

Subject to provisions of Article 53. Paragraph 1. Item 7. of the Contract of Organization of the Belgrade Stock Exchange, for the purpose of adjusting to the Law on Business Companies (number of Exchange: 04/1-1449-1/08, broj Berze: 04/1-1449-1/08, no. of certification at IV Municipal Court III-906/08), the Board of Directors of the Belgrade Stock Exchange at the X/08 meeting held on 9.7.2008. adopted the:

CORPORATE GOVERNANCE

CODE

of the

Belgrade Stock Exchange

A process of investment decision-making on a modern securities market is almost impossible without a broad implementation of corporate governance quality indicators. Namely, clearly defined corporative relations and procedures harmonized with the best practice rules are recognized by investors as factors defining the level of protection of their interests; as such they play a significant role in the process of investment risk assessment. Therefore, there is an undeniable interest of all business companies wishing to utilize the full potential of the capital market to continuously improve relations with investors and strengthen their trust in the issued securities. The afore-said are also the main reasons for the adoption of the Corporate Governance Code of the Belgrade Stock Exchange, a joint stock company, Belgrade (hereinafter: the Code). Through recommendations and guidelines the Code provides support to the business companies in the implementation of the afore-said processes.

This Code has been developed in the regulatory framework of the Law on Business Companies, Law on Securities Market and other financial instruments and by-laws of the Securities Commission of the Republic of Serbia. When drafting the Code, the intention was to avoid to the greatest possible extent the repeating of imperative provisions of the afore-said regulations covering good corporate governance rules, and to focus on the further upgrading of corporative relations through the implementation of internationally accepted principles and best practice of the corporate governance.

The Code is primarily intended for joint stock companies whose shares are admitted to some of the markets of the Belgrade Stock Exchange (hereinafter: the Stock Exchange). The size of this „target group“ of potential beneficiaries is defined by the Law obligation regarding trading of securities issued by the public offering through an organized securities market. In practice, this implies the obligation of all open joint stock companies¹ (hereinafter: companies) to place their shares on the regulated or unregulated market of the Stock Exchange, as the only market organizer in Serbia.

The main differences between these two markets are reflected in terms of obligations and conditions to be fulfilled by the securities. Therefore, the unregulated market, as a rule, represents a market segment where the afore-said legal obligations are directly implemented, while the securities have to fulfill only the conditions defined by legal provisions. On the other hand, admission to the regulated market - listing A (Prime Market) or listing B (Standard Market) implies a free choice of each company, while the securities should also fulfill, besides the legal provisions, special requirements defined by the regulation of the Stock Exchange .

*The implementation of the Code is based on the voluntary principle and „**COMPLY OR EXPLAIN**“ rule.*

¹ The Law on Business Companies (Official Gazette of the Republic of Serbia, No. 125/04 of 22nd November 2004) regulating establishment and organization of joint stock companies, covers the following: open joint stock companies – with shares issued through the public offering, and closed joint stock companies – characterized by issuing of shares without the public offering. The Law on Securities Market and other Financial Instruments (Official Gazette of the Republic of Serbia, No. 47/06 of 02nd June 2006) is applied to open joint stock companies

**Introductory Provisions –
Contents and Structure of the Code**

According to its content, the Code is a set of rules and principles aimed at improving the corporate governance practice, expressed in the structure of the Code through the following:

1. Recommendations the implementation of which regards the application of the rule „COMPLY OR EXPLAIN“ that implies a mandatory recommendation or explanation of reasons for non-compliance. Recommendations are in the text of the Code recognizable by a word „should“, i.e. „should not“; and
2. Provisions indicating more closely the desirable practice of the corporate governance and methods for an efficient realization of the recommendations' objectives. These provisions are recognizable by the following words „it is proposed“, „may“, „for example“, etc.

**Part 1
MAIN STAKEHOLDERS OF THE CORPORATE GOVERNANCE AND
REGULATORY-ORGANIZATIONAL FRAMEWORK OF THEIR OPERATIONS**

**Chapter 1
Shareholders and the General Meeting of Shareholders**

Article 1. Companies should ensure an equal treatment and protection of the shareholders' rights and undertake measures and activities stimulating shareholders to take an active part in the operations and decision making process of the General Meeting of shareholders (hereinafter: the General Meeting), and particularly as follows:

1. regulate issues regarding the status and rights of stakeholders by by-laws in a comprehensive way,
2. establish mechanisms aimed at consistent and efficient implementation and supervision over the implementation of the company by-laws,
3. enable comprehensive and timely provision of information to shareholders regarding all issues concerning their status and rights,
4. establish mechanisms to prevent and solve potential conflicts among shareholders and the company.

Article 2. Companies should not introduce any restrictions on the rights of shareholders to take part in the work and decision making of the General Meeting, such as:

- conditioning the active participation in the General Meeting by a number of votes,
- maximizing the voting rights one shareholder can have as an owner of voting shares.

Article 3. When setting conditions for shareholders' participation in the work and decision making of the General Meeting, companies should take care of the following:

1. a place where a session of the General Meeting of shareholders will be held should be decided in a way to allow the largest presence of shareholders along with the optimal costs,

CORPORATE GOVERNANCE CODE, Belgrade Stock Exchange

2. *the General Meeting of shareholders should be scheduled within a timeframe leaving enough time to the shareholders to familiarize with hand-outs (subject of discussion and decision making), gather additional information and take positions thereupon,*
3. *hand-outs submitted to the shareholders should contain overall information and explanation of proposed solutions to the issues on the agenda of the General Meeting, completed by relevant documentation,*
4. *shareholders have an opportunity to gather additional information on the General Meeting of shareholders agenda before Meeting, in conformity with the principle of equitable treatment of all shareholders,*
5. *a list of all shareholders entitled to take part in the General Meeting of shareholders should be drafted timely.*

Companies are recommended to ensure access to the list of shareholders to all shareholders of the Company.

Article 4. *In their by-laws, companies should define clearly and then implement in practice a rule giving shareholders the right to disagree with each General Meeting decision restricting or abolishing their rights on the basis of possessed shares and they are entitled to request from the company to repurchase their shares at the market price on the day when that particular decision was adopted.*

The rule referred to in the above Para should also cover the Managing Board obligation to engage an independent assessor in the case when the market price of shares cannot be determined on the basis of the price published on the regulated market, together with minimum criteria for the selection of the assessor.

Article 5. *The companies should adopt precise procedure for conducting the General Meeting and clear procedures to be applied in the case of disagreements among shareholders.*

The companies should particularly regulate procedures concerning the exercising of shareholders' rights to ask questions and receive answers regarding issues on General Meeting agenda, including conditions under which the shareholders are not granted answers. Possible restraints in the exercising of the shareholder right (for example, restriction of time for raising a question, etc.) should be set by the company very delicately and solely in order to prevent jeopardizing of the General Meeting.

Article 6. *The companies should develop efficient methods of equitably providing all shareholders with information on the following:*

- *their rights and obligations, rights exercising and protection,*
- *issues important for the operations of the company,*
- *important changes in the company shareholder structure,*
- *other issues important for protection of the shareholders' status and interests.*

The companies are advised to adjust the model of providing information to shareholders to the characteristics of the shareholder structure, and to apply other communications means – in addition to those envisaged by the law - corresponding to the possibilities of the majority of shareholders.

Article 7. *Transparent communication among the shareholders should be stimulated by the company even beyond the sessions of the General Meeting, in conformity with the principle of equitable treatment of all shareholders.*

Chapter 2 Management Board

Article 1. *Companies should determine the Management Board size (number of members) and main criteria for the election of its members by Articles of Association, in order to organize this body in such a manner as to enable it to perform the entrusted assignments professionally, efficiently and in the best interest of the company, respecting the appropriate level of independence in work and decision making.*

Companies may also include in the Management Board representatives of specific stakeholder groups (for instance: employees, creditors, important clients etc.), granting them the right to participate in the work, but not necessarily the right of decision making.

Article 2. *Main criteria for the election of members to the Management Board should enable:*

- *a combination of manifold knowledge, and professional and practical experiences, reflecting the balance of qualifications adjusted to the Company structure and core business operations,*
- *that structure of the Management Board consists of persons who have appropriate personal qualities, high moral standards and readiness for active and impartial participation in the work and decision making of the Management Board,*
- *prevention of potential conflicts of interest between members of the Management Board and the company,*
- *that the majority of members of the Management Board consists of non-executive members, out of whom not less than two meet the legal conditions of independence.*

Information about the fulfillment of prescribed independence criteria by the independent members of the Management Board should be continuously publicly accessible.

It is suggested to companies to also include as a criterion for forming the structure of the Management Board the obligation that a specific number of Management Board members should have professional knowledge of the company management.

Article 3. *For the purpose of determining whether the criteria for membership in the Company Management Board are met, and prior to the election of members to the Management Board, shareholders should have enough information about the proposed candidates, including:*

- *basic biography, educational background and professional qualifications and experience of the candidate,*
- *data on membership in management boards of other companies,*
- *data on the previous working experience and jobs,*
- *the report of the candidate on his/her up-to-date work for/ in the company,*

CORPORATE GOVERNANCE CODE, Belgrade Stock Exchange

- *recommendations – if any - by persons or companies that the candidate cooperated with,*
- *information on existence and nature of relation between the candidate and the company, affiliated persons of the company, companies with competitive business operations and main business partners of the company,*
- *disclosure of penalties – if any - for an act that would make the candidate ineligible to the Management Board.*

Meeting the criteria for membership in the Management Board should be a subject of periodical review by shareholders of the company, and at least once a year during the procedure of reviewing the results of work of this body. A constituent part of reporting to shareholders by the Management Board should also be the information on relevant changes related to the prescribed criteria that have occurred to the members of the Management Board between two sessions of the General Meeting.

Article 4. *The procedure of election to the Management Board should be clearly defined and transparent, and should enable adequate participation of minority shareholders in the election of members of the Company Management Board. In that context, particularly when there is a controlling influence of one shareholder or a small number of shareholders on decision making in the company, companies are advised to:*

- *conduct the election to the Management Board by applying the model of cumulative voting, with active participation of minority shareholders in forming the list of potential candidates,*
- *define the right of shareholders who independently or jointly possess a specific minimum percentage of participation in the total voting rights (for instance 5%, 10% or similar) to choose their representative in the Management Board of the company.*

6

Article 5. *Articles of Association or the Statute of the company should precisely define competences of the Management Board, particularly encompassing, besides the legally prescribed field of business activities, the following ones:*

- *monitoring and evaluation of results of business operations in the scope of the company's defined business policy, as well as the risks that the company is exposed to in its business operations, and defining the proposal of strategy for development of business operations of the company,*
- *supervision over potential conflicts of interest and transactions of related parties,*
- *taking care of transparency and openness of business operations of the company,*
- *taking care of implementation and protection of shareholders' rights, as well as taking measures and activities for preventing and solving conflicts between shareholders and the company,*
- *taking care of lawfulness of business operations of the company.*

Article 6. *The Management Board should perform activities from its scope of work according to clearly defined written rules and procedures which should provide that sessions of the Management Board are well organized and held regularly with active participation of members.*

Article 7. *In order to enable efficient and constructive sessions of the Management Board, rules and procedures for the organization of the Management Board sessions should include:*

- *drawing up a provisional annual working plan by defining key issues to be addressed by the Management Board, and by setting priorities when considering those issues,*
- *defining types of information necessary for analyzing key issues,*
- *making a provisional annual calendar of sessions,*
- *determining issues of such importance that decision making on them requires physical presence of members of the Management Board,*
- *determining timelines and methods of forwarding materials to members of the Management Board in a manner that leaves them enough time to get acquainted with the subject of decision making and take appropriate attitudes,*
- *determining criteria for holding emergency sessions of the Management Board, and prescribing minimum requirements to be met in these cases,*
- *setting the rule that more important issues should be on the top of the agenda,*
- *defining voting procedures,*
- *important elements, method of drawing up and procedure of adoption of minutes of the Management Board sessions,*
- *other issues of importance for the work of the Management Board.*

Article 8. *The Management Board should be obliged to analyze and evaluate the quality and efficiency of its work at least once a year, and to determine possible measures and activities for its improvement.*

7

Companies are suggested that information on measures and activities for improvement of the work of the Management Board should be a constituent part of the annual reporting of shareholders of the company on the work of this body of the company.

The process of evaluation of the Management Board's work should particularly include:

- *evaluation of quality of operational work,*
- *establishing whether important (key) issues were adequately prepared and considered,*
- *evaluation of contribution of each member of the Management Board to the work of this body, in particular their attendance at the Management Board sessions and constructive contribution to discussions and decision making,*
- *evaluation of the Management Board structure in terms of the need for possible revision of the defined criteria,*
- *evaluation of independence of members of the Management Board in decision making.*

Article 9. *Companies should provide conditions for continuous training of members of the Management Board through their getting acquainted with international experiences in the best practice of work of these bodies, and particularly in the fields of activities in which certain weaknesses have been discovered.*

Companies should define and implement clear procedures for the acquaintance of newly-elected members of the Management Board with the work of the Management Board of the company in the period prior to his/her election.

In cases when the structure of the Management Board is not fully changed, the Management Board members of the previous session should also take care of informing newly-elected members of the Management Board.

Chapter 3 **Rights and Obligations of Members of the Management Board**

Article 1. *In their by-laws Companies should define in more detail the duties of the Management Board members, and particularly their obligations:*

- *to regularly attend the Management Board sessions and actively participate in their work,*
- *to pay due attention to studying the materials for the Management Board sessions,*
- *while performing the function of a Management Board member to base their decisions on professional and competent attitudes, conscientiously, with reasonable belief that they are acting in the best interest of the company,*
- *to observe rules and constraints related to concluding businesses when there is a conflict of interest and competition ban, including the duty to inform other members about all potential conflicts of interest that they may have while performing the function of a Management Board member,*
- *to inform members of the Management Board and of competent bodies in the company of all persons related to them who may be considered as insiders of the company,*
- *to consider data and materials furnished to them by the company for the purpose of performing the function of a Management Board member, which are not publicly available, as confidential and treat them as such throughout their mandate and after termination of the function of a member of the Management Board of the company,*
- *to inform the company (particularly when non-executive and independent members of the Management Board are concerned) about all changes of data in a member's working engagement, his/her membership in management boards of other companies, as well as the nature of relationships with the company, related parties of the company, companies with competitive business operations and main business partners of the company.*

Article 2. *Companies should establish efficient operational mechanisms for securing accurate, timely, comprehensive and equitable informing of all Management Board members on issues relevant for performing their functions.*

Article 3. *Before acceding to the function of a member of the Management Board, candidates for Management Board members should get acquainted with their rights, obligations and responsibilities stipulated by the law and by-laws of the company, and to confirm it by their statement, which could be a constituent part of the contract that members of the Management Board conclude with the company.*

Independent members of the Management Board should undertake obligations in writing that they will immediately inform the Management Board of all changes of their status that could have an impact on their independence.

Chapter 4
Chairman of the Management Board

Article 1. *When electing the Chairman of the Management Board, members of the Management Board should be guided by the criteria ensuring the election of a person of exceptional professional reputation and personal integrity, committed to interests of the company and having the trust of shareholders and other members of the Management Board.*

Article 2. *Companies are advised to clearly define in their by-laws and practice the division of responsibilities at the helm of the company, and to separate the function of the Management Board Chairman from executive functions in the company.*

Article 3. *By-laws of the company should define in detail duties of the Management Board Chairman, and particularly his/her key functions and assignments, such as:*

- *managing the work of the Management Board and taking care of its efficiency,*
- *coordination with the Management Board commissions,*
- *communication with the General Manager and Executive Board of the company,*
- *taking care of communication with shareholders,*
- *developing constructive relations between executive and non-executive members of the Management Board.*

Article 4. *The role of the Management Board Chairman should also include his/her obligations to facilitate the work of the Management Board, and to that end:*

- *to encourage open discussion between members of the Management Board,*
- *to take measures to prevent and overcome possible conflicts between members of the Management Board,*
- *to treat equally all members of the Management Board during the procedure of discussion on the agenda,*
- *to steer the work of the Management Board towards a consensus,*
- *to initiate formulation of decisions of the Management Board.*

Chapter 5
Remuneration of Members of the Management Board

Article 1. Companies should adopt and implement a transparent, competitive, fair and accountable remuneration policy for members of the Management Board. In this regard it is suggested to companies that General Meeting, as a separate act, adopt and make public the “declaration of remuneration policy” that defines main elements of the remuneration policy for the Management Board members, as well as criteria for its concretization.

Article 2. When defining the remuneration policy for members of the Management Board and determining the rate of individual remunerations, the company should secure that:

- the adopted methods of remuneration and individual remuneration rates are at a level sufficiently attractive and competitive to motivate the engagement of persons who meet professional and other criteria necessary for the company, and at the same time not deviate significantly from remunerations paid to members of management boards in companies with the same or similar activities, size and scope of business operations,
- remuneration rate corresponds with tasks and volume of engagement of members of the Management Board,
- remuneration rate reflects business capacities and long-term interests of the company.

Article 3. Remuneration policy should be the subject of periodical evaluation and analysis, and with reference therewith of harmonization with needs, capacities and interests of the company, as well as changes of other determining criteria.

Chapter 6
Management Board Commissions

Article 1. For the purpose of increasing efficiency and quality of its work, the Management Board may (and when obliged by the law must) form commissions as professional advisory working bodies.

The role of a Management Board commission is to assist the Management Board in the procedure of decision making on individual issues, and in that context to:

- make possible for the Management Board to address a larger number of complex issues in a more efficient manner with the support of experts appointed in commissions,
- make possible for the Management Board to develop expertise for each separate field of business of the company,
- increase objectiveness and independence of opinions of the Management Board by isolating it from potential conflict of interest.

Article 2. When deciding about establishing commissions and about their number, the Management Board should also consider a potentially negative impact that inappropriately large number of commissions may have on the efficiency of work of the Management Board.

CORPORATE GOVERNANCE CODE, Belgrade Stock Exchange

The suggestion is to form the Management Board commissions cautiously and gradually, starting from obligatory commissions and most important fields of activities.

Article 3. *When electing the chairman and members of a commission, the Management Board should respect the following criteria:*

- *chairman and members of a commission should have adequate skills and experience in the fields covered by the commission,*
- *number of members of a commission (including the chairman) should correspond with the needs of conducting the assigned activities,*
- *if the commission work includes time-consuming engagement of its members, their current obligations should be taken into account as well as their capacities to be adequately committed to activities the commission is entrusted with.*

The decision on forming a commission should also regulate the question of the scope of activities, method of work and obligations of the commissions towards the Management Board.

Article 4. *The Management Board is obliged to form at least two commissions: Commission for Appointments and Commission for Remunerations, which carry out their activities in compliance with the law.*

The Appointments Commission should play an active role in the procedure of proposing candidates for Management and Executive Boards, in defining criteria for their election, in monitoring the efficiency and appropriateness of the company's staff policy as well as in proposing changes.

The Remunerations Commission should play an active role in defining the remuneration policy of the company, as well as in determining concrete proposals for individual remunerations to members of the Management Board, executive directors and auditors. The Commission should also evaluate the appropriateness of remunerations as in relation to the financial performance of the company and to a peer group of companies. The Commission should also formulate opinions and proposals for the correction of remunerations.

The majority of the Appointments and Remunerations Commissions should consist of persons who are not simultaneously members of the Management Board of the company.

Article 5. *The Management Board may form other commissions as well, such as:*

- *Audit Commission – as a support to conducting supervisory activities, and particularly to evaluating the quality of financial statements of the company, adequacy of implementation of accounting standards, accuracy and completeness of financial statements, evaluation of independence of external auditors etc.*
 - *Commission for Strategic Planning, Finances and Risk Management – as a support in carrying out activities related to defining the business operations strategy and goals of the company, setting of business priorities, development of dividend policy, determining key indicators of business operations etc.*
 - *Commission for Development of Corporate Governance – as a support to carrying out activities of monitoring implementation of the plan and program of improvement of corporate governance in the company,*
-

- *Commission for Solving Conflicts within the Company – as a support to monitoring and securing clean definition of the rights of shareholders within the company, and development of procedure for respecting them, as well as defining proposals for policy and procedures for solving possible disputes.*

Chapter 7 **Executive Bodies of the Company**

Article 1. *Members of executive bodies of the company (executive directors) should be persons who have appropriate professional and personal qualities, and for whom there is a justified belief that:*

- *they will enjoy the trust of shareholders, members of the Management Board, other executive officers and employees in the company,*
- *their knowledge and experiences enable them to efficiently perform the vested activities,*
- *they have adequate organizational abilities and skills to implement their knowledge and experiences in practice both through direct decision making and through assigning activities and tasks to employees they are directly managing,*
- *they have no conflict of interest towards the company.*

The election of executive directors should be a product of cooperation between the Management Board and General Manager of the company.

Article 2. *When electing the General Manager of the company, the Management Board should also consider candidates' abilities to efficiently organize and manage the work of the Executive Board of the company.*

12

The companies are suggested to exclude by means of Articles of Association or the Statute of the company the possibility that the same person performs the function of the Management Board Chairman and General Manager.

Article 3. *Competences and working procedures of executive bodies should be clearly defined by the company by-laws. To this end companies should regulate by their by-laws the issues such as:*

- *activities under jurisdiction of the Executive Board, while clearly drawing a line between competences of this body and competences of the Management Board,*
 - *drawing a line between competences of the General Manager and executive directors, special functions and competences of the General Manager and individual executive directors,*
 - *special functions of the General Manager with respect to organization of work of the Executive Board and cooperation of this body with the Management Board, p*
 - *possible competence limitations in performing the vested activities,*
 - *non-standard activities performed by the Executive Board with prior consent of the Management Board and procedure for acquiring it,*
 - *the method of calling and conducting the Executive Board sessions, which secures balance between the need for conducting specific formal procedures and the need for efficient operational activities of this body,*
-

CORPORATE GOVERNANCE CODE, Belgrade Stock Exchange

- *the method of preparing sessions, as well as the method and timelines of informing and forwarding session materials to members of the Executive Board, while respecting the need for comprehensive information of members of the Executive Board on agenda items, and giving them sufficient time to consider those issues and make appropriate decisions,*
- *quorum and decision-making method at the Executive Board sessions,*
- *obligations of the Executive Board towards the Management Board, as well as the method of their implementation, other issues important for efficient performance of the executive function in the company.*

Article 4. *The Management Board of the company should periodically and not less than once a year make the evaluation of work of executive bodies based on the previously established key performance indicators.*

It is useful for the company that the process of evaluation of work of executive bodies also encompasses the evaluation of work of members of the Executive Board by the General Manager, as well as the self-evaluation process by executive directors themselves.

Results of these activities should be available to the Management Board during the procedure of periodical evaluation of performance of these bodies.

Article 5. *The Management Board of the company should formulate attractive, fair and transparent policy of remuneration of executive directors that offers enough opportunities to stimulate and attract professional and skilful executives, while at the same time remaining within reasonable limits, ideally in relation to a peer group of companies.*

13

It is suggested to companies to structure individual remunerations for executive directors from the two components:

- *fixed remunerations – representing basic earnings based on the professional biography factors and experiences of the executive director, as well as remuneration practice in similar companies,*
- *variable part – related to the financial performance of the company and the executive's contribution to the results achieved.*

Article 6. *The Management Board of the company, in cooperation with the Commission for Benefits, should also define key indicators for evaluation of individual performance of members of the Executive Board and performance of the company, when determining the variable part of individual benefits of members of the Executive Board of the company, guided by financial and nonfinancial indicators, such as:*

- *achieved financial business results of the company,*
 - *the level of achievement of special business goals of the company,*
 - *efficiency of members of executive bodies in performing the vested activities,*
 - *quality of relations between members of executive bodies and other stakeholders in the company, such as employees, creditors, clients etc.*
-

Chapter 8
Supervision and Control Activities

Article 1. *Companies should consider supervision and control activities as a process to be carried out jointly, within their competences, by the Management Board and supervisory body of the company, taking care of:*

- *correct implementation of legal regulations, accuracy and completeness of accounting records, as well as preparation of reliable financial information in due time,*
- *respect of established procedures and proceedings for securing accurate and efficient business operations of the company,*
- *compliance with the established business policy at all levels of business operations of the company,*
- *preservation of integrity of company's assets,*
- *prevention and detection of criminal activities and errors in business operations of the company,*
- *securing a qualified and independent external audit of financial statements of the company,*
- *other issues stipulated by the law and company's by-laws.*

Companies should pay special attention to establishing mechanisms of supervision and control in the segments of:

- *protection from abuse of privileged information,*
- *prevention of market manipulation,*
- *approval of business operations when there is a conflict of interest, and*
- *struggle against corruption.*

Article 2. *For the purpose of efficient conduct of supervision and control activities, it is suggested that companies define and develop indicators whose purpose would be to point to persons competent for supervision activities in the company the need of examination of individual activities. Some of these indicators may encompass phenomena such as:*

- *conclusion of complex business arrangements without great practical purpose,*
- *high income realized from transactions concluded immediately before the end of the accounting period,*
- *insufficiently argued public communiqués projecting the future success and growth of the value of the company, i*
- *inconsistency and contradiction between reports by the management and financial statements of the company,*
- *close or absolute match between planned and realized business results,*
- *lack of or avoiding to submit details by competent persons regarding issues in financial statements,*
- *frequent differences in views between the management of the company and external auditors,*
- *unusual changes and deviations in the Balance Sheet and other financial statements,*
- *deviation from the accounting practice standards usual for the business activities of the company.*

Article 3. Companies may, and if obliged by the law must, select an individual (internal auditor) or collective supervisory body (Board of Auditors or Supervisory Board).

When opting for one of the possible forms and structures of the supervisory body, companies should be guided by their own needs and capabilities, taking into account that the form, size and structure of the supervisory body correspond with actual needs for efficient conducting of vested activities.

Article 4. Articles of Association or the Statute of the company should regulate in more detail issues related to election, dismissal, competences and method of regulation of mutual rights and obligations between the supervisory body and the company, and in particular:

- decision about the form of the supervisory body – an internal auditor or a supervisory board,
- method of election and dismissal of the supervisory body,
- number of members and structure of the collective supervisory body,
- additional criteria and conditions (besides the ones stipulated by the law) for election of the supervisory body,
- competences of the supervisory body,
- mutual rights and obligations between the supervisory body and the company.

Article 5. Companies are suggested to define additional criteria and conditions, besides the legal ones, for the election of members of supervisory bodies, primarily in terms of personal and professional qualities to be met by the candidates.

Article 6. For the purpose of establishing a high level of independence in decision making and work of the supervisory body, requirements for election of its members should also include:

- limitation of the number of successive mandates of persons to be elected,
- limitation of participation of these persons in supervisory, management or executive bodies of other companies,
- limitation of cross-membership in legal entities (overlapping of membership in the Management and Supervisory Boards).

Chapter 9 **Independent (External) Auditor of the Company**

Article 1. When regulating the issues referring to selection of an independent auditor and conduct of external audit of financial transactions of the company, companies should, with observance of legal rights and obligations, pay special attention to the issues of:

- securing active participation of the supervisory body and competent commission of the Management Board in the procedure of defining the proposal for the selection of an independent auditor of the company, and in determining the level of remuneration for his/her services,
 - regulation of relations between the company and external auditor,
 - securing independence in the work of the external auditor.
-

Article 2. *Decision on the selection of an independent auditor of the company shall be made by the General Meeting at the proposal of the Management Board.*

In the procedure of formulating the proposal for selection of external auditor of the company, the Management Board should also take into consideration the opinion of the supervisory body of the company regarding evaluation of qualifications, expertise, available resources, efficiency and independence of individual candidates for external auditor.

In the case of discrepancy with the opinion of the supervisory body regarding the proposed candidates, besides the proposal for selection of an independent auditor, the Management Board should specify the given opinion and argue the reasons for its disapproval thereto.

Article 3. *When selecting an independent auditor, companies must consider prior fulfillment of independence standards stipulated by the law.*

Prior to voting for the independent auditor the General Meeting of the company should be informed of all circumstances that are provoking or could provoke a conflict of interests between the proposed candidates and the company, or which in some other manner have an impact on independence of the candidate for an external auditor.

Article 4. *Companies should take care that the audit process unfolds in an independent and efficient manner, and for that purpose to companies are suggested measures and activities such as:*

- *organization of periodical meetings between auditors and independent members of the Management Board,*
- *entrusting supervisory bodies of the company (or the audit commission) with special assignments regarding relations with the auditor, rotation of employees in charge for direct communication with the independent auditor in the course of the audit procedure etc.*

Article 5. *The contract regulating relations between the company and independent auditor should contain provisions that stipulate obligations of the auditor:*

- *to inform the company, without delay, through the supervisory body of the company, of the existence of a reason for exclusion or bias that occur in the course of audit conduct and that cannot be immediately eliminated, to be present at the sessions of the General Meeting for the purpose of rendering additional information to shareholders with reference to the audit conducted and the opinion given,*
 - *in case that during the audit he/she identifies potential errors, abuse of the position or violence of the law and internal rules of the company, to immediately inform the corresponding competent body of the company thereto,*
 - *besides the report on audit to also prepare a special internal document intended for the Management Board of the company (“a letter to the Management Board”) that includes more important weaknesses noticed in the control procedures, and in accounting and operational procedures of the company, with a suggestion for their improvement.*
-

Chapter 10
Secretary of the Company

Article 1. *Companies should define the role of the Secretary of the Company in the sense of:*

- *providing legal and organizational support to the management bodies in performing their functions in compliance with the adopted management policy while observing regulatory requirements and internal corporate rules,*
- *development of policy and practice of corporate governance through: monitoring the alignment of business operations of the company with the adopted corporate governance policy, informing the Management Board of the noticed deficiencies with a proposal for their elimination, as well as the measure for revising the corporate governance policy of the company,*
- *protection of shareholders' rights by carrying out activities of: organizing the General Meeting, maintaining links between shareholders and the company, rendering assistance to shareholders in exercising their rights, as well as activities with reference to resolving potential conflicts between shareholders and the company,*
- *development of quality relations of the company with investors and other stakeholders in the company,*
- *providing a high level of openness and transparency of business operations of the company – by carrying out the activities of assistance and support to directly competent bodies and persons in performing their duties in due course and in giving full information to the public and competent bodies,*
- *establishing efficient internal communication between bodies and working bodies of the company.*

Articles of Association or the Statute of the company should define in detail individual competences of the Secretary of the Company, as well as the obligation of bodies and working bodies of the company to cooperate with the Secretary of the Company when conducting activities that refer to their scope of work.

Article 2. *When selecting and appointing the Secretary of the Company the Management Board of the company should be guided by personal and professional qualities of candidates, particularly taking in account that:*

- *the selected person has appropriate knowledge and working experience in the field of Corporate Law and Securities Law, as well as corresponding communication and organizational skills necessary for carrying out the activities of the Secretary of the Company, there are no circumstances that could have a critical impact on independence of the work of the Secretary of the Company.*

Mandate of the Secretary of the Company should not last longer than 5 (five) years, with the opportunity for re-election.

Companies are suggested that activities of the Secretary of the Company should be carried out by a person employed in the company.

Chapter 11
Company by-Laws

Article 1. *By adopting the appropriate number and structure of company by-laws, companies should establish such an internal regulatory environment that enables them:*

- *to regulate their organization and business operations (in the part that is not in an imperative manner defined by legal regulations) in compliance with their own needs and specificities of their business operations, as well as the best practice standards,*
- *to establish prerequisites for efficient functioning of the implementer of management, supervisory and business activities of the company through clear definition of their business activities, rights and obligations, and their accountability in that view, as well as rules and procedures they are obliged to observe while conducting their business operations,*
- *to eliminate or minimize the opportunity to fail to carry out activities of importance for business operations of the company, or to act contrary to interests of the company, for the reason of vague wording, discrepancy or absence of adequate rules and procedures.*

Article 2. *When defining competences of bodies for passing individual by-laws (except when it is in an imperative manner defined by the law), companies should be guided by the following rules and principles:*

- *by-laws that regulate the issues of structure, selection, competences, as well as rights, obligations and accountability of individual bodies or working bodies (e.g. commissions) should be passed by bodies competent for their selection, by-laws that regulate procedural issues (method of work) of individual bodies and other collective implementers of business activities should be under the jurisdiction of the very bodies to whose activities they refer, and when it is not the case, then with active participation of members of the bodies they refer to,*
- *when passing by-laws that directly or indirectly regulate the issues simultaneously encompassed by other acts, the procedure of by-laws passing must also include consideration of mutual harmony of their provisions, in order to avoid situations that regulate in a contradictory manner equal or close-related issues or business operations.*

If the by-laws of the company regulate issues that refer to the rights and position of shareholders, their passing, as well as amendments thereto, should be under the jurisdiction of the General Meeting.

Article 3. *Companies should pass by-laws respecting the principle of transparency and openness, and in that context:*

- *make it possible for all persons to whom the provisions of the given act refer to make their proposals, comments and suggestions on the proposed solutions in the course of the passing of the by-law,*
- *to make the passed by-laws available to the public by publishing them at least on the internet webpage of the company.*

Chapter 12
Extraordinary Legal Affairs

Article 1. Companies should define by their by-laws types of business operations and/or criteria for defining businesses of greater impact on business operations of the company, and as such representing extraordinary legal affairs that are subject to prior approval by the General Meeting.

Article 2. Company by-laws should also determine the minimum information on the proposed legal affairs that the Management Board is obliged to supply shareholders with during the procedure of decision making on giving approval for conclusion of such affairs, containing at least the following:

- data on the parties in legal affairs,
- subject and value of the legal affairs,
- data on possible other users of legal affairs,
- other conditions that determine legal affairs and their realization,
- detailed explanation of reasons for concluding legal affairs, particularly regarding the expected effects of their implementation.

Article 3. Annual reports of the company should contain information on extraordinary legal affairs concluded in the course of the reporting period, containing at least the following:

- review of all extraordinary legal affairs concluded during the year,
- key conditions of each one of the concluded legal affairs.

Chapter 13
**Preventing Conflict of Interest and
Infringement of Competition Ban**

Article 1. Companies should adopt and implement clear rules and procedures that secure identification of legal affairs where there is potential conflict of interest (hereinafter referred to as affairs related to conflict of interest), as well as criteria and conditions under which these affairs may be approved.

Article 2. Affairs related to conflict of interest are affairs concluded with the company by persons that in compliance with the law are considered to have personal interest in the company and its related parties (hereinafter jointly referred to as related parties).

Companies are suggested to expand by their by-laws the circle of persons who have personal interest in the company as defined by the law, by including:

- employees in the company who are in the position of managing individual organizational units of the company,
 - other persons who perform for the company business operations of special interest or with special competences.
-

Article 3. Companies should define the obligation of including in the annual report information on legal affairs concluded with related parties, containing at least the following:

- the list of legal affairs concluded by the company in the course of the reporting period,
- key elements of each one of the legal affairs (subject, price, conditions, timelines etc.),
- data on the body that has approved legal affairs with explanation of the reason for giving the approval.

Chapter 14 **Preventing and Solving Corporate Conflict**

Article 1. Companies should adopt clear rules and procedures for preventing and solving possible conflicts that may arise between shareholders and the company (corporate conflicts), or holders of individual functions in the company, whereby it is suggested to companies to incorporate them into by-laws regulating the issues of competence and working methods of individual bodies of the company.

Article 2. When determining bodies of the company competent for solving corporate conflicts, companies should be guided by the following rules:

- solving of specific corporate conflicts should be under the jurisdiction of the company's body under whose regular jurisdiction is decision making on issues that are the subject of the conflict,
- from decision making on a concrete corporate conflict should be excluded persons – members of the competent body on whose interest is having effect or may have effect the conflict in question,
- when decision making on a concrete corporate conflict is under jurisdiction of the Executive Board and the conflict is having effect or may have effect on interests of the General Manager of the company, decision making on the given conflict should be delegated to the Management Board.

Members of bodies competent for solving corporate conflicts should be obliged immediately upon getting aware of the effect that the corporate conflict has or may have on their individual interests to inform of it the chairman of the body, or to inform some other competent body of the company.

Article 3. When solving corporate conflicts in the company, they should strive to find a legal, compromising and rational solution that will satisfy interests of both parties in conflict. In this context it is suggested to the company to maintain during the procedure of conflict resolution active communication with the shareholder in conflict through direct negotiations and appropriate written correspondence.

Part 2.
TRANSPARENCY AND OPENNESS OF BUSINESS OPERATIONS

Chapter 1
Reporting Policy

Article 1. *Companies should adopt a clear, written and available to public reporting policy that defines principles, rules and procedures of reporting to shareholders, competent bodies and the public.*

A constituent part of the reporting policy should also be precise operational and control mechanisms that secure its efficient implementation through competent bodies and persons in the company.

Article 2. *The reporting policy should also include:*

- *criteria for defining confidential information,*
- *criteria for determining what information may have an impact on the price of securities of the company (identifying material information),*
- *rules of conduct for insiders when trading securities of the company and prevention of abuses of privileged information.*

Article 3. *The reporting policy of the company should be based on the following principles:*

- *observing regulations in force,*
- *regular and timely reporting on all information of material importance for investors' decision making,*
- *quick, simple and wide accessibility to information by using efficient means of communication with their beneficiaries,*
- *truthful, comprehensive, consistent and document-based information*

The reporting policy should determine an equal treatment of all potential beneficiaries of information and it should establish a ban on selective informing of individual persons or groups of beneficiaries.

Article 4. *When determining information that by its importance for the company represents confidential information (business secret), the company should, besides legal definitions of the character of confidential information, also be guided by the following principles:*

- *confidential information must not be of the kind to cause misinforming of the investor on legal and financial status of the company,*
- *when defining individual information as confidential there must be economic justifiability for its denying to the public, explained through potential negative business effects that its disclosure might have on the company.*

Principles established for determining confidentiality of information of the company should also be applied when using legal possibilities for applying to competent bodies for exemption from publishing individual information prescribed as key events.

CORPORATE GOVERNANCE CODE, Belgrade Stock Exchange

Article 5. *When determining material information companies should be guided by the rule that the material importance of information determines the circumstance whether by its content and character is such that it may have a critical impact on economic (investment) decision of investors, or price of securities.*

When determining material information companies should take into account different factors, such as:

- *previous market experiences in impact of uniform or similar information on the price of securities,*
- *reports by analysts and experts' opinion on impact of specific information on the price of securities,*
- *previous own experiences and experiences of other companies within the branch of economy in treating similar information,*
- *importance of concrete information with reference to factors such as the size of the company and development level of the company.*

Article 6. *For the purpose of establishing an efficient system of monitoring and protection from abuse of privileged information, the company should define in writing rules and operational procedures that secure:*

- *forming and regular revision and updating of the list of persons covered by the legal ban on the use of privileged information (company insiders) in compliance with the criteria stipulated by the law and company by-laws,*
- *regular reporting to competent bodies on insiders' trading of securities of the company,*
- *regular monitoring and supervision of implementation of adopted rules and procedures, detection of potential abuses of privileged information and taking appropriate measures for their elimination.*

Article 7. *Companies should particularly establish the circle of persons who have the status of insiders on the basis of business operations with special competences that they conduct in the company or for the company (more important insiders), and to put them under an obligation to make a special statement confirming that they are familiar with and will duly fulfill their obligations to timely inform the competent institutions and bodies of the company of all personal trading of securities issued by the company, and if they have cognizance also of transactions with them by related parties. This circle of persons should obligatorily include:*

- *members of the Management Board, executive directors and members of supervisory bodies of the company,*
- *Secretary of the Company*
- *members of commissions of the Management Board of the company,*
- *executive officers of special organizational units of the company to whom privileged information are available or may be available due to the nature of their work,*
- *persons who on other bases conduct for the company business operations with special competences (auditor, sponsor of the securities issue, portfolio manager, financial analyst etc.).*

Companies should secure regular informing of the public on trading with securities of the company by important insiders and parties related with them.

Chapter 2
Structure and Key Elements of Periodical Reports

Article 1. Companies should provide in the scope of financial statements and business reports, as well as other forms of periodical reporting, accessibility to the public of all material information, particularly in the domains of:

- financial and business results of the company,
- goals and development plans of the company,
- shareholders and ownership structure of the company,
- members of the Management Board, key executive officers, persons who conduct supervisory activities in the company,
- management structure of the company and adopted management policies,
- assessments of potential and predictable material risks,
- issues of material importance for other stakeholders in the company (e.g. employees, business partners, creditors, different state institutions and organizations of local selfgovernment etc.).

In the reports on business operations of the company should also be indicated the position of the company in the pertaining branch of industry, priority field of activities, as well as expected development trends.

Reports on business operations of companies should contain separate information on business activities of the company that deviate from core activities of the company.

Article 2. A constituent part of the annual report on business operations of the company should also be the “report of the management of the company” by which the Executive Board of the company is giving its qualitative opinion and analysis of the achieved results of the company in the period encompassed by the report, as well as its view of the future movements of business operations of the company. This report should present attitudes of the Executive Board on:

- important issues that have determined business operations of the company in the course of the reporting period,
- future development of business operations of the company and achievement of long-term values of the company,
- long-term and short-term prospects of the company,
- auditor’s report, and particularly on possible discrepancies with the auditor’s opinion.

In the case of disaccord of individual members of the Executive Board with attitudes set forth in the “report of the management of the company”, a constituent part of this report should also be their separate opinions on individual issues.

Article 3. Through their annual statements on financial transactions companies should render to information beneficiaries comprehensive, clear and understandable information, particularly on:

- main fields of operations of the company,
 - results of financial and business activities of the company, as well as key factors that have an impact on revenues of the company,
 - financial and economic data and indicators,
-

- *market capitalization and liquidity, as well as liabilities of the company under the issued securities,*
- *structure of the capital and working capital of the company,*
- *structure and value of fixed assets,*
- *relations with companies related by capital, with data on potential mutual transactions and financial conditions under which they were concluded, as well as basic data and individual financial statements of companies being the subject of consolidation.*

Article 4. *Reporting to the public should also include annual and periodical information on future business plans and long-term goals of the company, such as:*

- *plans related to issuance of securities,*
- *long-term investment plans,*
- *planned development, production and other programs,*
- *modifications of and amendments to business operations of the company,*
- *long-term sources of funds,*
- *planned modernization of business operations and expected larger procurements etc.*

Article 5. *Companies should continuously make available to the public data on shareholders and ownership structure of the company that have an impact on decision making and management of the company, and their review shall also be given in the scope of periodical reports on business operations. These data shall particularly include:*

- *data on shareholders who directly or indirectly (through related parties) make more than 5% of the total voting rights in the company,*
- *data on all changes in direct or indirect participation in the total voting rights of the company as compared to percentage thresholds of share capital established according to the regulations in force,*
- *data on the number of own shares of the company, information on existence and type of constraint of individual voting rights,*
- *information on concluded agreements of voting,*
- *data on actual owners of shares for all shareholders who directly or indirectly make more than 5% of the total voting rights in the company.*

Article 6. *Companies should make available to the public data on the management structure of the company and management policy of the company, whereby it is secured for interested persons an insight into:*

- *data on members of the Management Board, executive officers and persons performing activities of supervision and control in the company,*
- *division of competences among the General Meeting, Management Board and Executive Board of the company,*
- *the method of organizing and functioning of the internal supervision and control systems in the company,*
- *main characteristics of the corporate governance policy in the company and efficiency of its implementation in the business practice of the company.*

Public availability of data on members of the Management Board, executive officers and persons performing activities of supervision and control in the company should encompass information on remunerations of these persons, including:

- *main characteristics of the remuneration policy,*
- *operatioanalization and concretization of the remuneration policy,*
- *data on special financial and nonfinancial rights and benefits accomplished by these persons.*

Data on special financial and nonfinancial rights and benefits accomplished by holders of functions of management, leadership and supervision in the company should be outlined as a special part of the annual report on business operations of the company, with concrete review of individual benefits.

Chapter 3 **Reports on Key Events**

Article 1. *Companies should provide through reports on key events timely informing of the public on all material information not generally known, and with reference to this establish internal operational procedures which will secure that relevant information is publicly available as soon as possible.*

Article 2. *Reports on key events, besides compulsory information defined by imperative regulations, should particularly include information on:*

- *change of data on shareholders and ownership structure of the company that have an impact on management of the company, as set forth in detail in Article 5, Second Part, Chapter 2 of the present Code,*
- *decisions made on acquisition of own shares of the company, as well as data on acquired or alienated own shares of the company,*
- *approval of legal affairs related to conflict of interest with an explanation of the reason and main characteristics of the affairs,*
- *approved deviations from the clause on the competition ban, with an explanation of the reason for approval,*
- *data on exercised rights of non-agreeing shareholders, changes of business operations of the company, and particularly on termination or change of preponderant business operations of the company,*
- *status changes in the company (division, merging, annexation),*
- *decisions on joint investments and important investments,*
- *conclusion or cancellation of more important contracts,*
- *more important changes in investment policy of the company,*
- *more important changes in management structure of the company, with special explanation of the cause, if the changes occurred due to extraordinary circumstances in business operations of the issuer, more important changes in the structure of capital and assets of the company,*
- *new credits and other borrowings of the company (including guarantees issued for debt securities) that may have a critical impact on the objective assessment of bearing and financial position of the company,*

- *acquisition and alienation of shares of the company by persons who perform in the company or for the company business operations with special competences in terms of Article 7, Second Part, Chapter 1 of the present Code,*
- *percentage of participation and changes in the percentage of participation in the capital of the company related to members of the Management and Executive Boards of the company, members of internal supervisory bodies of the company, members of the Management Board commissions of the company and heads of individual organizational units of the company,*
- *more important changes in financial transactions of the company,*
- *initiation of bankruptcy or liquidation proceedings.*

Chapter 4 **Distribution of Information**

Article 1. *Companies should provide conditions for fast, equal and efficient distribution of information to the public and in that context particularly:*

- *develop their own internet webpage and structure it in a manner that enables potential users to have a clear review of published information, as well as simple finding and access to concrete data,*
- *define and consistently conduct operational procedures that make possible publishing of information on the internet webpage of the company as soon as possible upon their occurrence,*
- *to provide for a bilingual (Serbian-English) availability of all published information with a minimum time difference in publishing of the two versions of information.*

Article 2. *Companies should publish on their internet web pages, in separate segments, at least:*

- *all by-laws and prospectus of the company,*
- *annual and periodical reports on business operations and financial statements adopted by competent bodies, with the auditor's opinion,*
- *data on members of the Management and Executive Boards, as well as members of supervisory bodies of the company,*
- *reports on key events, with specially separated segment containing information on trading of securities of the company by persons with special competences in the company.*

CODE IMPLEMENTATION

Article 1. *It is recommended that all companies willing to improve their organization and business operations in conformity with the corporate governance good practice rules apply the Code.*

For companies whose securities are admitted to some of the markets of the Stock Exchange, the obligation of the Code implementation is generated in the case they voluntarily in written inform the Stock Exchange that they accept its application.

Article 2. *The implementation of the Code implies the following obligations for the companies:*

- *to harmonize its organization and business operations with the recommendations of the Code within two months from the day of acceptance of its implementation,*
- *to report at least once a year on the corporate governance including information on implementation of the Code recommendations or provide explanations for noncompliance (the rule „comply or explain“),*
- *at request of the Stock Exchange, to submit to the Stock Exchange additional information and reports concerning implementation of the Code provisions.*

Article 3. *The Stock Exchange will monitor the implementation of the Code, and in reference to it determine and publicly (on its web site) publish criteria for evaluation of the level of compliancy of the business operations of the companies with the Code recommendations.*

Monitoring of the Code implementation is performed by the technical and professional services of the Stock Exchange through reviews and analysis of the following:

- *structure, contents, timelines and comprehensiveness of the information rendered public by the companies in conformity with current regulations and Code recommendations;*
- *written reports and information on the implementation of the Code submitted to the Stock Exchange by the companies at its request;*
- *noticed shortages in the Code implementation.*

The technical and professional services shall inform the Managing Board of the Stock Exchange on the monitoring of the Code implementation.

Article 4. *The Managing Board of the Stock Exchange reviews results of activities performed by the technical and professional services of the Stock Exchange regarding the monitoring of the Code implementation and adopts a report on the Code implementation that besides the overall evaluation of the quality of the Code implementation, shall contain as follows:*

- *a review of the companies that achieved the highest level of compliancy of their business operations with the Code provisions;*
- *information regarding significant non-compliances with the Code application.*

Article 5

The Stock Exchange shall disclose publicly the overall reports referred to in the previous Para of the Code on its web site, while the information on the companies with the highest compliancy level achieved will be presented in the Official Gazette of the Stock Exchange.
