.eu](http://www.nis.eu)),
- description of the absentee ballot procedure and procedure for voting by electronic means including the information that an Ballot Form may be downloaded from the Company website ([www.nis.eu](http://www.nis.eu)) and deadlines for submission of the ballot.

The contents of the Invitation for meeting of the Shareholders Assembly is regulated by the Shareholders' Assembly Rules of Procedure (No. 70/SA-od/VII-10a dated 23 June 2015 (consolidated text)) which are publicly available on the Company website ([www.nis.eu](http://www.nis.eu)). The Invitation to shareholders for 42nd Extraordinary meeting of Shareholders Assembly was published starting from 31 December 2014, while the invitation to shareholders for VII Ordinary meeting of the Shareholders Assembly was published starting from 20 May 2015.. The invitations were published on the Company

	website ( <a href="http://www.nis.eu">www.nis.eu</a> ), the website of the Belgrade Stock Exchange and the web page of the Business Registers ( <a href="http://www.apr.gov.rs">www.apr.gov.rs</a> ).
<b>6. Is the Invitation for meeting of the Shareholders Assembly, with all relevant explanations and information submitted to the Stock Exchange for the purpose of publishing in the regulated market, i.e. MTP Belex, immediately after its sending (publishing) to shareholders?</b>	
Answer:	Yes.
Specify whether and how long following the sending of the Invitation to shareholders it was submitted to the Stock Exchange for the purpose of publication in 2015.	The Invitation for 42nd Extraordinary and VII Ordinary meeting of the Shareholders Assembly were published on the NIS j.s.c. Novi Sad website on 31 December 2014 and on 20 May 2015 and on the day of the publication were submitted to the Belgrade Stock Exchange j.s.c. and the Serbian Securities Commission.
<b>7. Are the materials for the meeting of the Shareholders Assembly available on the Company website?</b>	
Answer:	Yes. The materials for the meeting of Shareholders Assembly are available on the Company website ( <a href="http://www.nis.eu">www.nis.eu</a> ), where they can be downloaded in whole, and they are also available in the Company's seat – in the premises of NIS j.s.c. Novi Sad Office for Minority Shareholders Affairs.
Specify how the materials for the the meeting of the Shareholders Assembly are available to the shareholders, if they are not available on the Company website	/
<b>8. Has the Company established some of legally prescribed options for online participation in the Assembly activities, and if so, in which manner?</b>	
Answer:	Yes. Starting from 2014 the Company has provided the possibility for the Company's shareholders to vote by electronic means before the meeting.
<b>9. Does the Company publish adopted decisions and minutes of the meetings, immediately, i.e. within prescribed deadlines, after the meeting?</b>	
Answer:	Yes. The Company has published all decisions adopted at the 42nd Extraordinary meeting and VII Ordinary meeting of the Shareholders Assembly, as well as other relevant documents (Voting Commission Reports on Voting Results) within deadlines specified under the Law following the meeting of the Shareholders Assembly.
Specify in which manner the Company ensured shareholders' and public notification of these issues in 2015.	<p>The Company has published the above decisions and documents on its website (<a href="http://www.nis.eu">www.nis.eu</a>) in the "Shareholders' Assembly Decisions" section, within the section intended for investors and shareholders, which could have been accessed from the Company web site home page.</p> <p>The following news: "VII Ordinary Meeting of NIS Shareholders Assembly held" was published on the website in the News section and also submitted to the Belgrade Stock Exchange and Serbian Securities Commission with an overview of the most important decisions adopted at the VII Ordinary Meeting of Shareholders Assembly, and the Company press release was sent to all major Serbian medias.</p> <p>On 29 January 2015 The Report on 42nd Extraordinary Shareholders Assembly Meeting was submitted to the Belgrade Stock Exchange and the Securities Commission of the Republic of Serbia with information on the most important decision that was adopted at the</p>

	<p>42nd Extraordinary Shareholders Assembly Meeting.</p> <p>The Report on Company Body's Meeting with the Decision on Adopting 2014 Annual Report, Decision on Profit Distribution for 2014, dividend payment and determining of retained earnings of NIS j.s.c. Novi Sad, Decision on Adopting Stand-alone Financial Statements for 2014 and Decision on Adopting Consolidated Financial Statements for 2014 was submitted to the Belgrade Stock Exchange and Serbian Securities Commission on 24 June 2015.</p> <p>These Reports were also published on the Company website (<a href="http://www.nis.eu">www.nis.eu</a>).</p>
<p><b>10. What materials, decisions and other relevant documents related to the Shareholders' Assembly, if any, are also prepared and published in English?</b></p>	
<p>Answer:</p>	<p>Yes. All decisions, materials and other published documents related to the activities of the Shareholders' Assembly are also prepared and published in English and can be found on the Company website (<a href="http://www.nis.eu">www.nis.eu</a>).</p>
<p><b>11. Has the Company adopted the Shareholders' Assembly Rules of Procedure and does this or other Company act set forth rules and procedures which ensure that shareholders are provided with timely answers to all relevant questions concerning the Assembly?</b></p>	
<p>Answer:</p>	<p>Yes. The Company has adopted the Rules of Procedure of Shareholders Assembly of NIS j.s.c. Novi Sad (No. 70/SA-od/VII-10a dated 23 June 2015 (consolidated text)) which, among other things, regulates the right of a shareholder to ask questions, receive answers and submit proposals.</p>
<p>Specify whether the Company has ensured and in which manner that all shareholders are continuously provided with information on all applicable rules and procedures.</p>	<p>The NIS j.s.c. Novi Sad Shareholders' Assembly Rules of Procedure is available on the Company website (<a href="http://www.nis.eu">www.nis.eu</a>) in the section intended for investors and shareholders. Explanation of the procedure for asking questions, receiving answers and submitting proposals was also a part of the Invitations for the 42nd Extraordinary and VII Ordinary meeting of Shareholders' Assembly of NIS j.s.c. Novi Sad.</p>
<p><b>12. Has the Company clearly defined its dividend policy and the procedures and deadlines for its distribution?</b></p>	
<p>Answer:</p>	<p>The Company has adopted its Dividend Policy which is available to shareholders on the Company website (<a href="http://www.nis.eu">www.nis.eu</a>), and it governs a long-term corporate policy concerning dividend payment to shareholders, dividend amount compared to net profit, factors affecting dividend payment and dividend payment method.</p> <p>The Company has defined procedures regarding payment of dividends and the rights of shareholders to receive dividends by Company Standard SD-10.02.09 - The realization of the rights of shareholders to receive dividends, which was adopted on 13 November 2014.</p> <p>The Dividend Policy does not govern the deadlines for dividend distribution, but the defining of the given issue is left to the Board of Directors of the Company. This is because the Company considers that it is not appropriate to define long-term deadlines for the distribution of dividends due to the fact that the company has a very large number of shareholders (2.2 million) and that it is necessary to create the appropriate conditions for the calculation and the payment of individual amounts of the dividend to each of the shareholders, who at the same time have a different tax treatment.</p>

<p><b>13. Has the Company issued shares in the previous year with restriction on shareholders' option to buy new emissions of the Company shares?</b></p>	
<p>Answer:</p>	<p>No.</p>
<p><b>14. Has the Company established its mechanism for prevention and settlement of possible conflicts between its shareholders and the company?</b></p>	
<p>Answer:</p>	<p>Yes. The Company has a five-member Commission for Minority Shareholders Complaint Settlement, working according to the Commission Rules of Procedure (PD-10.02.08 adopted 26 December 2011) governing the procedures for addressing the Commission, working procedures at its meetings, obligations and responsibilities of its members and other relevant issues.</p>
<p>Specify how shareholders have been notified of these procedures</p>	<p>Rules of Procedure of the Commission for Minority Shareholders Complaint Settlement is available on the Company's website (<a href="http://www.nis.eu">www.nis.eu</a>).</p> <p>Also, on the Company's website, in the section for investors and shareholders, the possibility is provided for shareholders to submit a request for information by e-mail or to contact Service for minority shareholders by mail (e-mail address: <a href="mailto:Servis.Akcionara@nis.eu">Servis.Akcionara@nis.eu</a>) or by telephone (info-service: +381 11 22 000 55).</p>
<p><b>15. Is comprehensive information on the proposed nominees available to the Shareholders' Assembly when selecting Board members, particularly the information on any relations to the Company, affiliated parties, competitors and main business partners of the Company?</b></p>	
<p>Answer:</p>	<p>Yes. For the purpose of the election of new members of the Board of Directors, candidates must complete a questionnaire containing questions for the candidates regarding the possible existence and nature of the relationship with the Company, the related parties of the Company and companies with competing activities. By completing the given questionnaire candidates make a statement in relation to the above-mentioned issues and state their involvement in other companies or organizations (regardless of whether these companies or organizations are major business partners of the company or not).</p>
<p><b>16. Are shareholders' enabled to exercise their rights to unrestricted participation in the Shareholders' Assembly activities and decision-making?</b></p>	
<p>Answer:</p>	<p>Yes. There are no restrictions on the right to participate in the activities and decision-making of the Shareholders Assembly, except when it comes to possibility of personal participation.</p>
<p>Specify the conditions governing shareholders' participation in the Assembly (e.g.: number of shares in their possession)</p>	<p>The shareholders owning shares on the Shareholders Day (tenth day prior to the Shareholders Meeting) are entitled to participate in the Shareholders' Assembly activities. The shareholders may execute this right in person, by proxy, by voting by means of absentee ballot or by electronic means in line with the Law on Commercial Entities and corporate acts.</p> <p>A shareholder that owns on the Shareholders Day minimum 0.1% of the total number of Company shares, i.e. 163,060 shares, that is, a shareholders proxy representing minimum 163,060 NIS j.s.c. Novi Sad shares, is entitled to personally participate in the NIS j.s.c. Novi Sad Shareholders' Assembly activities, which is due to the fact that the Company has a large number of shareholders (around 2.2 million) and in such circumstances a census is a necessity so as not to risk efficiency and rationality in terms of planning and organising</p>

	<p>meeting of the Shareholders Assembly.</p> <p>The shareholders that own individually less than 0.1% of the total number of NIS j.s.c. Novi Sad shares are entitled to participate in the Shareholders' Assembly activities by a joint proxy or vote by absentee ballot or by electronic means before the Shareholders Assembly meeting in line with the Law on Commercial Entities and Company acts.</p>
<b>BOARD OF DIRECTORS AND EXECUTIVE DIRECTORS</b>	
<b>17. Which governance system has the Company set up?</b>	
<p>one-tier system – Board of Directors (indicate Board members details, with the following indications: executive, non-executive and independent directors, and the information on the Board Chairman)</p>	<p>One-tier governance structure. The Board of Directors is comprised of the following members:</p> <ul style="list-style-type: none"> <li>- Vadim Yakovlev, Chairman of the Board of Directors;</li> <li>- Kirill Kravchenko, Executive Director, General Director;</li> <li>- Alexey Yankevich, Non-executive Director;</li> <li>- Alexander Bobkov, Non-executive Director;</li> <li>- Alexander Krylov, Non-executive Director;</li> <li>- Anatoly Cherner, Non-executive Director;</li> <li>- Nikola Martinovic Non-executive Director;</li> <li>- Danica Draskovic Non-executive Director;</li> <li>- Goran Knezevic Non-executive Director;</li> <li>- Stanislav Shekshnya, Independent Director;</li> <li>- Wolfgang Rutenstorfer, Independent Director.</li> </ul>
<p>two-tier system - indicate Supervisory Board members details, with the indication of the independent member, as well as the information on the Supervisory Board Chairman)</p>	/
<b>18. Do the Company acts define in more detail the competence of the Board of Directors, i.e. the Company's Supervisory Board?</b>	
<p>Answer:</p>	<p>Yes. The scope of competence of the Board of Directors has been defined in detail in the NIS j.s.c. Novi Sad Articles of Association (No. 70/SA-od/VI-11a dated 30 June 2014 (consolidated text)) which is available on the Company website (www.nis.eu).</p>
<b>19. Do the Company acts define criteria for required expert and professional knowledge and experience, as well as other conditions for appointment of Board members?</b>	
<p>Answer:</p>	<p>Yes. The conditions that a nominee ought to meet to be appointed member of the Board of Directors are set forth in the NIS j.s.c. Novi Sad Articles of Association (No. 70/SA-od/VI-11a dated 30 June 2014 (consolidated text)) and NIS j.s.c. Novi Sad Code of Corporate Governance (No. 85/OD-od/XXVI-3a dated 27 January 2014) which are available on the Company website (www.nis.eu).</p>
<b>20. Does the Board of Directors prepare analyses and assessments of the quality and efficiency of its activities minimum once per year, and propose measures and activities for their improvement, notifying shareholders of the above measures?</b>	
<p>Answer:</p>	<p>Yes. The Report on Analysis of Activities of the Board of Directors and its Commissions for the period April 2014 - March 2015 was adopted under the Shareholders' Assembly Decision at the VII Ordinary meeting of the Shareholders Assembly held on 23 June 2015. The Assembly Decision and the above Report are available on the Company website (www.nis.eu).</p>
<b>21. Are independent directors, i.e. independent members of the Supervisory Board under any obligation to inform the Company and its shareholders of all changes which may affect their status in terms of independence?</b>	

Answer:	Yes. The Contract on Rights and Obligations between NIS j.s.c Novi Sad and Board of Directors Independent Member (the Contract form was approved by the Shareholders Assembly and is available on the Company website - <a href="http://www.nis.eu">www.nis.eu</a> ) stipulates that if the Board of Directors independent member during his/her term has ceased to fulfil conditions for selection of Board of Directors independent member or member, he/she shall notify the Board of Directors Chairman thereof without further delay.
<b>22. Has the Company adopted a transparent and publicly available remunerations policy for the Board of Directors members and is the remuneration amount dependent on their contribution to attaining corporate financial and non-financial results and business goals?</b>	
Answer:	<p>Yes. The Remunerations Policy for the Board of Directors members and members of the Commissions of the Board of Directors of the Company (No.: 70/V-9a dated 18 June 2013) was adopted by the Shareholders Assembly. Remuneration policy provides for a fixed remuneration of members of the Board of Directors and Commissions of the Board of Directors. Remuneration policy also prescribes that there is a Program of long-term stimulate for the members of the Board of Directors who have the status of non-executive members, which is based on the strategic indicators and is related to the long-term development strategy of the company, and the parameters of the program are based on the achievement of the set of financial and non-financial goals.</p> <p>The Remunerations Policy for the Board of Directors members and members of the Commissions of the Board of Directors of the Company is publicly available on the Company website (<a href="http://www.nis.eu">www.nis.eu</a>).</p>
<b>23. Has the Company's board, apart from the law-prescribed Audit commission, formed any other Commissions as well, specifically other expert advisory bodies?</b>	
Answer:	Yes.
Specify the name of the Commission and/or bodies, if any, including the number of members and description of assigned tasks, as well as Company's acts which stipulate appointment of these bodies and their competence.	<p>The Appointment and Government Commission and the Remunerations Commission are established by Rules of Procedure of the NIS j.s.c. Novi Sad Board of Directors and Commissions of the Board of Directors (number 85/1-3a dated on 25 June 2012). These Rules, inter alia, provide that each Commission of the Board of Directors shall consist of three members, as well as the competences of each Commission of the Board of Directors and their working procedures.</p> <p>Appointment and Government Commission has the following competences:</p> <ul style="list-style-type: none"> <li>- Proposing candidates for the Board of Directors members, along with its opinion and recommendation for appointment;</li> <li>- Proposing requirements to be met by the candidates for the Board of Directors members and the Board of Directors members appointment procedure;</li> <li>- At least once a year, preparing the report on the adequacy of the Board of Directors constitution, and the number of the Board of Directors members, including recommendations in relation to these issues;</li> <li>- Reviewing of the candidates for the management bodies in subsidiaries and other companies in which NIS j.s.c. Novi Sad has an equity interest in,</li> <li>- Reviewing of personnel policy of the Company related to recruitment of persons for managerial positions in the</li> </ul>

	<p>Company and performing other duties related to personnel policy which are delegated to it by the Board of Directors.</p> <p>Remunerations Commission has the following competences:</p> <ul style="list-style-type: none"> <li>- Preparation of the Draft Decision on the policy of remuneration for the Board of Directors executive members;</li> <li>- Giving proposal on the amount and structure of remuneration for each executive member of the Board of Directors individually, as well as the proposal of remuneration for the auditor;</li> <li>- At least once a year, preparation of the report for the Shareholders' Assembly meeting, regarding assessment of the amount and structure of remunerations for each member of the Board of Directors; and</li> <li>- Giving recommendations to the executive members of the Board of Directors regarding the amount and structure of remunerations for the persons occupying managerial positions in the Company and performing other duties related to personnel policy which are delegated to it by the Board of Directors.</li> </ul>
<p><b>24. Are the remunerations which are paid to the Company's Commission members included in the remunerations policy for the Company's Commission members, i.e. determined within the framework defined by the Company's assembly?</b></p>	
<p>Answer:</p>	<p>Yes. The Remunerations policy for the members of the Board of Directors and members of the Commissions of the Board of Directors of the Company was adopted by Shareholders Assembly (number: 70/V-9a dated 18 June 2013) regulates the amount of remunerations which are paid to the members of the Commissions the Board of Directors.</p> <p>The remuneration policy for the members of the Board of Directors and members of the Commissions of the Board of Directors of the Company is publicly available on the Company website (<a href="http://www.nis.eu">www.nis.eu</a>).</p>
<p><b>25. Do the Company's acts clearly define the authorizations and responsibilities of the executive directors?</b></p>	
<p>Answer:</p>	<p>Yes. Articles of Association of NIS j.s.c. Novi Sad (No. 70/SA-od/VI-11a dated 30 June 2014 (consolidated text)), has specifically defined competences and responsibilities of the Company General Director as the only executive member of the Board of Directors while the competences and responsibilities of the Company General Director in respect of employment are defined in special acts.</p>
<p>Specify the Company acts which regulate these issues. In case of companies with a one-tier system, state the manner and the acts which set border between the tasks and authorities of executive and non-executive directors. In case of a two-tier system, state if the executive board is formed.</p>	<p>The Articles of Association of NIS j.s.c. Novi Sad (No. 70/SA-od/VI-11a dated 30 June 2014 (consolidated text)) define the competences of the Board of Directors and the Company General Director, being determined that only the General Director represents the Company in the internal and external transactions.</p>
<p><b>26. Do the Company acts set the criteria which define the required expert and professional knowledge and experience, as well as other requirements that a person must meet to be appointed an executive director?</b></p>	
<p>Answer:</p>	<p>Yes. Articles of Association of NIS j.s.c. Novi Sad (No. 70/SA-od/VI-11a dated 30 June 2014 (consolidated text)) and the Code of Corporate Governance of NIS j.s.c. Novi Sad (No. 85/OD-od/XXVI-3a dated 27 January 2014) define the general requirements for the appointment of the Board of Directors members, while the criteria</p>



	that define the necessary technical and professional knowledge and experience as well as other conditions which must be met by General Director that are based on employment in the Company are defined in special acts.
<b>27. Has the process of work evaluation of executive directors by the non-executive directors of the Board of Directors, or by Supervisory Board, been established and is applied, in case of a two-tier system?</b>	
Answer:	Yes. Assessment of the Company's General Director and senior management of the Company by the Board of Directors is based on pre-defined key performance indicators and results of fulfillment of these indicators in the relevant time period, and it is defined by a special decision of the Board of Directors of the Company.
<b>28. Do the remunerations for the Executive Board members comprise the fixed and variable parts (bonuses, motivation, etc.) depending on their performance in achieving financial and non-financial results and the Company's business objectives?</b>	
Answer:	Since the one-tier system is applied in the Company, the Company does not have the executive board.
<b>29. Does the Company have efficient mechanisms to provide the accurate, timely, comprehensive, and egalitarian reporting to the Company's board members by the executive directors, specifically, which procedure is applied when reporting to the non-executive directors and/or members of the supervisory board on all issues relevant to business operations, financial status, and potential risks to the Company's assets?</b>	
Answer:	<p>Yes. Non-executive members of the Board of Directors are regularly reported by the Company's General Director on all issues that affect the business, financial position and the risks involved in the operations of the Company and all that through appropriate forms of financial and management reporting (quarterly and annual financial statements and consolidated financial statements, quarterly and annual reports, reports on the analysis of business and outlook for the future period, the Annual Report on post-investment monitoring of projects of NIS j.s.c. Novi Sad in Serbia and abroad, the reports on the implementation of decisions and orders of the Board of Directors, etc.).</p> <p>At the beginning of the financial year, the Board of Directors adopts its own annual work plan, which includes the range of issues that must be discussed by the Board of Directors in accordance with regulatory requirements, needs of the business and needs for reporting to the members of the Board of Directors. In a given work plan timetables are set for review of the given questions at the meeting of the Board of Directors, while the procedures and deadlines for the timely preparation of relevant materials for the members of the Board of Directors of the Company are regulated by Company Standard: SD-10.02.07- Preparation of materials and control of the execution of decisions and orders of the Board of Directors and Shareholders Assembly of NIS j.s.c. Novi Sad, version 3 of 17 October 2013.</p>
<b>30. Do the executive directors report to the Company's board on the issues under Art. 416 of the Law on Commercial Entities, specifically in terms of giving qualitative opinion and analysis of important issues which significantly impacted Company's operations in the reporting period, including the view and analysis of significant Company's business risks and future long and short-term perspectives of the Company?</b>	
Answer:	Yes. In view of the matters referred to in Article 416 of the Law on Commercial Entities, members of the Board of Directors are reported on a quarterly basis through special reports on the analysis of the business in the previous period and outlook for the future

	period (until the end of the current fiscal year).
Indicate issues that have been reported to the Company's board.	<p>Members of the Board of Directors are informed about the analysis of the Company's business operations, which among other things included questions related to:</p> <ul style="list-style-type: none"> <li>- operations, earnings and financial condition of the Company, (financial and economic indicators)</li> <li>- profitability of the business of the Company,</li> <li>- market trends in the region,</li> <li>- key business events and activities that are of significant importance to the Company's operations and liquidity,</li> <li>- the status of implementation of development projects of the Company,</li> <li>- other important issues related to current and future operations of the Company.</li> </ul>
<b>31. Does the Company have the function of the corporate secretary and, if yes, specify the assigned duties and responsibilities.</b>	
Answer:	<p>Yes. The corporate secretary is appointed by the Board of Directors. There is also the Corporate Secretary Sector in the Company. Pursuant to the Company Articles of Association, the Corporate Secretary is specifically responsible for:</p> <ul style="list-style-type: none"> <li>- Preparation of meetings of the Shareholders' Assembly, Shareholders' Assembly Board for Supervision over Operations and Procedure of Reporting to the NIS j.s.c. Novi Sad Shareholders and the Board of Directors, and minutes-taking;</li> <li>- Storing of all materials, minutes, and decisions from the meetings of the Shareholders' Assembly, Shareholders' Assembly Board for Supervision over Operations and Procedure of Reporting to the NIS j.s.c. Novi Sad Shareholders, and Board of Directors;</li> <li>- Communication between the Company and the Company's shareholders and enabling access to the documents in accordance with the law and company acts;</li> <li>- Compiling the list of company's shareholder in line with the Company Articles of Association.</li> </ul> <p>The Secretary's responsibilities are defined in the NIS j.s.c. Novi Sad Articles of Association (number 70/SA-od/VI-12a dated 30 June 2014 (consolidated text)), which is available at the Company's website (<a href="http://www.nis.eu">www.nis.eu</a>).</p>
<b>SUPERVISION AND CONTROL</b>	
<b>32. Is there the Audit Commission in the company?</b>	
answer	<p>Yes. The Board of Directors has adopted the Rules of procedure of the Board of Directors and Commissions of the Board of Directors (85/1-3a adopted dated 25 June 2012) by which, among others, the Commissions of the Board of Directors are formed (including the Audit Commission), their competences, number of members, their mandate and work procedures are defined.</p>
Specify the composition of the Audit Commission, and if the Commission's Chairman is an independent Chairman/member of the Supervisory Board, as well	<p>The members of the Audit Commission are:</p> <ul style="list-style-type: none"> <li>- Wolfgang Ruttendorfer, Chairman of the Audit Commission,</li> <li>- Aleksey Urusov, a member of the Audit Commission and</li> <li>- Nikola Martinovic, a member of the Audit Commission.</li> </ul>

<p>as if at least one member of the Commission is an authorized auditor appointed by the Company's assembly?</p>	<p>Chairman of the Audit Commission is an independent member of the Board of Directors. Also, the Chairman of the Audit Commission is a person who has adequate knowledge and experience in finance and accounting, which is also independent of the Company in accordance with the requirements of Article 410 Paragraph 5 of the Law on Commercial Entities. In addition to the Chairman, the members of the Audit Commission also possess adequate knowledge and experience in finance and accounting.</p> <p>In accordance with Article 409 Law on Commercial Entities all members of the Audit Commission shall be appointed by the Board of Directors.</p>
<p><b>33. Are there any bodies and/or persons appointed for the activity of internal audit?</b></p>	
<p>answer</p>	<p>The Company has established a separate internal audit function, with the aim of providing independent and objective assurance of the adequacy of the process of corporate governance and risk management, adding value and contributing to the overall efficiency and the improvement of the Company. Internal Audit operates in accordance with the International Professional Practices Framework and the normative and methodological documents of internal audit, adopted in the Company.</p>
<p>Specify the Company act governing these issues and specify requirements for appointing the person in charge of these tasks, as well as the data on the person discharging these duties and the person who fulfills the requirements defined for an internal auditor in compliance with the law</p>	<p>Company acts which regulate matters related to internal supervision are: the Articles of Association of NIS j.s.c. Novi Sad (No. 70/SA-od/VI-11a dated 30 June 2014 (consolidated text)), NIS j.s.c. Novi Sad Code of Corporate Governance (No. 85/OD-od/XXVI-3a dated 27 January 2014), The Rules of Procedure of the Board of Directors and Commissions of Board of Directors (No. 85/1-3a dated 25 June 2012), The Internal Audit Policy (PO-13.00.01 dated 04 April 2012), Rulebook on conducting of internal audit (PR-13.01.01 dated 13 September 2012) and Company Standard - Risk Management (SD-13.02.01 dated 27 December 2011).</p> <p>Until November 2015 the person responsible for internal supervision was Aleksandra Samardzic who was at the same time director of Function for internal audit. The person responsible for internal supervision has fulfilled the requirements for an internal auditor in accordance with the law. The procedure of appointment of the new person responsible for internal supervision is in progress.</p>
<p><b>34. Do the Company acts more specifically regulate the issues under Article 452 of the Law on Commercial Entities?</b></p>	
<p>answer</p>	<p>Since the Function for internal audit was established in the Company, which deals with issues of internal audit (internal supervision), questions from Article 452 of the Law on Commercial Entities are largely regulated by The Internal Audit Policy, Rulebook on conducting of internal audit and Company Standard - Risk Management.</p>
<p>Specify the manner in which the mutual rights and obligation of the persons responsible for internal audit and the Audit Commission/Company's board are regulated, notably in the field of reporting</p>	<p>The person responsible for internal supervision is appointed by the Board of Directors on the proposal of the Audit. About conducted supervision this person regularly reports to the Audit, which supervises the operation of the internal supervision of the Company.</p>
<p><b>35. Are there any mechanisms and rules for performing supervision and control established at the Company level, as well as the activity indicators that should suggest to the Internal Audit that</b></p>	

<b>the preventive audit and control need to be performed?</b>	
answer	Yes. Mechanisms and rules for the implementation of monitoring and control in the Company are defined by the The Internal Audit Policy, the Rulebook on conducting of internal audit, the Company Standard - Risk Management and Guidelines of the Function for internal audit.
<b>36. Do the systems of internal audit include the insider information affairs?</b>	
answer	<p>No. The insider information affairs are not included in the internal audit system.</p> <p>The company has developed a specific system for maintaining the List of insiders and for disclosure of insider information that is regulated by the Rules on handling inside information (PR-10.02.05).</p> <p>On insider information (until the moment of their disclosure) the relevant provisions of the Rulebook on confidential information of NIS j.s.c. Novi Sad are applied, which relate to the protection, way of working with this information and documents containing them, and preventing access to these information.</p>
<b>37. Does the External Auditor of the Company inform the Audit Commission on the issues under Art. 453 of the Law on Commercial Entities?</b>	
answer	Before signing a contract for auditing the annual financial statements and consolidated financial statements of NIS j.s.c. Novi Sad for 2015, the elected auditor has submitted a written statement confirming his independence from the Company and report on services in the past period provided to the Company in addition to the audit of the financial statements.
Specify the methods of communication between the External Auditor and the company's Audit Commission.	<p>At the meeting of the Audit Commission on which the Commission discusses about the Annual financial statements with the report of the independent auditor, the Annual consolidated financial statements with the report of the independent auditor, the Plan for implementation of audit procedure and identification of key issues to be audited and in reviewing the status of implementation of the auditor's recommendations, provided in the Management Letter ("Management Letter Points"), the representatives of the auditor are invited in accordance with the Rules of Procedure of the Board of Directors and Commissions of the Board of Directors of NIS j.s.c. Novi Sad.</p> <p>In addition, on initiative of the members of the Audit Commission or the auditor of the Company, special meetings are held to discuss specific issues related to the audit.</p>
<b>38. Does the External Auditor prepare a separate internal document for the Company's board (letter for management), comprising key shortfalls identified during the procedures of control, Company's accounting and operative procedures, including the suggestions for their improvement?</b>	
answer	<p>Yes. Management of NIS j.s.c. Novi Sad receives from the Company's auditor a "Report to NIS j.s.c. Novi Sad management" about the irregularities and other observations of the auditor during the audit ("management letter").</p> <p>This report contains deficiencies noted in terms of control, perceived errors in accounting and reporting, drawing attention to potential problems and challenges for future transactions, changes to the standards, suggestions for improving the process etc. Typically comments of the auditor, from the perspective of the risks and</p>

	<p>possible consequences, are classified into three categories: "high", "remote" and "low".</p> <p>The Company has, after receiving the auditor's report, taken measures in order to eliminate errors and reduce potential risks. Their implementation is monitored by Function for internal audit.</p>
<p><b>39. Does the external auditor attend the meetings of the Shareholders Assembly where the reports on performed audits and company's financial reports are reviewed?</b></p>	
answer	<p>Yes, in compliance with Art. 366 of the Law on Commercial Entities and the Rules of Procedure of the Shareholders' Assembly (number 70/SA-od/VII-10a dated 23 June 2015 (consolidated text)), the Ordinary meetings of the Shareholders' Assembly are also attended by the Company's auditor.</p>
<p><b>TRANSPARENCY AND PUBLICITY</b></p>	
<p><b>40. Does the Company have a clearly defined and publically accessible disclosure policy which defines principles, rules and procedures of reporting to shareholders, relevant authorities, public, and other interested parties?</b></p>	
answer	<p>All reports and insider information which the Company publishes in compliance with laws and by-laws, reporting deadlines and procedures and their publishing, are governed by the following corporate documents:</p> <ul style="list-style-type: none"> <li>- PR-10.02.05 Rulebook on Handling Insider Information of NIS j.s.c. Novi Sad, and</li> <li>- SD-10.02.03 Company Standard "Procedure of Mandatory Reporting of NIS j.s.c. Novi Sad as a Public Joint-Stock Company".</li> </ul> <p>The aforegiven documents are not accessible to the public.</p> <p>All relevant information about the Company for shareholders and the public are available on the Company's website (www.nis.eu).</p>
<p><b>41. Does the company publish its business reports including the report of the External Auditor in compliance with the laws, by-laws, and regulations of the Stock-Exchange?</b></p>	
answer	<p>Yes. Business reports as a part of Quarterly and Annual Reports of the Company are available at the Company's website (www.nis.eu), the website of the Belgrade Stock-Exchange, and in the Register of Public Joint-Stock Companies of the Securities Commission of the Republic of Serbia.</p>
<p><b>42. Do the company's business reports include all law-prescribed elements, notably elements prescribed under Art. 289 of the Law on Commercial Entities and Art. 50 of the Law on Capital Market?</b></p>	
the answer should include all elements specified in the aforesaid articles	<p>Yes.</p> <p>Art. 289 of the Law on Commercial Entities - The Company did not acquire or dispose of its own shares during the previous year;</p> <p>Art. 368 of the Law on Commercial Entities - Statement on the Application of the Corporate Governance Code is an integral part of the Company's Annual Report;</p> <p>Art. 50 of the Law on Capital Market - the Annual Report includes:</p> <ol style="list-style-type: none"> <li>1) Annual financial reports including the auditor's report;</li> <li>2) Annual report on company's business results;</li> <li>3) Statement of persons responsible for preparation of the annual report</li> </ol> <p>The Annual Report on the Company's business results includes:</p> <ol style="list-style-type: none"> <li>1) a valid account of Company activity development and results, notably the financial status of the Company, as well as the data relevant for assessment of the Company's assets;</li> <li>2) description of the expected Company development in the</li> </ol>

	<p>forthcoming period, amendments to the Company's business policies, as well as the key risks and threats that the Company is exposed to;</p> <p>3) all relevant business events which took place after the expiry of the business year of reporting;</p> <p>4) all significant transactions with affiliated persons;</p> <p>5) company activities in the field of research and development.</p> <p>Art. 51 of the Law on Capital Market - a remark is made that the Annual Report, at the moment of its publishing, has not been adopted by the Company's competent body (the Shareholders' Assembly).</p>
<p><b>43. Apart from information defined in the Law on Capital Market, does the Company establish and immediately publish the data which may impact the price of shares of the Company and the shareholders' status?</b></p>	
answer	Yes.
<p>Specify data on the published information in compliance with the Law on Capital Market (e.g. changes in the major equity; acquisition/disposal of own shares, etc.), as well as other data that may influence the price (e.g. business news, shareholders agreement, court proceedings for refuting shareholders' decisions of the Company, etc.)</p>	<p>The company has in 2015 published annual report and quarterly reports for the first, second and third quarter, quarterly and annual financial statements and consolidated financial statements on the form of the Securities Commission, updated Stock Exchange Information memorandum on the Company, the Annual document on published information, the decision of the Shareholders Assembly on adoption of the annual report and the decision on Profit Distribution for 2014, dividend payment and determining of retained earnings of NIS j.s.c. Novi Sad , the Invitation to shareholders for meeting of the Shareholders Assembly, reports on holding the company's body sessions (Shareholders Assembly and the Board of Directors) and the decisions of these bodies on financial statements, annual and quarterly reports of companies, questionnaire on corporate governance practice, notice of dividend payment and insider information (including information provided for in Article 4 of the contract with the Belgrade Stock Exchange).</p> <p>The above reports and information are published on the Company's website (www.nis.eu), Belgrade Stock Exchange website and submitted to the Securities Commission of the Republic of Serbia.</p>
<p><b>44. Are the updated data on the Company's insiders publically accessible, including data on the number of Company's shares/ratio of shares owned by them?</b></p>	
answer	Partially.
<p>specify the data that are accessible and the location at which they can be accessed</p>	<p>The updated data on the number of shares and the percentage of Company's shares owned by the Company body members are available. The data are made available through the Company's quarterly and annual reports.</p>
<p><b>45. Does the Company publically announce the biographical data of the members of the Company board, members of the Audit Commission, and person responsible for internal supervision of bussines?</b></p>	
answer	<p>Yes. The company publically discloses the biographical data of the members of the Board of Directors, the board of the Shareholders' Assembly for Supervision over the Operations and Reporting to Shareholders of NIS j.s.c. Novi Sad, and the Advisory Board of the General Director.</p> <p>Also biographical data of the members of the Audit Commission and the person responsible for internal supervision are publicly available.</p>

Specify where these data are published	The biographical data are published on the Company's internet page (www.nis.eu) and through the Quarterly and Annual Reports which the Company publishes (the reports are available on the Company's website and on the website of the Belgrade Stock Exchange, as well as in the Register of Public Companies of the Securities Commission).
<b>46. Does the company publically announce the data on transactions with affiliated persons and deals with persons having special authorizations in the company, and their affiliated persons?</b>	
answer	Yes.
Specify where these data are published	The data are published within the Company's annual report. In addition, in case of approval of legal transaction with a company involving personal interest, the Board of Directors notifies the Shareholders' Assembly thereof at the first forthcoming meeting, when a Decision is made on acceptance of information on approval of entering into a deal involving a personal interest. The Decision constitutes a part of material for the meeting of the Shareholders' Assembly and it is publically available on the Company's internet page (www.nis.eu).
<b>47. Does the Company report to the public on individually paid remunerations and other financial and non-financial rules and benefits gained by the holders of coordination, management and supervision functions in the Company, as well as by the Company's board's Commissions members?</b>	
answer	Partially. The Company publishes in the aggregated amount, as part of its annual report, the data on remunerations paid to the General Director and to the Board of Directors members which include remunerations paid for the membership in the Board of Directors Commissions.
Specify where these data are published	These data are published in the Quarterly and Annual Reports which are published by the Company (the reports are available on the Company's internet page and on the internet page of the Belgrade Stock Exchange, as well as in the Register of Public Companies of the Securities Commission).
<b>48. Does the Company use its own internet page to publish all relevant information?</b>	
answer	Yes.
Indicate the internet page address	www.nis.eu
<b>49. Is the Company's internet page organized in the manner as to enable a simple access to information relevant to investors?</b>	
answer	Yes.
Specify the manner in which the investor informing process is organized (e.g. does the internet page contain special contents for the investors, that can be accessed from the home page of the company?)	<p>On the Company's internet page, there is a special section intended for shareholders and investors, as well as a separate section designated for news related to the Company, which are updated on a daily basis, and which are accessible from the Company's home page.</p> <p>Within the section of the internet presentation designated for investors and shareholders, the following are available: main information on the Company (activity, strategy, group) and its business operations (key financial indicators and quarterly and annual reports), information on the Company's shares (including</p>

	<p>interactive graphs of price trend at the Belgrade Stock-Exchange and data on dividends), all reports published by the Company in accordance with laws and by-laws, general Company acts that can be downloaded by the shareholders, as well as the information related to the Company's bodies and their members.</p> <p>There is a special section on the internet page "Questions and Answers" designated for shareholders, from where the shareholders can get information on free-of-charge distribution of NIS shares, shares disposition and inheritance, shares transactions, shareholders' assembly, and dividends.</p> <p>Within the segment of internet page of the Company intended for shareholders and investors, there are special sections which are exclusively aimed for informing shareholders regarding the upcoming Shareholders' Assembly meeting and dividend payment.</p> <p>Every page contains clearly presented contact data (e-mail address and telephone number) of the Sector for Relations with Minority Shareholders and the Sector for Investor Relations.</p>
<b>50. Are all relevant investment information published in the English language as well?</b>	
answer	Yes.

DECLARATION - I hereby declare that the answers in this Inquiry have been approved by (circle):

- 1) all executive directors and members of the Company's Supervisory Board,
- ② all members of the Board of Directors of the Company (executive and non-executive Company Directors),

as well as that the answers to the questions provided in this Inquiry, according to their best understanding, are true, and that they agree that these answers can be publically published on the internet presentation of the Belgrade Stock-Exchange j.s.c. Belgrade.

---

Kirill Kravchenko  
General Director  
NIS j.s.c. Novi Sad