

TIGAR

BOARD OF DIRECTORS

**Proposal of
The Remuneration and Reward Policy
for the Supervisory Board and Committees of
the Supervisory Board of JSC Tigar**

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Key words: SUPERVISORY BOARD, COMMITTEES, REMUNERATION, RECOMMENDATION	Document reference	
	NO/KM.01.12	
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1. Introduction

Objective

This Remuneration and Reward Policy, which applies to the Supervisory Board and the committees of the Supervisory Board, is a continuation of the previous remuneration and reward policy of JSC Tigar Piro (hereafter: Tigar), except that it has been adjusted to the new organization of corporate management, that is, the bicameral management model selected by Tigar when it aligned with the Companies Law.

The Remuneration and Reward Policy is based on applicable legislation and recommendations of domestic and international good practices for corporate management. Its purpose is to motivate the Supervisory Board (SB) to actively and responsibly perform its functions, with the ultimate goal of successfully discharging its duties.

Remuneration Policy Framework

The Remuneration and Reward Policy set out below has been designed based on applicable legislation, and domestic and international best practices. The sources for the Policy include, above all:

- The Companies Law;
- The Corporate Governance Code;
- The OECD Principles of Corporate Governance (2004);
- Recommendations of the EU Commission on public company director's remuneration (14 December 2004);
- Recommendation on the role of non-executive or supervisory directors of public companies and on the committees of the board of directors or supervisory board (15 February 2005);
- Report on the application by Member States of the EU of the Commission Recommendation on directors' remuneration (13 July 2007);

- Report on the application by the Member States of the EU of the Commission Recommendation on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (13 July 2007).

2. Remuneration of the Supervisory Board

The goal of this Remuneration and Reward Policy is to motivate members of the Supervisory Board (SB) to discharge their duties actively and responsibly. The Policy will be considered effective if it improves SB performance and makes SB membership attractive to the best candidates that the Company needs. This is the basic goal of the Policy; the financial standing of the Company was also taken into consideration in the development of the Policy.

For this reason, SB remuneration shall be composed of fixed and variable components. The variable component is dependent on the responsibilities and duties of SB members, and not directly on the profitability of JSC Tigar. This is in line with internationally-recommended best practices and the Corporate Governance Code. The Corporate Governance Code sets forth that variable components should allow for the alignment of SB member interests with long-term interests of the Company and its shareholders. However, it continues to explicitly explain that SB members cannot be deemed independent if they receive remuneration which depends on the Company's performance (e.g. in the form of shares, warrants, convertible or participating bonds, profit-sharing, and the like).

It is, therefore, recommended that the structure of SB remuneration be comprised of four elements:

- Fixed remuneration for SB membership;
- Supplemental remuneration for special duties and tasks;
- Variable remuneration for preparation for and participation in meetings; and
- Compensation for expenses incurred in connection with service on the SB.

The SB remuneration package shall not include any rewards in the form of shares, warrants, convertible or participating bonds, profit-sharing, or similar instruments. This is in line with domestic and international best practices and the responsibilities of the SB. SB remuneration must be separate from the remuneration applicable to the Executive Committee and other executives of Tigar, to prevent a potential conflict of interest.

Such an approach is an additional guarantee of SB independence and of the prevention of any conflicts of interests.

All remuneration expenses shall be charged to corporate operating expenses, not corporate profits.

2.1. Fixed remuneration for service on the Supervisory Board

Fixed remuneration for service on the SB shall be based on the practices of similar companies which operate in the region and on other circumstances, including:

- The duties of the members;
- The expected qualifications and activity of the members;
- The size and complexity of the Company;
- The financial standing of the Company;
- The economic environment in which the Company operates;
- An assessment of the performance to date of individual members and of the SB as a whole; and
- Opinions of professional organizations.

The fixed remuneration for service on the SB shall be paid to each SB member on a monthly basis. This remuneration shall be equivalent to 1.3 of the average salary earned at Tigar for the previous month, excluding Tigar's entities operating abroad.

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2.2. Supplemental remuneration for special duties and tasks

According to the JSC Tigar Articles of Association, special duties and tasks of SB members are limited to the function of the Chairperson of the SB.

This individual bears the greatest burden for the preparation and organization of SB activities and has a major influence on the quality of performance of this body.

Supplemental remuneration for SB chairpersonship shall be payable to the Chairperson along with fixed remuneration, on a monthly basis. This supplemental remuneration shall be equivalent to 0.65 of the average salary earned at Tigar for the previous month, excluding Tigar’s entities operating abroad.

2.3. Variable remuneration for preparation for and participation in meetings

The purpose of variable remuneration is to establish a correlation between the activity of a member and his or her remuneration. Variable remuneration is related to the preparation for and active participation in SB meetings. It represents remuneration for the time and effort spent by the SB member in performing his or her respective function.

The remuneration for the preparation for and participation in SB meetings by an SB member shall be equivalent to two average salaries earned at Tigar for the previous month, excluding Tigar’s entities operating abroad.

The remuneration for the preparation for and participation in SB meetings by the Chairperson of the SB shall be equivalent to three average salaries earned at Tigar for the previous month, excluding Tigar’s entities operating abroad. If any other member assumes chairpersonship at a particular SB meeting, that member shall be entitled to receive the remuneration which is applicable to the Chairperson.

The variable remuneration for the preparation for and participation in SB meetings shall be payable to members who have studied documents pertaining to the respective SB meeting and who have attended and actively and creatively participated in the meeting. Members who do not attend a meeting for any reason are not entitled to this variable remuneration. If an SB member attends a meeting, but has not prepared for the meeting or is not actively and creatively participating in the meeting, the SB may deny him or her the right to the variable remuneration, upon the recommendation of the SB Chairperson.

If any meeting of the SB is held by teleconferencing or any other technical means, the remuneration for such a meeting shall be equivalent to 80% of the remuneration payable for the preparation for and participation in meetings. If any member of the SB participates in a meeting of the SB by teleconferencing means because he or she is prevented from physically attending the SB meeting due to urgency or geographical distance, the remuneration for such a meeting due to that member shall be 100%, under a decision to that effect issued by the SB on the recommendation of its Chairperson.

Variable remuneration shall be paid no later than one month following the date of the respective SB meeting.

2.4. Compensation for expenses

SB members shall be entitled to compensation for any unavoidable expenses incurred in connection with their participation in SB activities (travel and accommodation expenses, and the like).

SB members shall also be entitled to compensation for professional organization membership fees and education/training costs, based on a prior decision to that effect taken by the SB.

2.5. Further development of the Remuneration and Reward Policy

The next stage in the development of the SB Remuneration and Reward Policy shall be the evaluation of the performance of the SB and its individual members, applying special criteria as and when introduced by the SB.

3. Remuneration for Service on Supervisory Board Committees

Remuneration for service on a committee shall be payable to all members of mandatory and non-mandatory committees set up by the SB pursuant to the Companies Law.

Committee members shall be assigned tasks and responsibilities within the scope of their respective membership and, as such, shall be entitled to supplemental remuneration.

The remuneration for service on an SB committee shall be payable to each committee member, and shall be based on the task(s) and activity(ies) of the committee and of the respective member. Committee members shall prepare materials and proposals for the SB, but shall not take decisions or have responsibilities comparable to those of SB members.

As such, the remuneration for service on committees shall be payable only for attendance and active participation in committee meetings. This remuneration shall be equivalent to 1.5 of the average salary earned at Tigar for the previous month, excluding Tigar's entities operating abroad, for each committee meeting.

The remuneration payable to the committee chairperson shall be equivalent to two average salaries earned at Tigar for the previous month, excluding Tigar's entities operating abroad, for each committee meeting.

All committee members who attend committee meetings are entitled to this remuneration, irrespective of whether they are also members of the SB.

If a committee member is an external, independent expert, who has been assigned extraordinary additional tasks, such member may be under a separate contract for such tasks and may be entitled to separate compensation.