Pursuant to Article 11 Paragraph 1 Item 7 of the Law on Chambers of Commerce (Official Gazette of RS, nos. 65/01, 36/09 and 99/11), Article 35 Paragraph 1 Item 10 of the Statute of the Chamber of Commerce and Industry of Serbia (Official Gazette of RS, nos. 45/02, 107/03, 44/05, 29/09, 35/11, 46/11 and 103/11),
the General Assembly of the Chamber of Commerce and Industry of Serbia, at its meeting held on 17 September 2012, hereby adopts the following

CODE
OF CORPORATE GOVERNANCE

INTRODUCTION

The Purpose of the Code

The Corporate Governance Code of the Chamber of Commerce and Industry of Serbia is aimed at becoming an efficient tool for improvement of the corporate governance systems in Serbian corporations.

Corporate Governance enables a company to attract human and financial capital, effectively conduct business operations and ensure its long-term sustainable development, while taking into account the interests of owners and other stakeholders with legitimate interests in the operations of the company. Direct benefits of corporate governance to a company are:

1. *Better performance.* Sound corporate governance streamlines all business processes in a company and ensures: a clear division of responsibilities and clearer accountability in a business company; better decision-making, because communication channels are well defined; better compliance with regulations and effective oversight.
2. *Easier access to capital markets.* Good corporate governance builds confidence among investors, securing an easier access to capital markets. Considering that it is based on the principles of transparency, timeliness, completeness and accuracy of information at all levels, an investor, based on such information, is able to identify his interest and take the appropriate investment decision.
3. *More favorable terms for raising new capital.* The cost of capital depends on the risks attributed to a company by investors: the higher the risk, the higher the cost of capital. The risks include systemic risk, affecting all companies in a market, and risks specific to a concrete society. The work on corporate governance enables companies to reduce the total amount of risks at micro-level and financing costs. Major international financial institutions, as important investors on Serbia's market (European Bank for Reconstruction and Development, International Finance Corporation, etc.), have been treating assessment of the quality of corporate governance practices in companies as a mandatory part of analysis when taking investment decisions. These institutions directly link the cost of capital with the assessment of the corporate governance practice quality.
4. *Improved reputation.* In the present-day business environment, reputation has become the key element of any company's goodwill. The reputation of a company practically constitutes an integral part of its assets. Companies which honor the rights of owners

and creditors, and whose behavior is transparent and responsible, enjoy more confidence of the general public and stronger goodwill, leading to higher trust in the company and its products.

What is the Target Audience of the Code?

The target audience for the Corporate Governance Code of the Serbian Chamber of Commerce and Industry covers all corporations. This Corporate Governance Code has a wider scope of application than other corporate governance codes in Serbia (the Belgrade Stock Exchange Code, codes of corporations whose shares are traded on the Belgrade Stock Exchange, the 2006 Code of the CCIS), which are intended for public joint stock companies

The limited liability companies are the most frequent type of corporations in Serbia. Together with public enterprises, these companies generate a far larger portion of the Serbian gross domestic product than public joint stock companies. Therefore, the Chamber of Commerce and Industry of Serbia has decided to develop a Corporate Governance Code, which would contribute to the promotion of corporate governance in all corporations, and above all in those which so far have been unduly neglected – family-owned businesses, small- and medium-sized enterprises and state-owned companies. Working on corporate governance will enable these companies to upgrade their operations and to prepare for external investors even before they have reached the critical size and/or opted for going public. When it comes to public enterprises, the Code also addresses them, having in mind planned processes of restructuring and opening to investors, as well as the need to provide them with assistance in the process of professionalizing their managements

The Code includes three parts.. Part One of the Code "Corporations" is divided into three chapters. Chapter I deals with "Principles and Recommendations for All Corporations", which are applicable, as the title indicates, to a sole proprietorship, as well as to a family-owned holding, a public joint stock company and a state-owned company. The Code has a dynamic approach and tries to follow a company through its life cycle.

In that respect, Chapter II of Part One of the Code entitled "Additional Principles and Recommendations for Major Corporations and Public Joint Stock Companies" is applied to all corporations (irrespective of the chosen legal form) which have reached the critical size that requires a more formal approach to corporate governance. These companies should cumulatively implement the principles and recommendations contained in Chapters I and II of the Part One of the Code.

Chapter III of Part One of the Code "Additional Principles and Recommendations for Public Joint Stock Companies" looks at good practices of corporate governance in corporations whose securities and other financial instruments are actively traded. In that respect, a public joint stock company should apply principles and recommendations provided by the Code both in this and in previous chapters. It is assumed that a public joint stock company has already gone through prior stages of a company's life cycle and that it has already adopted the principles set out in previous chapters.. Therefore, the principles and recommendations contained in Chapter III introduce additional requirements related to good practice.

Part Two entitled "Additional Principles and Recommendations for Family-Owned Corporations" deals with challenges to corporate governance that are specific to family-owned companies. This chapter only applies to those companies. However, depending on its size and complexity of business operations, a family-owned company will find important principles and recommendations for building a corporate governance system in the Part One of the Code as well.

Part Three of the Corporate Governance Code "Additional Principles and Recommendations for Corporations where the Government is a Member" is dedicated to specific problems faced by companies where the government is the owner.. Depending on the stake size and ownership structure, these companies implement the principles and recommendations of Parts One and Three of the Code. Within this part of the Code, the principles and recommendations for the state are elaborated separately from the principles and recommendations for the companies themselves.

The Corporate Governance Code includes principles and recommendations for all corporations, categorized as small and large corporations according to the complexity of the corporate governance system and the level of development. Each corporation should independently assess to which category of corporations it belongs. Major corporations usually include more complex companies, companies predominantly financed from external sources, joint stock companies planning to go public and public joint stock companies.

Implementation

The principles and recommendations contained in this Code are not binding, but they are recommended to all corporations and particularly to members of the Chamber of Commerce and Industry of Serbia, as the best corporate governance practice.

Corporations may directly implement the principles and recommendations of this Code by adopting a decision of the competent body of the corporation or, if needed, they may elaborate them by adopting their own corporate governance code or by adopting other internal bylaws of the corporation.

Notification of the Implementation of the Code

The corporation, which is a member of the Serbian Chamber of Commerce and Industry, is under an obligation to inform the Chamber whether it implements this Corporate Governance Code.

A corporation that does not implement the Corporate Governance Code of the Chamber of Commerce and Industry of Serbia shall inform the Chamber of the corporate governance code it implements, as well as of the place where the text of this code is publicly available.

The notification to the Chamber shall be submitted on the form available on the website of the Chamber of Commerce and Industry of Serbia.

Types of Rules Contained in the Code

The rules of this Code supplement the applicable legal framework, hence no provision of the Code may derogate a statutory rule which governs the same issue in a different manner. Likewise, the Code will not, in any way whatsoever, change the sense or proper interpretation of legal provisions. The Code sticks to the boundaries set by the law, as it covers the subject-matter which is not regulated by the law (so-called legal vacuums), or is governed by *jus dispositivum*.

The Code contains two types of rules:

1) recommendations - rules which a corporation should follow and comply with, which in the Code can be recognized by the use of the word “shall”; and

2) suggestions - rules which are considered to be desirable practice in the field of corporate governance , and which can be recognized in the Code by the use of the word “can”, “should”, and the like.

The recommendations contained in this Code present the minimum standards that public joint stock companies (members of the Chamber of Commerce and Industry of Serbia) should accept and comply with, and if they fail to do so, or fail to do so in the manner provided for by this Code, they should give an explanation for the deviation made, in a statement on implementation of the Corporate Governance Code in accordance with the Company Law.

GLOSSARY

The Corporate Governance Code uses primarily the terms regulated by the Company Law and other positive regulations. These terms are not included in the Glossary. In addition to these terms, other terms are used here that are used in corporate governance theory and practice. Their meaning in the Code is regulated in detail by this Glossary.

Corporate governance is a set of rules and conducts according to which corporations are managed and controlled, strategically regulating the relations between managers, members of the Supervisory Board and the Board of Directors, members/shareholders and other stakeholders.

Company members are individuals or legal entities that are holders (owners) of stakes in the equity of a limited liability company and individuals or legal entities that are holders (owners) of shares (shareholders) in joint stock companies, regardless of the fact whether they acquired that capacity upon the establishment of the company or subsequently. The state is also considered a company member in this Code.

Stakeholders are individuals or legal entities, groups of persons or organizations that have influence or may have influence on company activities or that may be affected by company activities. There are different categories of stakeholders, e.g. banks and other financing entities, suppliers and other business partners, consumers (customers), creditors, employees, external associates (advisors), local community, the state as a partner and others.

Corporate social responsibility is a concept according to which companies integrate economic, legal, philanthropic, social and environmental topics and issues in their business activities, as well as in the voluntary interaction with stakeholders.

Family-owned business is a company in which the majority of voting rights belong to the family controlling the company, including the company founder intending to transfer the company to his/her descendants and make the company operation sustainable down through the generations of this family.

Succession is the transfer of management and ownership in a family-owned business, or of the control over a family-owned business, from one generation to another.

Corporation in which the state is a member is a company in which the state has significant control. The state can exercise this control through full ownership (100% owner of the enterprise is the state, e.g. in public enterprises), through majority ownership of the equity of the company or as a significant minority member.

Independent director is a non-executive director who may be expected to use objective and impartial judgment in decision making owing to the lack of his/her business, family and other ties with the company, executive directors, controlling members (shareholders), as well as related companies, members of the managements of related companies and controlling members (shareholders) of related companies.

State is the Republic of Serbia, autonomous territorial unit and local self-government unit.

Internal oversight is a general term for review, examination and evaluation of the correctness of work, processes and procedures that includes all types and forms of control measures and activities established and implemented by the management in order to secure assurance regarding the business system, the reliability of the bases for decision making, the possibility of early identification of the danger of potential losses and timely taking of the measures for their rejection or mitigation. The most common forms of internal oversight in use are: internal control, internal control system, risk management, controlling, compliance control, checks upon requests of different management systems, inspection, liquidity and asset management, internal audit, special controls and other.

Risk is the possibility of occurrence of an event whose consequence could affect the achievement of company objectives. Risk is expressed and measured in categories of consequence, which may ultimately always be expressed in a pecuniary amount, and the probability of occurrence of such event.

Risk management is a process of identifying and assessing the risk and defining appropriate controls as a response to the risk with the aim of managing the events and situations and providing assurance that the company objectives will be achieved.

Internal control is any action taken by the competent body and/or function of the company for the purpose of managing the risk and increasing the certainty of achieving the set plans and objectives of the company. Each internal control consists of five components: control environment, as the basis that determines the quality and successfulness of all other activities in the internal control domain; risk assessment; control activities (the control procedures themselves); information and communication (as the manner of transmitting the information on controls and providing feedback on their functioning); and monitoring (oversight of the functioning of established controls or internal control system).

Control environment is a basis for building an internal control system and it is determined by the views, values and behavior of the board and management. Control environment ensures the discipline and structure for achieving the primary objectives of the internal control system. Control environment includes the following elements: integrity and ethical values; philosophy and style of management; organizational structure; the manner of assigning authority and responsibility; governance policies and practices; and competence of employees.

Internal control system is a unique concept created by combining all control procedures and processes that are implemented in the company operation and governance, integrating individual controls and procedures, creating a normative framework that regulates the company operation and governance and providing assurance to the management that the company objectives will be achieved.

Compliance is the observance of internal and external requirements: policies, plans, procedures, laws, regulations, contracts and other requirements regulating the operation of the company.

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. (Universally accepted definition by the Institute of Internal Auditors).

Assurance, in the context of the role of internal audit, is an objective examination of the procedures, activities and processes established in a company with the aim of giving an independent assessment and providing evidence that the company objectives and plans based on them will be achieved.

External audit is a procedure of verifying and evaluating financial statements and consolidated reports of auditees, as well as the data and methods applied in preparing financial statements, with the aim of expressing an expert and independent opinion on the veracity and objectivity of presented financial status, operating results and cash flows of the company, as well as whether they were prepared in accordance with the financial reporting framework implemented by the company.

PART ONE

CORPORATIONS (LIMITED LIABILITY COMPANY AND JOINT STOCK COMPANY)

This part of the Code contains the principles and recommendations of good corporate governance practice applying to all limited liability companies and joint stock companies (corporations). Corporations are a large group of economic entities differing from each other not only in form but also in size, value of their equity, business activities, openness, issued securities, the number of members, the structure of bodies, professionalization of managing bodies, and the like. This Code recognizes these differences in three ways. First, most of the rules in the Code are flexible because they give companies the freedom to adapt them to their own needs. Second, there are principles and recommendations that only apply to corporations that meet certain characteristics (for example, companies with a small number of members, companies with non-executive management, companies in the early stages of development, and the like). Third, the Code applies a so-called graded (three-stage) approach to the regulation of the matter of corporate governance of corporations. Chapter I includes the principles and recommendations of corporate governance applying to all corporations. Chapter II regulates the rules applying to larger corporations only. The graded approach implies that, in addition to the rules applying to all corporations, special rules contained in Chapter II also apply to these companies. Chapter III contains the principles and recommendations relevant only to public joint stock companies. The graded approach here means that, in addition to the rules applying to all corporations and the rules applying to major corporations, public joint stock companies also apply special rules contained in Chapter III.

In each Chapter, the principles and recommendations are grouped by similarity into the following five categories: General Meeting of members, Board of Directors (Supervisory Board and executive directors), internal oversight, disclosure and relations with stakeholders.

CHAPTER I

PRINCIPLES AND RECOMMENDATIONS FOR ALL CORPORATIONS

MEMBERS AND GENERAL MEETING OF MEMBERS

Principle 1:

Rules of corporate governance shall provide for the equitable and equal treatment of all members in a company in keeping with the law, bearing in mind the specific roles and interests of members in different companies.

Recommendations:

1. A company shall provide for equitable and equal treatment of all its members. This principle is particularly important in the relationship of the company with its minority and foreign members.
2. Basic rights of a company's members as prescribed by the law shall be protected in the bylaws of the company in an adequate and efficient manner. A company shall regulate by its bylaws all the issues related to the status, rights and responsibilities of its members, to establish the methods of controlling appropriate implementation of the company bylaws, and to ensure continuously the implementation of the established rules.
3. Minor corporations, when stipulating rules in their bylaws, shall take account of the balance between compliance with formal requirements and the need for the preservation of efficiency of business operations as such.
4. Depending on the size and complexity of operations, companies should recognize and regulate the specific roles and interests of their members. In minor companies, that is reflected in the special relationship between members, the Board of Directors, i.e., the Supervisory Board, and executive directors, which implies tighter interconnections in designing business operations. In larger and more complex companies, the question is raised of separation between the ownership role and the corporate management role in the company. The members are supposed to shape through the General Meeting the structure of other bodies, which will carry out the functions of governance, oversight and operational management of the company. In such a manner, the separation should be achieved between ownership and governance of the company.

Principle 2:

A company shall establish adequate regulatory and management environment in the company, which will enable the definition and exercise of interests and roles of its members.

Recommendations:

1. A company shall adopt in its bylaws the corporate governance rules through which it shall establish regulatory and management environments, which will, in the best possible way, enable the exercise of the interests of its members and the fulfillment of the need to carry out business operations.
2. Company bylaws shall precisely define the role and competences of its General Meeting, by defining issues that fall into its exclusive purview, and issues which the General Meeting can delegate to other bodies of the company in accordance with the law.
3. The bylaws of a company shall define the role, responsibilities and division of competences between the General Meeting, the Board of Directors, i.e., Supervisory Board and executive directors in a company. Special attention shall be paid to defining the competences of each body in the company, while clearly specifying the tasks it has to perform, the rights and duties pertaining to it, as well as procedures which it has to follow and apply in its work.
4. In determining the competences for adoption of each bylaw in a company, it is necessary to take account of the subject-matter governed by a bylaw, of the entity to which it applies, and of the body which will ensure its implementation. In enacting its bylaws, a company should take care of the harmonization and interlinkages of bylaws, in order to avoid different regulation of the same issues, or regulation of the same or related issues in a contradictory manner. The company should regularly evaluate its bylaws, amend them and bring them into accord with the growth and complexity of its operations. It is especially important at the stages of accelerated growth of the company, in order to support such growth both by regulated business processes and operational organization.
5. In smaller companies, it is particularly important to recognize the principle under which the company is not an extension of the personal property of its members.
6. In defining the competences in a company’s bylaws, it is necessary to take care not to restrict the ability of the Board of Directors, i.e., Supervisory Board, to perform its governing role, as well as to establish the relationship and communication between the Board of Directors, i.e., Supervisory Board, and members based on mutual understanding of set objectives.
7. A company shall define and adopt rules and procedures in its bylaws for resolution of possible conflicts of interests between members and the company.

Principle 3:

A company that is not a public joint stock company shall define in its bylaws the reasons, procedure for and consequences of the withdrawal of a member from the company.

Recommendations:

1. Members of a company may be restricted in certain situations and/or companies regarding the options for selling their stakes. Such restrictions may sometimes be laid down by members themselves. In such a situation, the lack of liquidity in transactions with stakes puts members in a position to face considerable investment risk.

2. A company shall prescribe in its bylaws valid reasons for withdrawal by a member from the company, and regulate in detail the procedure for withdrawal, the method for determining compensation for the member withdrawing from a company, and resources out of which that payment is to be made.
3. A company shall ensure that at all times it has sufficient funds for the payment of the compensation to a member who is withdrawing from the company. For that purpose the company may set up special reserves.
4. Efficient regulation of the strategy for withdrawing from a company through corporate governance rules constitutes a way to decrease the investment risk for the members and potential members. A company's members should be given assurances that in the case of their withdrawal their interests will be respected and exercised in accordance with the law and bylaws.
5. Additional regulation of withdrawal of members from a company increases the likelihood of investors more easily deciding on investment into such a company, while the existing members will feel more comfortable in their role of long-term partners, and as such they will be a source of continuous support to the company.

Principle 4:

The members of a company shall, as a rule, exercise their right to take decisions, obtain information, and define the objectives of the company, in regular (annual) General Meetings, under predetermined rules prescribed in advance.

Recommendations:

1. Regular General Meetings, convened once a year, constitute a mechanism for verifying activities and performance in the previous year, as well as a place where future business plans of the company are discussed.
2. In regular (annual) General Meetings, members obtain the most important information about the operations of the company, take part in the debate, ask questions and take decisions, thus actively participating and performing their role and defined responsibilities. The Board of Directors, i.e., the Supervisory Board shall ensure that the agenda of a regular (annual) General Meeting includes issues discusses at such session in accordance with the law.
3. In addition to regular General Meetings, a company can also convene extraordinary meetings whenever there are reasons and a need to decide on the issues falling in the purview of the General Meeting.
4. A company with large membership should, while a joint stock company is obligated to pass the Rules of Procedure for General Meetings, which will more specifically define the manner of deliberations and decision-making in General Meetings. The recommendation is to integrate all the rules related to the work of this body in this document.

BOARD OF DIRECTORS AND SUPERVISORY BOARD[1]

Principle 5:

Each company shall have an efficient Board of Directors (in a one-tier governance system), i.e., Supervisory Board (in a two-tier governance system), which has a collective responsibility for long-term success of the company, including oversight and definition of the company's business strategy.

Recommendations:

1. In the initial phases after the establishment of a company, persons who are members and directors at the same time will often hesitate to appoint as member of the Board of Directors, i.e., Supervisory Board, persons who are not members, or who are not closely linked to them. For that reason, the Board of Directors may lack experience and expertise in many key strategic areas, such as marketing, finances, human resource management, international trade, etc, which can adversely impact on further operation of the company. Such companies are recommended to set up an advisory committee. An advisory committee is just an interim stage, and it should be replaced by the appointment of non-executive directors to the Board of Directors, i.e., Supervisory Board, at the next stage of the company's development.

   ✓ An advisory committee is recommended especially to family-owned businesses, as well as to all those companies where there is no clear personal division between company members, members of the Board of Directors, i.e., Supervisory Board, and members of the executive management. Similarly, an advisory committee is also recommended to the companies which have accepted a one-tier governance system, with functions of the Board of Directors being performed by one or two directors.

2. Members of the Board of Directors, i.e., Supervisory Board, shall take business decisions in the interest of the company, based on independent and objective judgment. Bringing independent members onto the Board of Directors, i.e., Supervisory Board, can have a beneficial effect on focusing the Board of Directors, i.e., Supervisory Board, on the interest of the company.
3. Members of the Board of Directors, i.e., Supervisory Board, shall elect Chairman from among their ranks. The Chairman of the Board of Directors, i.e., Supervisory Board, should be a person with organizational and leadership skills, impeccable professional reputation and personal integrity, and should enjoy the trust of company members and other members of the Board of Directors, i.e., Supervisory Board. He shall take all the necessary measures aimed at: building a relationship of trust among members of the Board of Directors, i.e., Supervisory Board, preventing and resolving possible conflicts between members of the Board of Directors, i.e., Supervisory Board, inspiring open discussion and constructive criticism of draft decisions, promoting efficient interaction with the executive management, supervisory bodies in the company and representatives of employees.
4. The Board of Directors, i.e., Supervisory Board, shall supervise and evaluate the performance of executive directors.

[1] The principles and recommendations that refer to the Board of Directors shall apply accordingly to the CEO as an independent management body, except in the case when the rules refer exclusively to the collegiate management body.

5. The Board of Directors, i.e., Supervisory Board, shall strive to ensure the profitable operation of the company, while observing the interests of its members, investors, employees, creditors, customers, other stakeholders, and public interests.
6. The Board of Directors, i.e., Supervisory Board, shall treat in an equitable and fair manner all the members of the company, regardless of the size of their equity stake and rights pertaining to them, and regardless of which member had a decisive influence on their appointment.
7. The Board of Directors, i.e., Supervisory Board, in its governance of the development and business strategy of the company, shall determine the level and types of risks which the company is ready to take in the accomplishment of its objectives.

Principle 6:

The size and composition of the Board of Directors, i.e., Supervisory Board, shall correspond to the size of the company and activities pursued by it.

Recommendations:

1. Company bylaws shall define the number of the members of the Board of Directors, i.e., Supervisory Board.
2. The number of the members of the Board of Directors, i.e., Supervisory Board, shall be uneven.
3. In determining the number of the members of the Board of Directors, i.e., Supervisory Board, special account should be taken of the need to quickly and efficiently take decisions, as well as the need to bring onto the Board of Directors, i.e., Supervisory Board, persons with different professional and personal experiences, and knowledge from various fields of relevance to the governance and corporate management of a business company. Companies with a larger number of members or more ramified activities will, as a rule, have the Board of Directors, i.e., Supervisory Board, with a higher number of members. For sole proprietorships, whose activities are not ramified, one director and possibly one deputy will suffice in most of the cases.
4. Every company shall specify in its general act the requirements for the election of the members of the Board of Directors, i.e., Supervisory Board, particularly bearing in mind the nature of the activity performed by the company, and objectives which the company wants to achieve. These requirements can be general, if they apply to all the members, and specific, if they only apply to certain members of the Board of Directors, i.e., Supervisory Board.
5. At the beginning of his/her term in office, each member of the Board of Directors, i.e., Supervisory Board, must meet the requirements for appointment prescribed by the law and general acts of the company. If during his/her term in office, a member of the Board of Directors, i.e., Supervisory Board, has ceased to meet the requirements for appointment, he/she shall promptly inform the Board of Directors, i.e., Supervisory Board, to that effect, who will then inform the General Meeting of this fact.
6. The appointment of a person as member of the Board of Directors, i.e., Supervisory Board, shall be based on objective criteria.

- ✓ When putting forward proposals for members of the Board of Directors, i.e., Supervisory Board, one shall ensure that every director has enough time to devote to the performance of his/her tasks.
- ✓ A nomination of a particular candidate for appointment as a member of the Board of Directors, i.e., Supervisory Board, shall be supported by biographical and all other information which may be of relevance to company members when deciding on his/her election (professional qualifications and experience, assessment of a candidate following an interview with him/her, tasks performed by him/her at that point, positions that he/she holds, information on his/her previous work experience, information necessary to assess his/her independence, possible references, data on sentences for prior offences which make him/her unworthy of the office of a member of the Board of Directors, i.e., Supervisory Board, etc.). If the same person is nominated for reelection as a member of the Board of Directors, i.e., Supervisory Board, then a report shall also be submitted on the evaluation of his/her work in the Board of Directors, i.e., Supervisory Board, up to that point. The Board of Directors, i.e., Supervisory Board prescribes the criteria for assessing the performance of its members and the reporting procedure.

7. At any given point during its term, the Board of Directors, i.e., Supervisory Board, shall consist of members who, as a whole, have the necessary expertise, capacities and professional experiences required for successful performance of tasks falling within its purview.
8. A company shall pay special attention to fixing the length of the term of members of the Board of Directors, i.e., Supervisory Board. In that respect, a balance should be struck between a term of indefinite duration, when permitted by the law, which enables directors to focus on long-term interests of the company, and a term for a specific period of time, which accommodates the need for periodical changes of board members and faster achievement of good results.
9. At the initial stages of the development of sole proprietorships (possibly also companies with a small number of members) the only member in most of the cases performs the functions of both the Chairman of the Board of Directors, i.e., Supervisory Board, and that of the Chief Executive Officer (CEO), which has proven itself to be an economically justified arrangement. Nevertheless, such person should take account of the fact that legal status of the Chairman of the Board of Directors, i.e., Supervisory Board, is different from that of the Chief Executive Officer.
10. In companies where executive directors are at the same time also members of the company, the issue of planning for succession is particularly important. Members of the company need to decide whether the final objective is the transfer of the company to younger members of the family, or exit from business operations through sale or going public, i.e., quotation on a multilateral trading platform, in which case the professionalization of the Board of Directors, i.e., Supervisory Board, is necessary.

Principle 7:

The Board of Directors, i.e., Supervisory Board shall hold meetings with sufficient frequency to be able to discharge its duties efficiently.

Recommendations:

1. The Board of Directors, i.e., Supervisory Board, shall enact Rules of Procedure, which will more specifically regulate the work of the Board, thus supplementing and specifying the rules laid down by the legal framework and this Code, unless this has already been done in the memorandum of association or the company charter.
2. The number of meetings that the Board of Directors, i.e., Supervisory Board, is to hold in a business year shall depend on the needs of a specific company. A small number of meetings, as a rule, results in inadequate discharge of duties by the Board of Directors, i.e., Supervisory Board, while a large number of meetings creates excessive costs and leads to micro-management and interference with the competences of other bodies.
3. The date of a meeting of the Board of Directors, i.e., Supervisory Board, shall be fixed in advance, as precisely as possible. The practice of subsequently changing the scheduled date for the meeting, or failure to set a specific date for a meeting with enough prior notice results, as a rule, in an increased number of absent non-executive directors.
4. A letter of invitation to a meeting of the Board of Directors, i.e., Supervisory Board, shall be sent to each member within time limits prescribed by the law, memorandum of association, company charter or Rules of Procedure of the Board of Directors, i.e., Supervisory Board.
5. The Chairman of the Board of Directors, i.e., Supervisory Board, shall ensure that meetings are scheduled whenever there is a need for them.
6. The Board of Directors, i.e., Supervisory Board, shall submit a report to the General Meeting on the number of meetings of the Board of Directors, i.e., Supervisory Board, which were held, and a report on the attendance by each member of the Board of Directors, i.e., Supervisory Board, at the meetings of this body. In case a member attended less than a half of the meetings of the Board of Directors, i.e., Supervisory Board, in one business year, this information should be particularly highlighted.

Principle 8:

Members of the Board of Directors, i.e., Supervisory Board, shall be adequately informed before taking decisions falling within their competence.

Recommendations:

1. Each member of the Board of Directors, i.e., Supervisory Board, shall be entitled to accurate, full, timely and clear information necessary for performing his/her tasks.
2. The Chairman of the Board of Directors, i.e., Supervisory Board, shall be responsible for informing the members.
3. A letter of invitation to a meeting of the Board of Directors, i.e., Supervisory Board, shall contain the date, time and place of the meeting, as well as the proposed agenda, broken down into items, with indications of which items will be only debated, and on which items decisions will be taken.

4. With a letter of invitation to a meeting, all the materials necessary to participate in the debate and take decisions on every item of the agenda shall be sent to each member of the Board of Directors, i.e., Supervisory Board (e.g. draft decisions, reports, contracts, etc.).
5. The Board of Directors, i.e., Supervisory Board, shall use information technologies for delivery of the materials for meetings and for convening meetings (for example, delivery by e-mail), unless a member of the Board of Directors, i.e., Supervisory Board, insists that the letter of invitation with the materials be delivered to him/her in a different way. Each member of the Board of Directors, i.e., Supervisory Board, shall be offered the same options for delivery.
6. Executive Directors of the Company shall be under an obligation to provide the Board of Directors, i.e., Supervisory Board, with all the information of relevance for decision-making and discussion about items on the agenda. If necessary, the Board of Directors, i.e., Supervisory Board may request clarifications or additional information from executive directors.
7. A company may set aside earmarked funds in order to enable the Board of Directors, i.e., Supervisory Board, to use professional advice of independent experts, in conformity with previously established rules by the Board of Directors, i.e., Supervisory Board, whenever that is necessary for successful discharge of duties. These rules could regulate the manner in which these funds would be used, the maximum fee, restrictions regarding the type of professional advice, etc.
8. Members of the Board of Directors, i.e., Supervisory Board shall not use the information that came to their knowledge in this capacity for any other purpose than the performance of tasks of the Board of Directors, i.e., Supervisory Board.

Principle 9:

The type, amount and structure of the remuneration to members of the Board of Directors, i.e., Supervisory Board, as well as to other executive directors, shall be sufficient to attract and retain members of the Board of Directors, i.e., Supervisory Board, and executive directors, who the company needs for the successful conduct of business, as well as to stimulate them to work in the interest of the company.

Recommendations:

1. Remuneration for executive directors shall comprise fixed (base salary) and variable (performance-related) parts.
2. Remuneration for non-executive directors shall be fixed, and the amount shall depend on the tasks performed by that person.
3. In setting the level of remuneration for non-executive directors, companies should bear in mind that high remuneration can undermine independence in certain cases, while low remuneration implies the absence of economic incentives.
4. Variable remuneration should depend on the fulfillment of the performance criteria. Performance criteria should be determined in advance, measurable and promote long-term sustainability of the company, with their fulfillment meaning generation of value for the company and its members. In addition to financial performance criteria (e.g., annual income, profit, earnings per share, etc.), the so-called non-financial performance criteria should also be integrated into variable remuneration (e.g., individual performance criteria, consumer satisfaction,

introduction of an environmental protection system, etc.), particularly if they are aimed at generating long-term value for the company.

5. The variable part of remuneration should enable the establishment of the link between interests of the executive directors and long-term interests of the company and its members.

6. Companies shall set limits on variable components of remuneration.

7. Companies should link a considerable part of the variable component of remuneration to sustained positive results of the company over a period of several successive years (e.g., three to five years).

8. In setting the type, amount and structure of remuneration for members of the Board of Directors, i.e., Supervisory Board, and executive directors, special account shall be taken of the criteria related to: the personality of the directors (specific education, experience, qualifications, age, previous remuneration in that or some other companies, etc.), position of the director in the company (rights and duties, the hierarchical position of directors in the company or in related companies, the total number of members of the Board of Directors, i.e., Supervisory Board, and executive directors, the duration of the term in office, etc.), performance of directors (individual performance, the performance of the body, evaluation of the previous work, contribution to success or responsibility for failure of the company, time invested in the performance of tasks, etc.), the company (the size of the company, the company's profitability, the complexity of its operations, remuneration policy in the company, business opportunities of the company, the industry to which the company belongs, the link between remuneration and long-term interests of the company, the manner and time of the issuance of the decision on remuneration to a director, the track record of dividend payments in the company, the average amount of remuneration paid to member directors in the previous years, business opportunities and prospects of the company, etc.), and overall market conditions (overall economic circumstances in the country, economic circumstances in a particular industry, the usual remuneration in similar companies for the performance of similar tasks, living conditions in a particular community, etc.). Bearing in mind all the mentioned criteria, remuneration should be appropriate.

9. If, after setting remuneration for members of the Board of Directors, i.e., Supervisory Board, and executive directors, the position of the company significantly deteriorates in such a manner that further payment of the remuneration would be obviously unfair to the company, the competent body should lower the previously set remuneration to an appropriate level.

10. The contracts with executive directors, shall incorporate a provision which entitles the company to request refunds of bonuses and other cash incentives, which they received in a period of one year after the publication of the data which subsequently turned out to be apparently inaccurate, as well as any other earnings they made in the same period from the sale of shares, i.e., stakes.

11. Executive directors should undertake contractually not to dispose of shares, i.e., stakes that he/she received from the company as remuneration for at least three years. The right to freely dispose of shares or stakes obtained as remuneration shall be made conditional on previously established and measurable performance criteria. After acquiring the right to disposal the executive directors shall keep part

of the shares, i.e., stakes, until the end of their term in office, with the total number of shares, i.e., the size of the stake that is to be kept, being fixed..

12. When negotiating golden parachutes (remuneration in case of early termination of the contractual relationship), a provision should be included pursuant to which payments of golden parachutes shall not be made if the reason for early termination of the contractual relationship was inadequate performance of a member of the Board of Directors, i.e., Supervisory Board, and an executive director. Similarly, it is recommended to contract the payment of golden parachutes in installments.
13. The level of remuneration for early termination of the contractual relationship shall be such as to promote the performance of actions in the interest of the company, while at the same time it shall be economically reasonable. When negotiating golden parachutes, one should always bear in mind the fact that the reason for payment is not work, but the termination of the prior contractual relationship, as well as the fact that the high remuneration is there to compensate the loss of job or termination of engagement. The recommendation is to limit the level of golden parachutes, namely in one of the following ways: by prescribing a maximum amount of the remuneration, or by linking it to a set number of annual amounts of remuneration. In any event, remuneration for early termination of the contract shall not be higher than annual non-variable component of the remuneration.
14. If a company has decided to hire external associates for remuneration, it is necessary to evaluate and assess constantly the independence and competence of these persons, in order to ensure neutrality, quality and objectivity of their recommendations.
15. A company should bear in mind the fact that the broadening of the business cooperation with a external associate outside the subject-matter of remuneration can have a negative impact on his/her impartiality and objectivity.

Principle 10:

Each member of the Board of Directors, i.e., Supervisory Board, upon their appointment should be introduced to the operations of the company. During their term in office, members of the Board of Directors, i.e., Supervisory Board, shall constantly upgrade their abilities and knowledge.

Recommendations:

1. A company shall ensure appropriate introduction to the operations of the company for newly appointed members of the Board of Directors, i.e., Supervisory Board, aimed at enabling their quickest possible active involvement in the work of the Board of Directors, i.e., Supervisory Board. This obligation includes provision of background information about the company, management of the company, business strategy, business plan, objectives, etc. The formality and strictness of the induction program should correspond to the size and complexity of the company.
2. The Chairman of the Board of Directors, i.e., Supervisory Board, shall ensure that members of the Board of Directors, i.e., Supervisory Board, constantly upgrade their abilities and skills necessary for successful performance of the tasks of the Board of Directors, i.e., Supervisory Board. To that effect, the Chairman of the Board of Directors, i.e., Supervisory Board, may organize a special program for advancement of the members of the Board of Directors, i.e., Supervisory Board. In addition to general legal and economic issues of relevance to management of the

company (such as basic principles underlying the functioning of a market economy, financial statements of the company, the purview and responsibilities of members of the Board of Directors, etc.), the program could also cover special issues which are specific to the business activities of the company. The Chairman of the Board of Directors, i.e., Supervisory Board, should at least annually define all the issues in relation to which the members of the Board of Directors, i.e., Supervisory Board, need additional training during their term in office, and to organize the conduct of such training. The company shall secure separate resources for the mentioned advancement programs.

Principle 11:

Active dialogue shall be established in the company between the Board of Directors, i.e., Supervisory Board, and its members, which shall be based on common understanding of objectives for which the company should strive.

Recommendations:

1. The Board of Directors, i.e., Supervisory Board, shall always bear in mind the opinion and views of the members, in the manner which is the most practicable and efficient for the company.
2. In companies with a smaller number of members, the Chairman of the Board of Directors, i.e., Supervisory Board, is particularly responsible for communication between members of the company and the Board of Directors, i.e., Supervisory Board. He/she should organize a meeting with the members of the company at least once a year (the so-called annual meeting). The issues discussed in these meetings shall include in particular the issues of business strategy of the company, and promotion of corporate governance.
3. For the purpose of also maintaining constant communication with company members outside annual meetings, the Chairman of the Board of Directors, i.e., Supervisory Board, can designate a person whose duty would be to disseminate the information about the views of the members, their questions, proposals, as well as to provide answers, i.e., requested information. That person should ensure that all members of the Board of Directors, i.e., Supervisory Board, are informed of the views expressed by the company members in a timely fashion. The name of that person, as well as his/her contact information (phone, address), the company should post on its website and/or in some other manner make available to all its members. In case the company has not designated a person whose task would be to maintain permanent contact with members, that task shall be performed by the head of non-executive members of the Board of Directors, and if the company does not have the head of non-executive members, then the Chairman of the Board of Directors shall be tasked with it.

INTERNAL OVERSIGHT

Principle 12:

The company shall define key objectives and a strategy according to which they will be accomplished.

Recommendations:

1. The company shall define its business strategy, which will identify its objectives and determined methods and pace for their accomplishment. In such a manner, the company is enabled to measure and assess, periodically or whenever there is a need, the successfulness of its attained level of development, and possibilities for continuation of successful business operations.
   - ✓ The criteria set by the strategy enable the measurement of the company's success in the implementation of the strategy, as well as the supervision of its implementation.
2. The strategy of the company should be defined at its establishment, and definitely at the early stage of its development.
3. The strategy should be rendered in writing, and be available and clear, providing the stakeholders with a basis for understanding key objectives, identified methods for their accomplishment, as well as for understanding their own role in that process.
4. Business activities should be connected and based on the strategy of the company, and their successfulness measured and assessed in relation to the degree of their contribution to the implementation of the strategy.
5. The Board of Directors, i.e., Supervisory Board, should regularly, and definitely once a year, assess the position of the company relative to the set strategic objectives, the adequacy of the existing structure and the need for its adjustment, in order to secure stability, successfulness and sustainability of the company's operations in the long run.

Principle 13:

A company shall establish internal oversight forms which are commensurate with its size, activities, the complexity of the processes, the stage of the company's development, and expectations of stakeholders.

Recommendations:

1. The size of the company, its activity, the complexity of the processes and the attained degree of maturity in the development of the company, shall determine the forms of oversight, intensity, frequency and time of their implementation. It is necessary for the company to realize its liabilities and needs, on the basis of which it would determine the establishment of relevant forms of internal oversight.
2. Internal controls are an elementary form of oversight which every company should establish, irrespective of its size and other factors.
3. Establishment of higher forms of oversight such as risk management and compliance is advisable for all companies, while the manner and intensity of their implementation, and the degree of professionalization in the pursuance of these functions, will depend on the size and maturity of the company. Even when, at a certain point, it has considered and assessed that it has no need for the introduction of higher forms of oversight, it is important that the company maintains and strives for the development of an internal control system that will facilitate the implementation of the higher forms when the need arises. Otherwise, there is a serious danger that immature, inappropriate and disconnected controls could become the cause of a rapid collapse due to the company's inability to follow its own growth and respond to risks in the rapid growth environment.

4. When opting for appropriate forms of internal oversight and the intensity with which they will be implemented, the company should analyze not only its current but also its future business needs, strategies and expectations of its key stakeholders. The establishment of oversight should not be done just for the sake of form which will not contribute as such to a higher overall efficiency of the company. Well designed and implemented controls should be integrated in business processes so as to contribute to business stability, risk mitigation and provide assurance to the management regarding the achievement of the objectives and plans of the company.

DISCLOSURE

Principle 14:

Good corporate governance practice requires reliable and full information by the company through the disclosure of relevant information, thus securing transparency of business operations.

Recommendations:

1. Good corporate governance practice shall ensure that all material facts related to the company are disclosed in a timely fashion and accurately, including the financial situation, business results, ownership and governance of the company.
2. Timely and accurate disclosure of information related to relevant aspects of business operations enables members of the company and other stakeholders to obtain a comprehensive picture of the company's operations.
3. By increasing the transparency, corporate reputation can be built in line with the expectations of the community, while taking care that disclosure of selected information does truly contribute to transparency.

CHAPTER II

ADDITIONAL PRINCIPLES AND RECOMMENDATIONS FOR MAJOR CORPORATIONS AND PUBLIC JOINT STOCK COMPANIES

MEMBERS AND GENERAL MEETING OF THE MEMBERS

Principle 15:

A company shall encourage its members to participate in the deliberations of the company's General Meetings.

Recommendations:

1. It is in the interest of the company to have as many members participating in the deliberations of General Meetings as possible.
2. The company shall encourage members to exercise their rights in the company, and particularly to attend company meetings. This provision refers primarily to the application of rules on: convening of meetings, agenda, time for convening

meetings, time and venue of meetings, requirements regarding the participation in the deliberations of General Meetings, the exercise of voting rights, discussion in meetings, the right to information, etc.

3. The company shall visibly post explanations regarding the rights of members and the manner of their exercise on its web page, or make them available to members in some other manner (e.g., to put it on the company's notice board or to make them available to members in a sufficient number of free copies on the premises of the company, etc.).
4. Members shall be furnished in advance with full and timely information on the date, time, venue and agenda of General Meetings, as well as on issues that will be decided upon.
5. The venue of General Meetings shall be such as to enable the broadest attendance of members and with sufficient prior notice to members so that they have time to get acquainted with items on the agenda and form a position on the way they will vote on particular issues and to obtain additional information if necessary.
6. The material which is sent or made available to members shall contain full information and rationale for draft decisions, as well as supporting documents.
7. The Rules on Convening and Holding General Meetings can also prescribe a special procedure for voting in absentia (written vote) or an electronic General Meeting, in order for the members who cannot be physically present to be able to exercise their right and participate and vote in General Meetings.
8. For communicating with members all companies shall also use their web page, via which members can be informed of the time and venue of General Meetings, the contents and rationale of draft decisions, rules and form of voting in absentia, and rules on giving proxies.
9. All companies shall and public joint stock companies must post on its web page the decisions adopted by General Meetings, with the results of vote on each individual issue or to send each member this information at their written request.

BOARD OF DIRECTORS AND SUPERVISORY BOARD

Principle 16:

Companies shall establish a clear delineation of powers between the Chairman of the Board of Directors and the CEO. No individual shall have unlimited decision-making powers in the company.

Recommendations:

1. In larger companies with one-tier governance system the Chairman of the Board of Directors and the CEO shall be different persons.
2. When the Chairman of the Board of Directors and the CEO are different persons, they shall cooperate and regularly communicate, especially on the issues of the business strategy, business plan, and all other issues relevant to the management of the company.
3. The Board of Directors shall delineate the responsibilities of the Chairman of the Board of Directors and the CEO by a special act. This act shall be periodically

reviewed and updated, in order to ensure that everyone understands their role in the company and there is no overlap of competences.

4. The best practice requires that the company have an independent Chairman of the Board of Directors.

Principle 17:

The Board of Directors, i.e., Supervisory Board, shall periodically evaluate its own performance and the performance of each individual member.

Recommendations:

1. The formality and strictness of the procedure for evaluating the work of the Board of Directors, i.e., Supervisory Board, to a large extent depends on the size and complexity of the company. With the increase in the complexity and the volume of its activity, companies should introduce more rigorous and stricter procedures for assessing the work of the Board of Directors, i.e., Supervisory Board.
2. The Chairman of the Board of Directors, i.e., Supervisory Board, shall organize the procedure for assessing his/her on work, the work of the Board of Directors, i.e., Supervisory Board, as a whole, as well as of each member of the Board of Directors, i.e., Supervisory Board.
3. It is recommended for larger companies to have outside experts making an assessment of the work.
4. The evaluation should be specially focused on the following questions: has an appropriate division of powers (responsibilities) been made in the Board of Directors, i.e., Supervisory Board; are the decisions of executive directors controlled and reviewed to a sufficient extent; has balance been established on the Board of Directors, i.e., Supervisory Board, between competence and independence; can personal factors prevent individual members of the Board of Directors, i.e., Supervisory Board, from honoring their obligations in an objective and independent manner; do members of the Board of Directors, i.e., Supervisory Board, devote enough time to the honoring of their obligations; do members of the Board of Directors, i.e., Supervisory Board, have an adequate access to information; does the Board of Directors, i.e., Supervisory Board, cooperated sufficiently with members of the company and other stakeholders?
5. The Board of Directors, i.e., Supervisory Board, shall be responsible for evaluations of the work of the CEO, and, if need be, of other executive directors as well.
6. The recommendation is for the Board of Directors, i.e., Supervisory Board, to submit a report on the performed evaluation at least annually to the General Meeting of the company. The report should specifically list all the criteria that were used and the manner in which they were interpreted for the purpose of evaluation.

Principle 18:

The Board of Directors, i.e., Supervisory Board, shall have a considerable number of independent members. The decisions of the Board of Directors, i.e., Supervisory Board, should not be taken under the dominant influence of one person or a group of persons.

Recommendations:

1. The relationship between executive and non-executive members, and especially independent members, shall be such so as to prevent any individual or a group to dominate the decision-making on the Board of Directors, i.e., Supervisory Board.
2. The growth of the company should lead to a higher share of independent directors in percent. Every company, depending on its needs, shall establish the number of non-executive and independent members on its board. For the largest companies, a Board of Directors, i.e., Supervisory Board which has a majority of independent members is considered to be the best corporate governance practice nowadays.
3. Companies shall bear in mind that there are numerous restrictions on the efficiency of independent members of the Board of Directors, i.e., Supervisory Board, including, in particular, the following: their busy schedules, lack of competence, lack of information, absence of adequate incentives for working in the interest of the company, a fluid concept of independence, direct and indirect influence of executive directors and heightened responsibility. Therefore, each company should endeavor to minimize these restrictions, in order for the participation of independent directors to yield better results.
4. Each company is expected to previously approximately determine how much time an independent member will need for the successful performance of his/her tasks. In that respect, it is necessary to make a difference between those independent members who act only in that capacity and those who are at the same time the Chairmen of the Board of Directors, i.e., Supervisory Board, heads of non-executive members or members of the committees of the Board of Directors, i.e., Supervisory Board.
5. The nomination of a particular candidate for an independent member of the Board of Directors, i.e., Supervisory Board, should also specify all the jobs carried out by that person at that point and offices held by him/her.
6. Before his/her election as member of the Board of Directors, i.e., Supervisory Board, the candidate shall sign a statement confirming that, having in mind his/her other professional duties, he/she has enough free time for the accomplishment of the tasks he/she is expected to carry out.
7. The Board of Directors may appoint one independent member as head of non-executive members. The head of non-executive members shall at least once a year organize a meeting of non-executive members. The objective of such meeting should be an analysis and improvement of cooperation between non-executive and executive members of the Board of Directors, as well as the implementation of the activities which the law places within their competence. If the company does not have the head of non-executive members, then the Chairman of the Board of Directors, if he/she has established that there is such a need, may organize a meeting only with non-executive members.
8. Non-executive and independent members of the Board of Directors, i.e., Supervisory Board, shall bear the primary responsibility for the establishment of individual remuneration for executive directors. Likewise, they should play the key role in putting forward proposals for executive directors and their dismissal, as well as in decision-making on the setting up of committees and putting forward proposals for their members.

Principle 19:

The Board of Directors, i.e., Supervisory Board, shall set up expert committees with a view to increasing efficiency, and solving complex problems falling within its purview, particularly in the fields where there is a high potential for conflict of interests of the members of the Board of Directors, i.e., Supervisory Board, and the company.

Recommendations:

1. The number, type and composition of expert committees of the Board of Directors, i.e., Supervisory Board, depend on the needs of the company. A major company will, as a rule, have three committees: an Appointment Committee, a Remuneration Committee and an Audit Committee, and if special circumstances so warrant, the Board of Directors, i.e., Supervisory Board, can set up other committees as well (e.g., a Strategic Planning Committee, a Committee for Corporate Governance Development, an Internal Dispute Resolution Committee, etc.).
2. In deciding on whether they shall set up committees, and on their number, the Board of Directors, i.e., Supervisory Board, shall also take into account a potentially negative impact which an unduly high number of committees could have on the efficiency of the work of the Board of Directors, i.e., Supervisory Board, as well as on the company itself. The recommendation is to introduce committees gradually, namely starting from the fields identified as the most critical.
3. In companies which have Boards of Directors, i.e., Supervisory Boards with a small number of members, the tasks of the committees can be performed by the Board of Directors, i.e., Supervisory Board, as a whole, provided that all other requirements have been met with respect to the composition of the committees.
4. The Board of Directors, i.e., Supervisory Board, shall adopt separate rules for each committee. The rules should regulate the following issues, *inter alia*: objectives, tasks and responsibilities of the committee and its members, the composition, number and term of the members, necessary qualifications and expertise, the procedure and reasons for dismissal of a member, the way in which the committee will work, as well as methods for reporting to the Board of Directors, i.e., Supervisory Board. Rules on the Work of the Committees should be periodically reviewed by the Board of Directors, i.e., Supervisory Board.
5. All members of the committees should be non-executive members of the Board of Directors or members of the Supervisory Board. If that is in the interest of the company, it is acceptable for the majority of the members of each committee to be non-executive members of the Board of Directors or members of the Supervisory Board, with other members being external experts in relevant fields. The members of committees should not be executive directors.
6. It is desirable for the majority of the members of each committee to be independent members of the Board of Directors, i.e., Supervisory Board, and in case a committee comprises a small number of members (e.g., three) they all have to meet the requirements for independence. In any case, at least one member of the each committee should meet the requirements of independence.
7. The Chairman of the each committee should be elected from among independent members of the Board of Directors, i.e., Supervisory Board, with this person not

being the Chairman of the Board of Directors, i.e., Supervisory Board, at the same time. In any event, the Chairman of the each committee must not be an executive a member of the Board of Directors.

8. It is recommended that the number of committee members should not exceed five.
9. Members of the committees must have relevant professional expertise and personal qualities, which should ensure the quality, impartiality and independence in their work. It is justified to prescribe stricter requirements for the Chairman of a committee.
10. The duration of the term of the committee members shall be set by the Board of Directors, i.e., Supervisory Board, in the Rules on the Work of the Committee, while members of the committee should not be elected for a period longer than the term in office of the members of the Board of Directors, i.e., Supervisory Board.
11. The company shall allocate enough resources to each committee to enable it to perform its tasks successfully.
12. The company shall put its bodies and employees under an obligation to submit at the request of the committees all requested information in a short period of time, which is of relevance for the successful accomplishment of their tasks. Similarly, the company should prescribe which information and data are automatically sent to each of the committees.
13. For the purpose of successful performance of its tasks, each committee should be allowed to hire experts for consideration of more complex matters within their competence, and the company should bear all the costs.
14. Members of each of the committees shall be entitled to fixed compensation for their work.
15. The company shall organize two levels of reporting on the work of each committee: reporting to the Board of Directors, i.e., Supervisory Board, by each committee and reporting to the General Meeting of the company by the Board of Directors, i.e., Supervisory Board.

Principle 20:

The Board of Directors, i.e., Supervisory Board should appoint a Company Secretary.

Recommendations:

1. Company Secretary should be a person permanently employed with the company and exclusively committed to the performance of his/her duties.
2. Companies shall prohibit the Company Secretary from simultaneously performing other functions in the company or in other legal entities (for example, being a member of specialized committees). In smaller companies, the secretarial duties may be performed by a legal counsel or a person in a similar position.
3. Company Secretary shall be independent in his/her work. Companies should protect the Secretary from undue influence of managing bodies and other persons in the company.
4. Large companies may set up a Company Secretariat in which other persons would work along with the Company Secretary as his/her assistants. Hiring several

assistants may be useful to companies with a large number of shareholders, large Boards of Directors, i.e., Supervisory Boards, and/or numerous committees.

5. Company bylaws should regulate in detail the competences of the Company Secretary and stipulate the duties of all bodies and persons in the company to assist the Secretary in the performance of his/her duties.
6. Company Secretary should advise the Board of Directors, i.e., Supervisory Board, on all issues in the field of corporate governance. In this regard, each member of the Board of Directors, i.e., Supervisory Board, should be allowed to use the services of the Company Secretary.

INTERNAL OVERSIGHT

Principle 21:

The company shall establish efficient risk management process.

Recommendations:

1. Company objectives should be defined as clearly as possible upon its establishment or at the start of its business operations in order to serve as the criteria for measuring and assessing the achieved operating results of the company in each phase of its development.
2. Simultaneously with setting the objectives, the Board of Directors, i.e., Supervisory Board should also identify key risks under whose impact it will operate and pursue the set objectives.
   - ✓ In order to cover and consistently monitor all significant risks to which the operation of the company is exposed, these risks should be systematized by type. By systematizing the key risks to which its operation is exposed, the company will prevent omitting or unduly controlling a significant risk while inefficiently engaging resources for managing another less significant risks.
3. Along with each key objective, the Board of Directors, i.e., Supervisory Board shall identify and relate to it the risks that may arise during the pursuit of that objective and endanger it.
4. It is of strategic importance to the company to define its risk appetite and determine the extent to which it may accept the risk as a price of achieving the set objectives.
   - ✓ The acceptability of a risk should be established as an answer to the question: what is the maximum loss which the company, in the accomplishment of a current objective, can take, while remaining on the path towards achievement of its strategic objectives without calling into question its own business operations.
   - ✓ The company shall endeavor to quantify its own risk appetite and thus also make current operations and results measurable, comparable and controllable, while providing assurance that current operations comply with the established degree of acceptability of a risk and its consequences, and, consequently, assurance that the objectives set forth in the strategy continue to materialize.

5. Regardless of the phase of the development, the size and complexity of operations, each company should establish and systematically maintain a registry for monitoring the most important risks to which its operations are exposed.
   - ✓ The risk registry should contain: a description of risk types having a strong impact on operations and their description, an assessment (ranking) of their impact and likelihood of emergence, consideration of possible responses by the company in the event of a high risk, and a list of measures, procedures and actions (internal controls in most of the cases, but not only that) which should be undertaken in order to reduce the risk (either the likelihood of its emergence, or the intensity of its consequences, or both these risk components at the same time).
6. The method applied to conduct the risk management process as such should be in line with identified needs of the company and should be efficient.
   - ✓ At the early stages of the company's development, the function of risk management and consolidation of this process shall be performed by the executive management, by business process of which they are in charge, in the manner identified by the company as the most efficient. At a more mature stage of development it will be necessary to introduce a separate risk management function at the level of the entire company, thus integrating this process and ensuring maximum overall efficiency for the company.
   - ✓ Risk management process shall be efficient in each stage of the company development, while its implementation costs shall be lower than the savings and improvement thus achieved by the company.
7. Risk management shall make it possible to review and assess the adequacy of business processes falling within their competences, as well as provide input information for starting a new cycle of risk management, improving controls as a response to the risks identified and enhancement of performance in those processes.

Principle 22:

The company should integrate the risk management framework and activities in this process.

Recommendations:

1. The company shall integrate the activities in the risk management process, ensuring greater overall efficiency and assurance that the risks have been mitigated and that the company continues to achieve its proclaimed goals.
2. At the same time and for the same reasons, the operation and improvement of its internal control system should be coordinated with its risk management process.

Principle 23:

A company shall put in place effective and efficient internal controls.

Recommendations:

1. The company shall put in place internal controls, as the basic form of internal oversight of the performance of key processes, activities and procedures, with a view to controlling the risks under which a specific process is taking place, lowering them if they are high and bringing them to an acceptable level.

- ✓ Irrespective of the current size and complexity of the company, internal controls, as a method of performing business activities in an efficient manner, should be put in place for each business process.
- ✓ Internal controls should be built into the business process as such, designed as logical, interlinked and balanced methods for conducting business processes.
- ✓ If a company has well developed other management systems as well, they should be taken into account when designing and implementing internal controls, in order to achieve higher overall efficiency.
- ✓ Internal controls should, on their own or in synergy with other controls, reduce the risk associated with the performance of activities or processes to which they are related.
- ✓ Internal control shall be cost-effective, in that the price of its establishment and application is always lower than the estimated loss incurred through the impact of an excessive uncontrolled risk.

2. All employees take part in implementing internal controls by performing their regular tasks. The executive management is in charge of setting up internal controls. The condition of control environment as the basis upon which all controls are built is of key importance to the efficient operation of internal controls. Creation of a sound control environment should be the objective and responsibility of the top management, which sets the "tone from the top" and manifests its commitment to the proclaimed ethical principles of the company.
3. Written records should be kept concerning the establishment of internal controls, even at the stage when they are separate and insufficiently developed, and systematic approach and clear structure should be ensured, which are requirements for development and promotion of the existing controls in a safe and less expensive way.

Principle 24:

Once established internal controls should be developed and integrated into the system by the company.

Recommendations:

1) The company shall integrate its internal controls in a system that will ensure greater efficiency of its business processes and adequate risk management. In parallel to the planning and generating of business growth, the company shall also plan and develop internal controls by linking them into a system which will constitute an adequate response to operational risks. Otherwise, the company whose growing business is not followed by adequate internal controls may be exposed to high risks, including that of inability to continue working.
    - ✓ When controls are established in isolation for individual processes, it often happens that their effect is considerably lower than expected because the effects they may have on other processes were not taken into account when they were introduced and applied.
    - ✓ The lack of connection between internal controls carries the risk of higher costs and weaker risk mitigation effects for which they were established in the first place. Only if they are integrated in an internal control system can they ensure an increase in the overall company efficiency and the assessment of their

functioning can provide assurance that the business risks have been mitigated and are within the predefined acceptable limits and that the goals and plans of the company will be achieved.

2) A more mature stage of the development of the company, the complexity of its processes, the size of the company or all these factors cumulatively, also imply the necessary development of internal controls, their integration into the system and consolidated monitoring of the operation of this system. At that stage of development, the company should consider the rationale for the need to establish a separate function which consolidates the monitoring of the functioning of the internal controls system. Regardless of the approved manner of monitoring and integrating internal controls into the system, the responsibility for their efficient functioning remains with the executive management.

Principle 25:

Once established internal control or a system of internal controls, shall be constantly, in regular cycles, tested, assessed and promoted, for the purpose of keeping the risks at the level of approved acceptability and with the lowest possible total costs.

Recommendations:

1. The operation of the established internal control or internal control system is the subject of continuous periodic monitoring and assessment. In determining the duration of the period between two assessments, factors should be taken into account such as the complexity of operations, major recent changes in all or some key segments and prior information about significant risks.

Principle 26:

The company should ensure oversight of compliance with the law and other positive regulations.

Recommendations:

1. For the purpose of protection against the consequences of non-compliance of the business operations of a company with positive regulations and its bylaws, the company shall establish oversight of compliance of its business operations, including the compliance with its corporate governance code.
   - ✓ The oversight of compliance shall be adequate to the size, complexity and business activities of the company but, at the same time, it shall take into account its growth and development plans and assess the extent to which non-compliance may compromise the achievement of not only current, operational goals, but also the stability and ongoing business operation of the company.
   - ✓ As regards the non-compliance risk, the consequences and impact on reputation and similar aspects that may be overlooked or inadequately quantified by a careless risk analysis and assessment shall be particularly taken into consideration.
2. In a more mature stage of its development, and particularly when it comes to the complexity of its business processes or when required by the nature of its business activity, the company shall consider whether the establishment of a special function for the performance of oversight of compliance of its business operations is justified.

Principle 27:

The company shall, and a public company must establish an internal audit function.

Recommendations:

1. The company shall establish an internal audit function for the purpose of providing independent, objective assurance about the adequacy of corporate governance, risk management and internal control processes of the company.
2. The company shall establish an internal audit function that can provide the management, in addition to assurance, with consulting services and objective, independent opinions in connection with numerous issues of corporate governance, risk management and internal control processes, adding value and contributing to an increase in overall efficiency and improvement of the company.
3. In order for internal audit to reach its full effect and become a source of new value for a company, it is necessary to establish this function on the principles that ensure its independent position in the company, objectivity and professionalism in the performance of its tasks, both assurances and consulting activities. The Board of Directors, i.e., Supervisory Board should appoint an internal auditor, approve his/her activities, review and assess his/her reports. The findings and information that are the subject of the internal audit report should provide assurance to the Board of Directors, i.e., Supervisory Board as to the condition of the business system and serve in decision making. The Board of Directors, i.e., Supervisory Board shall be the source and guarantor of the independence and the extent of powers given to the internal audit, ensuring that the scope of internal audit shall always be sufficient for the achievement of its objectives.
4. The internal audit of the company acts in accordance with the International Professional Practices Framework (developed and continuously improved by the Global Institute of Internal Auditors).

Principle 28:

The Board of Directors, i.e., Supervisory Board should, and if in a public joint stock company it shall, form an audit committee.

Recommendations:

1. The manner of establishment of internal oversight determines the quality of governance and management in a company and lies at the root of its ultimate success or fall. The established systems (of internal control, risk management, as well as all other governance systems) make sense only if adequately supervised. In order to place the issues of oversight in the company's focus in timely manner and as comprehensively as possible and keep them in such focus efficiently, they shall be dealt with by the audit committee, composed of competent members of the Board of Directors, i.e., Supervisory Board, at least one of whom is an independent member.
2. The competence of the audit committee shall include oversight issues such as:
   - ✓ Assurance of the functionality and efficiency of internal control – since the delegation of powers to executive management also transfers a part of responsibility, the audit committee shall get assurance that this principle of responsibility is well understood and implemented at all levels in the company as well as that the executive management has at its disposal all the tools

necessary for assuming this responsibility. The audit committee should have the information about the existence of any serious control problems;

- ✓ Assessment of the risk management process – at least once a year, the audit committee shall consider and assess the management of major risks of the company and the manner in which the key risks affect the established business model and the increase or decrease in the value creation capacity. The audit committee must have the information about specific risks concerning its development and strategy as well as any particular risks related to the business activity of the company. Risk acceptability defined by the company while developing its business strategy shall serve as the criterion for the assessment of the risk management process.
- ✓ Compliance assessment – the audit committee must obtain the information about the existence of any critical non-compliance.
- ✓ Issues of financial reporting and assessment of the adequacy of relevant accounting policies, their application and changes.
- ✓ Activities of the internal audit.
- ✓ Issues in connection with external audit engagement: the selection of external auditor for financial statement audit, setting of the fee for such engagement, consideration and assessment of the existence of the conditions that ensure independence and impartiality of the external auditor, communication with the external auditor during the engagement and other issues in connection with the work of the external auditor.

3. The Audit Committee shall report all oversight issues with which it deals to the Board of Directors/the Supervisory Board, which shall review, assess and include them in its reports and take them into account when making decisions.
4. All members of the Board of Directors, i.e. the Supervisory Board shall be aware that even when the oversight issues are assigned to the audit committee as a specialized body, the ultimate responsibility for ensuring adequate oversight remains with the Board of Directors, i.e., Supervisory Board.

PUBLICATION

Principle 29:

The company shall identify legal transaction with and legal actions towards related parties to ensure that they are concluded only if they are not detrimental to the business operation of the company and introduce approval of the competent body of the company as a condition for the validity of these legal transactions and legal actions, while the decision by which such approval is given shall contain specific minimum pre-defined elements.

Recommendations:

1. In order to identify legal transactions with related parties, the company shall first make a list of the parties related to the company. The company shall, thereafter, continuously check whether legal transactions are concluded with these parties (or with parties related to them), whether it is taking legal actions towards these parties (or parties related to them), whether a legal transaction is concluded with third parties, or whether a legal action is taken towards third parties, if the third party

has financial relations with the related parties from the list (or with the parties related to them) and if the existence of that relation may be expected to influence its behavior, as well as whether a legal transaction is concluded or a legal action is taken in which a third party has economic interest, if the third party has financial relations with the related parties from the list (or with parties related to them) and if the existence of those relations may be expected to influence its behavior.

2. The company shall ensure that the legal transactions concluded with, and the legal actions taken towards related parties are not detrimental to its business, as well as that they are concluded at arm's length (particularly in terms of price, deadlines, interest and other important conditions). To that end, the company may engage an external associate (assessor) to give his/her opinion on whether these transactions and legal actions meet the abovementioned conditions.
3. In the case of legal transactions and legal actions with related parties concluded within the group of related companies (for example, parent and subsidiary companies), both companies must take care of their own interests but also of the interests of the other company, taking into account their economic ties and the mutuality of their risks.
4. Legal transactions and legal actions with related parties must be approved by the Board of Directors, i.e., Supervisory Board or the General Meeting of the company in accordance with the law. The decision (or notice) on the approval of a legal transaction with related parties shall contain the data on: the parties to the legal transaction or legal action along with the stated nature and extent of connection, other parties (if any) benefiting from the legal transaction concluded or the legal action taken, the value of the legal transaction or legal action, the assets and services involved in such legal transaction or legal action as well as any other important conditions and provisions relating to the legal transaction or legal action.

Principle 30:

The company shall publish all its legal transactions and legal actions with related parties in a specific period.

Recommendations:

1. The company shall include in its annual report the information on legal transactions concluded with and legal actions towards related parties, which shall include at least: a list of all legal transactions with and legal actions towards related parties during the previous business year, then the conditions under which these legal transactions are concluded and/or legal actions are taken, as well as which body of the company approved them.
2. For the sake of greater transparency, companies may also publish other data on their legal transactions and legal actions with related parties, such as: the decision or copy of the minutes of the meeting of the body that approved the conclusion of specific legal transactions or legal actions with related parties, including voting results, the list of the parties meeting the conditions for any legal transactions and legal actions which the company would conclude with or take towards them to be considered transactions with related parties, and similar.

3. In addition to publishing this information in their annual report, companies may also include this information in their quarterly and semi-annual reports on business operation.

RELATIONS WITH STAKEHOLDERS

Principle 31:

In order to maintain competitiveness in its business operations and continuous adaptation to the changes in market requirements, the company shall identify and establish good relations with its key stakeholders by establishing their most important interests in their relations with the company, as well as the interests of the company itself in its relations with these stakeholders. In that sense, the company shall acknowledge and ensure the protection of the stakeholders' rights based on the law or agreement.

Recommendations:

1. Managing bodies of the company, together with relevant technical and professional services of the company, shall identify its key stakeholders as well as all other stakeholders interested in the company's business operations, as well as mutual interests.
2. The company shall adopt a policy that would define cooperation with stakeholders and, in particular, the manner of providing for the respect of the stakeholders' legitimate interests and rights based on the law or agreement, as well as the specificities of the relations with each respective group of stakeholders.
3. The company shall encourage active cooperation with stakeholders aimed at promoting the company's business operations and sustainable growth. The Board of Directors, i.e., Supervisory Board of the company shall manage the company's business operations and development, taking into account the respect and development of relations with stakeholders.
4. Publication of information may be an important instrument of the company's relations with its stakeholders. On the other hand, the company shall provide the possibility and adequate channels for the communication of stakeholders with the company, in case of violation of their rights or some other irregularities in cooperation. For these purposes, the company may assign a special organizational unit or a particular person that would be in charge of communication with the stakeholders' representatives.

Principle 32:

The company shall take care of the specificities and development of the relations with its different stakeholders, while taking into account its own needs and characteristics of its business operations as well as the particular interests and needs of each respective group of stakeholders.

Recommendations:

1. For the purpose of promoting and developing its relations with other stakeholders, the company shall make a distinction between different categories of stakeholders

and define the principles of relation promotion separately for each stakeholder category.

2. It is important to establish and apply the principles regulating the relations with stakeholders while taking into account different needs and characteristics of each company, as well as for the company to choose the rules and principles it deems relevant and efficient for the regulation of relations with particular stakeholders.
3. In building its relations with stakeholders, the company must identify different instruments that are available for promoting and developing these relations, which, by their nature, may be legal, financial, logistical or organizational.
4. Each of the stakeholder categories requires special rules, principles and instruments for the cooperation with the company.

Principle 33:

Good corporate governance practice requires corporate social responsibility of the company, establishment of specific and binding principles relating to environmental protection and ethical conduct, as well as publication of relevant information relating to all socially responsible activities that the company implements.

Recommendations:

1. Business activities of the company shall be in accordance with the economic, legal, ethical and philanthropic dimension of corporate social responsibility.
2. The Board of Directors, i.e., Supervisory Board shall define the principles of corporate social responsibility in the company bylaws in accordance with the standards and good practice in the field of corporate social responsibility.
3. The company shall publish the corporate social responsibility principles on its website to make them available to all interested parties.
4. The company shall also publish all information relating to socially responsible activities it implements, as well as the socially responsible ways in which the company behaves in its everyday operations. Through the publication of relevant information on corporate social responsibility, the company contributes to building its own reputation but also to raising awareness of the importance of this issue to the sustainable growth and development of each individual company, as well as the development of the community in which these companies operate. All information on corporate social responsibility shall be communicated by the company to the general public in the form of annual corporate social responsibility report which will summarize all socially responsible activities of the company, as well as the amount of funds spent on their implementation and the results achieved by these activities. The company shall continuously publish on its website the information on its individual socially responsible activities.

CHAPTER III

ADDITIONAL PRINCIPLES AND RECOMMENDATIONS FOR PUBLIC JOINT STOCK COMPANIES

BOARD OF DIRECTORS (SUPERVISORY BOARD AND EXECUTIVE DIRECTORS)

Principle 34:

When choosing the voting method for members of the Board of Directors, i.e., Supervisory Board, the company shall particularly take into account the limitations of cumulative voting, as well as the fact that direct voting is the rule, while cumulative voting is an exception.

Recommendations:

1. If the company opts for cumulative voting, the Board of Directors, i.e., Supervisory Board shall draw up an instruction explaining how to exercise in an optimal manner the voting right in cumulative voting. The instruction will specifically state the rights of shareholders in the event of cumulative voting, the differences from direct voting, as well as the main negative consequences of not exercising the voting right in an optimal manner. The objective of the instruction is the protection of unknowing shareholders.
2. For the purpose of protecting the voting rights of minority shareholders regarding cumulative voting, the company shall prevent through its bylaws any easy abolishment of cumulative voting, as well as the reduction of the number of members of the Board of Directors (for example, provisions on quorum or the majority necessary for decision making).

Principle 35:

The General Meeting of shareholders of the joint stock company shall perform indirect control of remuneration of members of the Board of Directors, i.e., Supervisory Board and executive directors and shall do so primarily through the remuneration policy and voting on share-based remuneration schemes.

Recommendations:

1. The policy of remuneration of members of management and any major change to it shall be separate items of the agenda at the annual General Meeting of the joint stock company, in order to provide the shareholders with a real opportunity to express their views and participate in the discussion on remuneration policy based on detailed information.
2. Consideration of the remuneration policy in the company shall be a mandatory item on the agenda of each annual meeting.
3. It is recommended that joint stock companies specify in detail by their bylaws the methods of exercising the rights of shareholders to discuss remuneration policy separately at the sessions of the General Meeting.

4. The Board of Directors, i.e., Supervisory Board is obliged to submit to the General Meeting the report on remuneration policy in the company, on which the General Meeting is obliged to vote at its annual session.
5. Prior approval of the General Meeting of the joint stock company is required for all share-based remuneration schemes.
    - ✓ The competence of the General Meeting mandatorily includes approval of three types of schemes: remuneration schemes for members of the Board of Directors, i.e., Supervisory Board and executive directors if the remuneration consists of shares, share options or other rights to acquire shares; schemes where the level of remuneration to members of the Board of Directors, i.e., Supervisory Board and executive directors depends on the movement in share prices; and other long-term incentive schemes intended for directors that are not offered under similar conditions to all other employees in the company.
    - ✓ The shareholders must be provided with the following: the full text of the share-based remuneration scheme or the description of its main terms; information on the personal domain of scheme application; description of the relation of share-based remuneration schemes to the company remuneration policy; information on how the company intends to secure the shares necessary to meet the obligations arising from remuneration schemes, with special reference to whether the company intends to buy the required shares in the market, whether it has its own shares that it will use for these purposes or whether it will issue new shares; and information on the scheme costs to the company taking into account its intended application. All this information shall be published on the company's website.
    - ✓ Any major change in the share-based remuneration scheme shall be previously approved by the General Meeting. The shareholders must be informed of the complete text of proposed changes and the proposal must be accompanied by an explanation of the consequences of proposed changes.
    - ✓ The General Meeting of the joint stock company shall set the deadline for the application of share-based remuneration scheme, within which the body competent for remuneration of directors may determine these types of remuneration to individual directors.
    - ✓ Prior approval of the General Meeting is required for the following: determination of the largest number of shares that may be given to members of the Board of Directors, i.e., Supervisory Board and executive directors by using share options; determination of the main terms under which remuneration in share options may be obtained; definition of the terms under which share options may be exercised; approval of terms for any subsequent change in the price at which the share option may be exercised; option agreement with discount, according to which the rights are granted to subscribe for shares at a price lower than their market value on the date of price determination or lower than the average market value a specific number of days before the day of determining the price at which the rights arising from the option may be exercised.
    - ✓ Approval of the General Meeting is not required for: share-based remuneration schemes in which also the employees of the company or the employees of any of its subsidiary companies participate under similar conditions; remuneration schemes in shares or options that are offered to certain individuals to

financially encourage them to conclude an employment agreement with the company; *ex post* remunerations in the context of status changes; remuneration schemes to which special tax regulations apply; schemes that are generally available to shareholders of the company; and schemes that only give the right to employees, members of the Board of Directors, i.e., Supervisory Board and executive directors and other service providers to purchase shares of the company at current market price.

6. The General Meeting of the joint stock company shall not decide on individual remuneration of executive directors in a two-tier governance system.

Principle 36:

Companies shall publish all information on remuneration to members of the Board of Directors, i.e., Supervisory Board and executive directors that is expected to be reasonably requested by investors so that they could properly evaluate their adequacy.

Recommendations:

1. Publication of remuneration to members of the Board of Directors, i.e., Supervisory Board and executive directors shall be based on the principles of truthfulness, completeness, explanation, clarity, accuracy, standardization, individualization, easy accessibility, timeliness and continuous adjustment.
2. In addition to publishing relevant information on current remuneration to members of management, publication of information on remuneration to members of the Board of Directors, i.e., Supervisory Board and executive directors in the previous several years, as well as publication of remuneration to directors in other similar (comparable) companies is also recommended, if these data are publicly available.
3. All published relevant information on remuneration shall be explained.
4. All information on remuneration shall be clear, accurate and comprehensible.
5. Companies shall publish information on remuneration in the same form, which would ensure uniformity of published information. Tabular and graphical presentation of the most important information on remuneration is recommended.
6. All remuneration must be expressed in cash equivalent as well.
7. The Board of Directors, i.e., Supervisory Board shall publish remuneration to each member of the Board of Directors, i.e., Supervisory Board and executive directors. In addition, the Board of Directors, i.e., Supervisory Board should, in line with the best practice, publish remunerations for five highest-paid directors in the company, regardless of whether they are members of some of the abovementioned bodies.
8. Companies shall publish a report on their remuneration policy. With this report, the Board of Directors, i.e., Supervisory Board informs the General Meeting of the joint stock company and, indirectly, the interested public of its principled views regarding various issues of importance to the determination of future remuneration in the company.
9. Individual remuneration to members of the Board of Directors, i.e., Supervisory Board and executive directors should, in line with the best practice, be published in aggregate amount as well as disaggregated items.

10. In addition to publishing the report on remuneration and individual remuneration to members of the Board of Directors, i.e., Supervisory Board and executive directors, it is also recommended to publish other relevant information that may be directly or indirectly linked to remuneration, such as: data relating to the Remuneration Committee (list of all members, their proposals, opinions and recommendations, changes in the factors that have an impact on the independence of a Committee member, cross-membership, and similar), information relating to the procedure of determining remuneration, the number and percentage of shares owned by each of the directors in the joint stock company, important agreements that members of the Board of Directors, i.e., Supervisory Board and executive directors concluded with the joint stock company and reasons for agreeing on variable remuneration with independent members of the Board of Directors, i.e., Supervisory Board.
11. In any case, data on remuneration shall be published periodically and continuous publication of information is recommended as best practice.
12. All information on remuneration to members of the Board of Directors, i.e., Supervisory Board and executive directors for the previous business year shall be an integral part of financial statements, within the remuneration report, which are submitted to the annual General Meeting. This information shall be published in accordance with the law regulating the securities market.
13. Data on remuneration shall also be published on the website of the company, made available to shareholders at the company head office and submitted to the bodies or parties specified by the law (Securities Commission, regulated market, i.e., multilateral trading platform and broker-dealer company).

PUBLICATION

Principle 37:

In addition to the statutory elements and manners of information publication, companies shall additionally prescribe and regulate more closely the principles, procedure and elements of publication of other data important to shareholders and the public by adopting a separate publication policy.

Recommendations:

1. For the sake of greater transparency of its business operations and better information of its shareholders, other stakeholders, competent bodies and the public, the company may prescribe and apply stricter obligations in connection with publication than those prescribed by the law.
2. The company shall adopt a publication policy that shall be available to the public and contain rules, principles, application mechanisms, as well as elements that will be the subject of publication.
3. The rules and principles contained in the publication policy shall ensure that all relevant information on the business operation of the company, as well as all circumstances that may have an impact on business operation and the price of shares and other serial securities of the company are published in a comprehensive and timely manner, as well as equally available to all market participants.

4. When publishing the information, the company shall enable equal treatment of all information users and, in that regard, shall not give preference to any group of market participants.
5. The rules of the publication policy shall ensure that all information planned for publication is published with the shortest possible delay and, in that regard, separate rules for electronic publication shall be prescribed as well. The company shall make the published information available to all members at the same time and at a reasonable price. The company shall organize its website in accordance with the rules of the publication policy, so that the published information is made available to the public in that way as well.
6. The publication policy of the company shall be available to the public and contain the criteria for defining the following categories: confidential information, identification of material information (information that may have an impact on the price of securities) and rules on privileged information and the conduct of insiders when trading company securities.

Principle 38:

By means of financial, business and other periodical reporting, companies shall provide for the publication of all relevant information relating to the following areas: business objectives and realization of business strategy, financial and business results of the company, ownership structure, structure of managing bodies and executive management with principles for the selection and determination of remuneration, practice and structure of the corporate governance system, issues of importance to the bearers of the business risk of the company and issues of identification and management of potential risks to the business operation of the company.

Recommendations:

1. The company shall define the structure and essential publication elements by determining how the information for particular areas will be published. Publication will mostly be conducted by means of financial, business and periodical reports with clearly defined publication content, manner and schedule.
2. The company shall determine the schedule and level of publishing the information relating to the realization of the strategy in a specific period, the achievement of adopted business objectives, as well as the most important business activities. In addition to the abovementioned, companies may also publish objectives and policies relating to business ethics, environmental protection and other elements of corporate social responsibility.
3. When publishing financial and business results, it is also particularly important to present the information that may indicate future performance of the company and the information that provides comprehensive presentation of transactions between related companies (if any) in order to indicate potential obligations that may have an impact on future business performance.
4. Publication of ownership structure most often relates to data on large shareholders that may control the company by means of voting rights, certain agreements, significant relations in terms of cross-holdings of equity and similar. For the purpose of checking compliance with legal rules, identifying potential conflicts of

interest, related party transactions, as well as illegal share trading based on confidential information, it is recommended, when possible, to supplement the information on nominal shareholders with information on actual shareholders.

5. Companies shall publish how they implement good corporate governance practice and how their corporate governance system structure is regulated, and shall make that a mandatory part of their annual report. Publication of this data may be carried out in a broader sense through information on the governance structure and other policies of companies.
6. Companies may also publish information relating to other bearers of the business risk of the company (employees, creditors, suppliers, local community and others) that may also affect the business operation and performance of the company itself. Publication in this segment most often relates to employees, where, in particular, human resource policy, development and training programs and similar are published.
7. The company may publish on its website a calendar of business events for the following year, in which it will inform all interested market participants of planned events (expected dates for holding the General Meeting sessions, the schedule of sessions of other bodies and other events the company considers important).

PART TWO

ADDITIONAL PRINCIPLES AND RECOMMENDATIONS FOR FAMILY CORPORATIONS

Family-owned companies present a large percentage of the total number of companies and give a significant contribution to economic growth and employment. The creation, growth and sustainability of these companies are of major significance to the success of national economy. Despite their undisputed significance to the economy, these companies, unlike public joint stock companies, have not been in the focus of the legislator or other regulators in the field of corporate governance. Therefore the objective of this Corporate Governance Code is to provide family-owned companies with support and guidelines on their path of transformation from a small family corner store into a company that is a serious regional player.

There are three main organizational requirements that family-owned companies should take into account if they wish to deal successfully with the challenges brought on by their growth and to remain viable in longer term. First, family-owned companies must learn how to recruit and retain the best people for their family business. Second, they must be able to develop a culture of trust and transparency. Finally, they must define a logical and efficient organizational structure. Corporate governance may help these companies solve each of these three challenges. In general, a corporate governance system in a family-owned business should ensure the following: responsibility, transparency, continuity, efficiency and fair treatment of all members or shareholders/investors (both family and non-family). Specific problems with which corporate governance deals are the following: succession, employment of family members, system of remuneration of managers who are family members, incentive mechanisms for professionals who are not family members, treatment of external investors, formalities and the role of the family in the company in the long term.

The structure of the principles in this Code implies the application of general principles relating to all companies and applicable to all depending on their size ("Principles and Recommendations for All Corporations" and "Additional Principles for Major Corporations and Public Joint Stock Companies"). By gradual implementation of general principles, family-owned businesses are further directed to the segment "Additional Principles and Recommendations for Family Corporations", which relates to the specificities of corporate governance in family-owned businesses and may be regarded as a governance map for family-owned business planning and developing during its life cycle.

Principle 1:

Transfer of company governance from one generation to another shall be planned in a careful and timely manner.

Recommendations:

1. The family must have a succession plan and an emergency succession plan (includes the manner of handling a sudden situation when a family member becomes unable to manage the company and its business operation).
    - ✓ Delaying the planning of succession of senior managers to the last moment leads to a crisis and is one of the reasons why the majority of family-owned businesses disappear before they reach the third generation.
2. The succession plan must regulate the criteria for successor selection, financial, inheritance-law and tax implications of the transfer of governance, as well as the procedure itself.
    - ✓ The Family Protocol shall define the criteria for deciding who the successor will be in the event of several family members who have all necessary qualifications aspiring to the same position. Family candidates shall be subject to the same market requirements as any professionals who would apply for the managerial positions.
    - ✓ Managerial contracts concluded by family members with the company shall be the same as those concluded between executive directors who are not family members and the company.
3. Transfer of knowledge and preparation of the successor are processes that take time and shall be planned in a careful and timely manner.
4. In order to be complete, the succession plan shall also include a family member employment policy.
    - ✓ The family member employment policy shall specify what jobs may be performed by family members in the company, under what conditions, how family members are prepared for the family business, what conditions shall be met by professionals in executive positions, what the remuneration policy criteria are (particularly for family members who are actively involved in the family business), under what conditions spouses of family members (and their family) may work in the company, when

family members shall retire, under what conditions the company may enter into legal transactions with family members, etc.

- ✓ This policy shall also include the treatment of employed family members in relation to employees who are not family members.

Principle 2:

The company shall establish a Family General Meeting, which brings together all family members in a formal forum for discussing business issues, as well as family issues that may have an impact on the business operation of the company.

Recommendations:

1. The purpose of the Family General Meeting is to foster the unity among family members, facilitate exchange of knowledge among family members, familiarize all family members with the company's business operation and isolate family issues from business issues.
   - ✓ In the first generation, the Family General Meeting is replaced by informal family meetings. As the family and the company become more complex, the establishment of a Family General Meeting becomes necessary.
2. The Family General Meeting brings together only family members and its composition depends on the characteristics of the family itself.
3. The competence of the Family General Meeting includes the topics concerning the relation of the family and the company, as well as the topics concerning solely the family.
   - ✓ It is necessary to stipulate in the Family Protocol a procedure that clearly defines on what and in what manner this body may make a final decision.
4. The Family General Meeting shall have its own regulation that will regulate the purpose of this body, its membership, sessions and organization, as well as the duties of the Chairperson of the Family General Meeting.

Principle 3:

When the Family General Meeting becomes too large, then the company shall establish a Family Council whose purpose is to simplify the communication between the company and the family, specifically the Board of Directors, i.e., Supervisory Board and executive directors and the Family General Meeting.

Recommendations:

1. As a rule, the Family Council is established when the Family General Meeting becomes too large to communicate efficiently with governing and managing bodies of the company (for example when the family has more than 30 members).
2. The main task of the Family Council is efficient communication between the family and the company. It shall approve the Family Protocol, as well as decide on the company assets and family assets.
3. The Family Council consists of the family members elected by the Family General Meeting. The family defines the criteria for election to the Family Council.
4. The Family Protocol shall define the composition, competences and decision-making procedure of the Family Council.

5. Family members may not give instructions to executive directors except through established formal family governance bodies (Family General Meeting and Family Council).
6. Depending on the size of the family and the size and complexity of the company, the company may also establish other bodies to review, manage and decide on certain delegated issues. These may be a family office in charge of investment and administrative activities, a committee for education, advanced training and career planning, a committee for the issues of participation in the company equity and other bodies.

Principle 4:

The company shall adopt a Family Protocol that will define family objectives and values, the most important family governance mechanisms and the most important corporate governance mechanisms, as well as the relation between them.

Recommendations:

1. The Family Protocol is the foundation of corporate vision and the basis from which the Board of Directors proceeds when preparing the company strategy.
2. It is advisable that the Family Protocol be legally binding.
3. The Family Protocol shall formally define competences and decision-making areas assigned to the family. However, the level of detail of this Protocol shall be carefully considered so that it does not become a limiting factor in terms of governance.

Principle 5:

It is necessary to establish methods of communication and conflict resolution in the family.

Recommendations:

1. The basis for good family governance is good communication.
2. Informal and formal communication shall complement each other. This particularly applies to issues on which there are disagreements among family members or to sensitive issues such as the decision about who will succeed the founder at the helm of the company.
3. Sometimes it is necessary to define the channel of communication between the family and the public.

PART THREE

ADDITIONAL PRINCIPLES AND RECOMMENDATIONS FOR CORPORATIONS WHERE THE STATE IS A MEMBER

Governance of state-owned companies does not essentially have to differ greatly from the governance of companies owned by the private sector. The same economic laws apply in both cases. This particularly applies to state-owned companies listed on an organized capital market and to companies with mixed (private and state) capital.

Specific corporate governance challenges often faced by state-owned companies primarily arise from the fact that the state is simultaneously the owner of significant market participants and the market regulator. The state is in the position to influence the market conditions and place the companies in which it is a member in a privileged position compared to the companies exclusively owned by the private sector. State-owned companies are often protected from two main threats that are essential for the governance policy; namely, in practice, these enterprises do not go bankrupt nor are they in real danger of takeover, which substantially decreases the responsibility of their managing bodies and management. These enterprises often face the problem of politically motivated influence by the owner that pursues short-term political objectives of the ruling party, as well as the passive behavior of the state as the owner. Experience has shown that the companies where the state is the owner also face unclear objectives of the owner, because these companies are aimed not only at creating profit but also at achieving social and political objectives in the field of employment, price control, pursuit of regional development and similar. The combination of all these influences weakens the responsibilities and has a negative impact on the motivation of the boards of directors and managers of state-owned companies.

Poor economic performance of the companies where the state is the owner is often a result of fundamental problems in managing these companies: non-transparent operation (reporting is directed to the government body which supervises the particular company and which is, in fact, often involved in the operational and strategic management), unprofessional boards of directors and the like. On the other hand, good corporate governance enables the state to protect its assets better, increase the value of state-owned companies and make them more attractive to strategic partners and investors. This will have a positive impact on budget revenue as well.

The principles and recommendations contained in Part One of the Code within all three Chapters also apply to state-owned companies depending on its size and whether the company is listed or not. In this part of the Code, they are supplemented by the corporate governance principles and recommendations specific to this form of companies. Therefore, companies cumulatively implement the principles and recommendations of Parts One and Three of the Code.

PRINCIPLES AND RECOMMENDATIONS TO THE STATE

Principle 1:

It is necessary to separate fully the role of state as market regulator and the role of state as company member in order to avoid market disruptions and to enable efficient market competition with the private sector.

Recommendations:

1. If the state is simultaneously a member or a shareholder of a market participant and the market regulator, it is in the position to influence market conditions and place the companies in which it is a member in a privileged position compared to the companies exclusively owned by the private sector. This shall be prevented by building and properly applying a regulatory and organizational framework for state-owned companies that will ensure equal market conditions for all companies regardless of their ownership structure.

2. When the state requests that the companies in which it is a member achieve certain public sector objectives (social objectives, economic-policy objectives, etc), such request must be provided for by appropriate legal regulations and published. In addition, the state shall clearly identify, publish and allocate from the budget compensations for all costs that are necessary to meet such request. Compensations from the budget must have a legal basis in appropriate legal regulations or in publicly available agreements.
3. Companies in which the state is a member may not be exempted from the general application of legal regulations. In that regard, the party believing that some of its rights have been violated by the state as a member or by the company in which the state is a member, must have the possibility of seeking legal protection and must be treated in an equitable and fair manner in that procedure.
4. Companies in which the state is a member should have access to finance under market conditions, and the state should avoid giving subsidies, guarantees and other instruments of financing the company in which it is a member. The state should always bear in mind that affording financial privileges to a company in which the state is a member has a negative impact on fair market competition and fair competitors that operate in accordance with regulations. In that regard, it is necessary to make, in relation to creditors, a clear demarcation between the state and the company in which the state is a member. It is necessary to develop mechanisms that will control conflicts of interest between the companies and banks in which the state is a member.

Principle 2:

The state shall develop an ownership policy that would define the justification for and purpose of state ownership, objectives of state ownership, the role of the state in corporate governance of the company in which the state is a member and the manner in which the state will implement its ownership policy.

Recommendations:

1. The state shall avoid having a large number of contradictory objectives, which often result either in passive behavior of the state in performing its functions as owner or in interventionist behavior.
2. The state shall define its ownership objectives (economic as well as those with a social aspect), state which objectives are its priority objectives, which objectives are mutually exclusive and how the state will resolve conflicts between different objectives.
3. When defining its ownership policy, the state shall confine itself to precise definition of its ownership strategy, procedure for appointing members of the Board of Directors and effective exercise of its rights as owner. The state shall refrain from interfering in operational issues of the company, which shall stay within the competence of the company's corporate bodies.
4. The ownership policy shall be developed through public consultations, it shall be consistent, without frequent changes, available to the public (e.g. via a website) and applied in an effective manner.

Principle 3:

It is necessary to identify a body within the state administration that will be responsible for exercising the state's member rights in state-owned companies.

Recommendations:

1. The simplest approach is for the function of exercising the state's member rights in state-owned companies to be centralized and performed by a single body within a single ministry. The centralization would ensure the standardization of policies and procedures, consistent application of ownership policy, strengthening of necessary expertise within public administration, more efficient communication with different ministries and other government bodies, comprehensive reporting on all state-owned companies, etc.
2. Alternatively, it is necessary to at least establish a coordinating body that would be a link between different government administration bodies, i.e., agencies, involved in governing the companies in which the state is a member.
3. This body shall be responsible for the collection of information on all companies in which the state is a member; analysis of that information; advising the state regarding regulations, policies and procedures concerning all state-owned companies; appointment and dismissal of members of the Board of Directors, i.e., Supervisory Board in the companies in which the state is a member; assistance in defining measurable objectives to the managements of the companies in which the state is a member; oversight of business operations of the companies in which the state is a member and reporting to the state and to the public.
4. Instructions that the body exercising the state's member rights in state-owned companies gives to the boards of directors or to the supervisory boards of these companies shall be minimized and limited to strategic decisions and basic policies.
5. The body exercising the state's member rights in state-owned companies shall be independent, flexible and composed of experts having different knowledge necessary for effective management of the state ownership portfolio (or it shall have a budget to use as needed to hire such experts). This body shall be accountable to the National Assembly of the Republic of Serbia, as well as have clearly defined relations with relevant public bodies, including state audit institutions. It is recommended to establish a committee within the National Assembly, which would be in charge of monitoring the companies in which the state is a member.
6. It is particularly important to define clearly the competences of the body exercising the state's member rights in state-owned companies, on the one hand, and the bodies responsible for implementation of social or economic policy of the state through state-owned companies, on the other hand.
7. The body exercising the state's member rights in state-owned companies shall develop a good reporting system in these companies to be able to monitor business operation of these companies, to assess the efficiency of the management and to monitor to what extent the companies are achieving the set objectives.

Principle 4:

The state shall ensure equal treatment of all members and equal access to corporate information in the companies in which the state is one of the members.

Recommendations:

1. The state must avoid being perceived as a non-transparent, unpredictable and unfair member. The respect of the rights of minority members will have a positive impact on the value of the company and the ability of the state to sell state stakes to the private sector in the future.
2. The state must not abuse its position of controlling member to achieve objectives that are not in the interest of the company or that are detrimental to other members of that company. The corporate governance mechanisms that can ensure this include greater transparency, duty of loyalty and duty of due care of members of the Board of Directors, i.e., Supervisory Board, qualified majority for the adoption of certain decisions of the General Meeting of the company, etc.
3. The state shall limit the use of golden shares, agreements among members and similar mechanisms that enable it to exert influence on the company in which it is a member that is not proportionate to its equity stake.
4. The state shall develop active and efficient communication and system of consultations with other members. In addition, good corporate governance practice requires that the state encourage minority members by using appropriate corporate governance mechanisms (cumulative voting, the right of veto on certain strategic decisions, etc) to get actively involved in corporate governance in the companies in which the state is a member.
5. The company in which the state is one of the members shall have an adopted dividend policy that shall be public and applied. The decision on dividends shall be approved by the General Meeting (or possibly the Board of Directors, i.e., Supervisory Board) after analyzing the necessary investments. Discretionary payment of dividends to the state shall be avoided because it limits planning and investment policy of these companies. The use of the funds of state-owned companies for direct or indirect financing of political activities shall be avoided.

Principle 5:

The body that will be responsible for exercising the state's member rights in state-owned companies shall develop a mechanism of consistent and unified reporting on state-owned companies and publish these reports on an annual basis.

Recommendations:

1. Regardless of whether the company in which the state is a member is public or non-public, it shall publish its financial and non-financial information in accordance with good corporate governance practices applying to the private sector and public joint stock companies in particular. In that regard, the reports shall contain key objectives that the company in which the state is a member shall achieve, financial statements, notes to financial statements, auditor's opinion as well as the report on the work of the Board of Directors. The reports shall also include a ratio analysis of financial statements and an analysis of major risks to which the company in which the state is a member is exposed. In addition, state-owned companies shall also publish some specific information such as: social

benefits, costs of such benefits, state subsidies, guarantees and other state financial assistance, etc.

2. The reports shall be available to the National Assembly, the media and the general public. They shall be presented in a clear and simple manner so that the general public would be able to familiarize itself with the business operations of the companies in which the state is a member. In addition, the reports shall be both aggregate and individual (for individual companies in which the state is a member).
3. It is necessary to perform an independent annual external audit in accordance with the law and international standards on auditing in larger companies in which the state is a member, as well as in all companies in which the state is a member that perform a business activity of special public importance. The existence of specific state control procedures (e.g. budget audit) is not a substitute for external audit.
4. Independent external audit of the companies in which the state is a member shall be subject to the same standards of good corporate governance practice (in terms of auditor rotation, separation of consultancy and audit services, etc) as external audit in public joint stock companies.

PRINCIPLES AND RECOMMENDATION FOR COMPANIES

Principle 6:

The Board of Directors, i.e., Supervisory Board of the companies where the state is a member should develop and implement a code of ethics and an integrity plan.

Recommendations:

1. Companies in which the state is a member shall resist the pressures to depart from ethical standards, given the interaction between business objectives, political objectives and objectives concerning state policy.
2. As a rule, state-owned companies are very visible and therefore shall have an important role and a strong demonstrational effect in creating the business climate and ethical climate in the country.
3. The Code of Ethics in state-owned companies shall particularly consider the public procurement procedure and envisage specific mechanisms that encourage all stakeholders of the company, employees in particular, to report any illegal or unethical behavior of the management of the company in which the state is a member.
4. The adoption of the integrity plan should be in accordance with the national anti-corruption strategy and guidelines. The integrity plan should include legal and practical measures aimed at preventing and eliminating the possibility of corruption.

Principle 7:

The Board of Directors, i.e., Supervisory Board of the company in which the state is a member shall perform its function in accordance with the ownership policy of the state, without interference of political influences.

Recommendations:

1. The body that will be responsible for exercising the state's member rights in state-owned companies shall define strategic objectives and thereby set the frameworks for the work of the Board of Directors, i.e., Supervisory Board. However, this body may not interfere in typical competences of the Board of Directors, i.e., Supervisory Board. In that regard, executive directors of the state-owned company shall submit reports to the Board of Directors, i.e., Supervisory Board and not to the state body responsible for exercising member rights.
2. The appointment procedure as well as the lines of responsibility between executive directors, the Board of Directors, i.e., Supervisory Board and the body that is responsible within the state for exercising member rights shall be clearly defined and **free of political influences**.
3. The Board of Directors, i.e., Supervisory Board (and not the body responsible for exercising the state's member rights) shall appoint and dismiss executive directors in the company in which the state is a member and determine their remuneration.
4. When the state is the controlling member, it is in a position to appoint all members of the Board of Directors, i.e., Supervisory Board. Although this right is legitimate, it must be exercised in a responsible manner and with minimizing the politicization of this process. This is particularly important for companies in which the state is just one of the members or for companies that operate in an areas where competition is well-developed. In that regard, it is very important for the process of appointment of members of the Board of Directors, i.e., Supervisory Board to be transparent.
5. Members of the Board of Directors, i.e., Supervisory Board appointed by the state owe their loyalty to all members and the state-owned company and not to the state (duty of loyalty).
6. Government employees or representatives of political parties may not be elected on that basis to the Board of Directors, i.e., Supervisory Board of the companies in which the state is a member, but if they are, then they shall only be elected to the Board of Directors, i.e., Supervisory Board if they meet the same requirements regarding qualifications and experience as the other members and if they do not behave as a conduit for undue political influences. In the case of government employees, it is particularly important to demarcate the responsibility of the individual and the state for any damage caused by a state-appointed member of the Board of Directors, i.e., Supervisory Board to the company and other members.
7. Members of the Board of Directors, i.e., Supervisory Board shall work in a stable environment. In that regard, it is recommended that members of the Board of Directors, i.e., Supervisory Board be elected for a fixed term (preferably not shorter than three years) and allowed to complete their full tenure regardless of any personnel changes in the government administration that may happen during their term.
8. The ownership policy shall ensure that remuneration for members of the Board of Directors, i.e., Supervisory Board in state-owned companies is competitive and comparable to the private sector practice so that the companies are able to attract qualified professionals.
9. It is desirable that the Chairperson of the Board of Directors, i.e., Supervisory Board in the companies in which the state is a member is not from the public sector or that he/she is not any of the executive directors of the company. That person

shall possess required financial or technical expertise and have abundant experience from the private sector.

TRANSITIONAL AND FINAL PROVISIONS

1. This Code shall come into effect and apply as of the eighth day from the day of its publication in the “Official Gazette of the Republic of Serbia”.
2. The Corporate Governance Code of the Chamber of Commerce and Industry of Serbia shall cease to apply on the effective date of this Code ('Official Gazette of RS", no: 1/06).

CHAMBER OF COMMERCE AND
INDUSTRY OF SERBIA

PRESIDENT OF THE CCIS ASSEMBLY

02.01 No: 6/
17 September 2012
Belgrade

Marko Culibrk, PhD