

**CORPORATE GOVERNANCE CODE
FOR COMPANIES LISTED ON
THE MACEDONIAN STOCK EXCHANGE**

The Corporate Governance Code is a mutual project of the Macedonian Stock Exchange (MSE), Securities and Exchange Commission (SEC), with support from experts of the European Bank for Reconstruction and Development (EBRD)

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Dear readers,

It is with great pleasure that we present the new Code for corporate governance of joint stock companies listed on Macedonian Stock Exchange. The implementation of this important project not only replaces the current code adopted years ago, but also through the changes made to the MSE Listing Rules, redefines and increases the scope of listed companies to which it refers. The new Code reflects international best practices in corporate governance and will serve as a roadmap for listed companies to build a good corporate reputation and sustainable long-term development.

The Code, although formally a document adopted by the MSE, is a strategic anchor for our entire securities market. Hence, its adoption was a joint project of the MSE and the Securities and Exchange Commission of the Republic of North Macedonia, with great support from the European Bank for Reconstruction and Development and the outstanding foreign and local consultants who were engaged through it. At the same time, the Code was the subject of a comprehensive public debate that brought a constructive discussion with the listed companies for whose proposals and suggestions we are very grateful.

The implementation of the principles of good corporate governance is a significant step forward for each listed company, bigger than the usual implementation of the legislation and the rules of the MSE, especially if we have in mind the genesis of the stock exchange listing on the Macedonian securities market. Due to this, the MSE always emphasizes the continuous need for good corporate governance practices to listed companies and points to the indisputable benefit that companies would have from greater transparency in their operations, proper balance in the relations and positions of management and supervisory bodies, by overcoming the information asymmetry between the dominant owner in the company and other shareholders and investors, to establish mechanisms for identifying and managing risks and care for the environment and social issues. The adoption of this Code and its future implementation by the listed joint stock companies is aimed at fulfilling these important goals. This new road will not be easy and fast either, but we have to go through all the challenging curves together!

We hope that the adoption of the Code will be met with a positive response from both issuers and investors. We want the listed companies to identify the right values, behaviours, professional experiences and knowledge that will contribute to better and more successful management of their business and at the same time build relationships of trust and care for the interests of shareholders, stakeholders and the wider community. Investors will recognize the good corporate governance and the benefits of that will be valuable for our securities market and for the society as a whole.



Ivan Shteriev
CEO
Macedonian Stock Exchange

Dear readers,

With the Corporate Governance Code, we, the Securities and Exchange Commission and the Macedonian Stock Exchange, with the support of the EBRD, have demonstrated an unwavering commitment for promoting good corporate governance and strengthening the public confidence in institutions and stakeholders in the securities market. Trust is the essence of the market and this is perhaps most accurately reflected in the proverb that says - "trust comes by foot, but leaves on horse".

From market perspective, the Corporate Governance Code is a mechanism for its further development by promoting the principles of business transparency and raising the level of protection of shareholders with new, more flexible systems for efficient management of companies.

We have established a system for implementing a balanced combination of law and this Code, in a way that covers all important issues of corporate governance. This balance of "soft" norms that complement the legal norms provides a balance between stimulating growth and providing an appropriate level of protection for investors.

The articles and principles that are part of the Code will very soon be accepted as norms and standards, naturally binding of the listed companies, to the extent that they should not be overwhelmed by the repressive measures provided by law, but will rule as regulatory changes that create best practice, which is in function of the growth and development of the companies.



Mr.Sc. Nora Aliti

President

Securities and Exchange Commission of the Republic of North
Macedonia

INTRODUCTION

The purpose of the Code

The purpose of the Code is to promote effective governance and accountability in listed companies.

It is addressed to companies whose shares are listed on the Official market of the Macedonian Stock Exchange that meet the criteria in the article 42-a of the Listing Rule. These companies will be required to report annually whether they have followed the practices in the Code. These criteria relate to their market capitalisation, liquidity, free float and the number of shareholders that they have.

All other listed companies that do not meet the criteria are encouraged voluntarily to implement this Code on the manner stipulated in the Listing rules.

The Code reflects changes in national law and developments in corporate governance practice that have been made since the previous edition of the Code was published in 2006. It sets out expected standards that are comparable with those in other European countries with capital markets of a similar size and structure.

As is the case in those countries, the Code applies an approach known as 'comply or explain'. It is not mandatory for companies to meet the standards set out in the Code. Where there are good reasons for a company not to apply a particular standard – for example, if it is not suitable because of the company's size or structure – they are free to deviate from the Code. However, in those cases they are required to explain to their shareholders why they have made that decision.

The 'comply or explain' approach gives companies some flexibility to decide which practices to adopt in order to ensure the effectiveness of their governance, and the time period over which any changes to their existing practices will be made.

The value of effective governance

The purpose of effective governance is to increase the likelihood that companies will be successful over the long term. Effective governance can improve a company's performance in a number of ways.

Ensuring members of the Supervisory and Management Board have the necessary skills, experience and objectivity to do their jobs well can improve both how the company develops its strategy and how it oversees its operations.

Strong control systems can help the company to avoid unnecessary risks and increase the reliability of the information used by the boards and shareholders when taking decisions.

By being transparent about its policies and performance, insisting on ethical behaviour at all levels of the company and considering the environmental and social impacts of its activities, the company will be more likely to earn the trust of its stakeholders. Without that trust it will be more difficult for the company to remain successful.

Higher standards of corporate governance benefit not just individual companies but the Macedonian economy as a whole, by creating jobs and reassuring domestic and foreign investors that they can invest with confidence in the Macedonian capital markets.

For both of these reasons, the MSE encourages all listed companies to see the principles and practices in the Code as an opportunity to improve their long-term performance and to demonstrate to investors and other stakeholders that they are a company that can be trusted.

The structure of the Code

The Code is divided into seven main sections, each of which address a different aspect of companies' governance arrangement. They cover: shareholder rights and relations; the Supervisory Board; the Management Board; conflicts of interest; risk and control; stakeholders, sustainability and social issues; and transparency and disclosure.

These sections are further divided into the Purpose, Principles, Provisions.

- The Purpose describes why the matters covered in the section are important for effective governance. They are included only to provide the context for the Principles and Provisions, and there is no requirement for companies to act or report on them.
- The Principles describe the objectives that the companies should aim to achieve. Companies should make sure that their governance arrangements meet these objectives.
- The Provisions specify practices that, if followed, enable companies to meet the objectives set out in the Principles. Companies should either comply with the provision of the Code or explain why they have not done so (see paragraph x below).

In addition, some sections include Recommendations. These identify additional good practices which companies are encouraged to consider adopting on a voluntary basis. There is no requirement for companies to report on whether or not they have done so.

Explaining non-compliance

The MSE Code follows the 'comply or explain' approach. This approach is intended to give companies some flexibility as regards adopting the good practices set out in the Code.

While the MSE considers that these practices are appropriate for most listed companies, it recognises that there may be circumstances where one or more of the practices is not suitable, for example because the company has limited resources or is undergoing significant changes. In such cases, companies can choose not to comply with a Provision of the Code.

If a company does not comply with a Code Provision, it must:

- explain in what way the company does not comply with the Code Provision and the reasons why, with reference to the company's specific circumstances;
- describe the actions it has taken instead of complying with a Code Provision to make sure it meets the objective set out in the relevant Code Principle; and
- if the company intends to comply with the Code Provision in the future, specify when it expects to start doing so.

Reporting on the Code

Those listed companies that are required by the Listing Rules to 'comply or explain' with this Code must prepare an annual statement, the contents of which are specified in the Listing Rules.

Additionally, these companies will be required to complete two questionnaires which are prescribe in the Appendix C of this Code, one containing all of the 'comply or explain' provisions in the Code and the other identifying all the pieces of information that the Code asks companies to disclose. The companies are required to publish the questionnaires on its web sites and through SEI-Net application, within the timeframe prescribe in the Listing rules for publishing annual report.

The Management Board is responsible for overseeing the completion of the company's annual statement, including making sure that clear explanations are given for any cases of non-compliance with the Code.

Interaction with the law and the Listing Rules of the Macedonian Stock Exchange

Some provisions of the Code overlap with mandatory legal provisions (in particular, some parts of the Law on Trade Companies) or the Macedonian Stock Exchange's Listing Rules. In most of these cases, the provisions in the Code are either more detailed or set higher standards than the relevant mandatory requirements. Therefore, compliance with the law or listing rules, while necessary, may not on its own be sufficient to comply with these Code provisions. Likewise, complying with the Code does not remove the requirement on companies to comply with the law or listing rules.

How the Code should be applied for one-tier board structures

The Code has been written to be applied by companies with two-tier board structures – that is, a Supervisory Board and Management Board. Appendix B contains a small number of provisions that are specifically addressed to companies with a single board of directors, and which take the place of the equivalent provisions for two-tier boards. The Appendix also contains guidance on how companies with a single board of directors should interpret the Code's other provisions.

SECTION 1: SHAREHOLDER RIGHTS AND RELATIONS

Purpose

Supervisory and Management Board members have a legal duty to act in the best interests of the Company and all shareholders. It is therefore important to ensure that the rights of all shareholders are respected, whatever the size of their shareholding, and that they all have the ability to express their views and vote at the Shareholders' General Meeting and the opportunity to participate in discussion with the company.

Principles, Provisions and Recommendations

Shareholders' rights

The Company shall recognize and respect all legally guaranteed shareholders' rights and establish efficient mechanisms for the protection of shareholders' rights in their internal acts. All shareholders holding shares of the same type and class shall be treated equal treatment under equal conditions.

- 1.1 The Company shall maintain on its website a separate section describing the rights attached to each class and type of shares, the Company's Statute and any other internal acts that regulate shareholders' rights.
- 1.2 If the Company has issued shares which do not carry the right to vote or shares whose voting rights are limited, it shall promptly publish on its website all relevant information about the content of all rights arising from such shares.
- 1.3 The Company shall, by its Statute or other internal acts, prescribe a procedure in which the acts and other documents of the Company that each shareholder is entitled to examine in accordance with the Law shall be stipulated, identifying the manner of exercising this right. Where the Company restricts access to requested documents in order to preserve the confidentiality of its operations or business interests, the reason shall be explained to the shareholder making the request.

The General Meeting of Shareholders

Each Shareholder shall be entitled to participate and vote in the General Meeting of Shareholders, either in person or by proxy. The Company shall not impose any requirements and conditions for participating and voting in the Meeting except for those set by law.

- 1.4 The Company shall publish on its website the necessary information about the date, venue and agenda of Shareholders' General Meeting and any other materials related to the Meeting in accordance with the requirement of the law and Listing Rules.
- 1.5 All resolutions for shareholder approval shall be accompanied by an explanation of the reasons why the Company has proposed the resolution.
- 1.6 The Company shall hold the General Meeting at the time and place which keeps to a minimum the costs and difficulties to which its shareholders would be exposed in order to attend.

- 1.7 The Company shall disclose whether shareholders have the ability to vote by means of communication technology and by correspondence, or to participate in the meeting by electronic means rather than in person, and if so provide details of how this can be done.
- 1.8 The Company shall provide shareholders with the option to vote by proxy. The Company shall publish the procedure for voting by proxy on its website, including the form of authorization and information on granted authorization, both in written and electronic formats, the address to which authorizations shall be sent and the deadline for submitting authorizations and information on granted authorization. The Company shall not impose any requirements and conditions for granting the authorization and voting by proxy save for those set by law.
- 1.9 The Company shall, in its internal acts, regulate the manner of proposing agenda items, asking questions and proposing resolutions by Shareholders in accordance with legal requirements. The Company shall publish these acts on its website.
- 1.10 The Company shall allow its Shareholders to submit questions on each agenda item prior to the General Meeting. Where possible, these questions should be answered at the General Meeting.
- 1.11 During the General Meeting, the Company shall allocate appropriate time for Shareholders to ask questions. The Company shall ensure the presence of members of the Supervisory and Management Board, including the Chairs of both Boards, and the external certified auditor in order to answer questions.
- 1.12 The decisions taken at the meeting and the answers to questions raised at or before the meeting shall be published on the Company's website and remain available for at least five years.

Recommendations

If the Company has foreign shareholders, it should consider providing all information relating to the General Meeting in English. If the Company considers it appropriate, it may provide this information in other languages as well.

The Company should consider publishing the complete minutes of the General Meeting on its website for the benefit of shareholders who were not present at the meeting.

Communication with Shareholders

The Supervisory and Management Boards shall ensure that all shareholders and potential investors have the opportunity to communicate with the Company throughout the year and not just at the Shareholders' General Meeting.

- 1.13 Companies shall use communication technologies such as websites, emails, teleconferencing and video conferencing as a way of easier communication with their shareholders.
- 1.14 As well as the Shareholders' General Meeting, the Company shall organize additional events to inform existing and potential investors about its performance, especially when there is a need for further explanation of Company's results presented in Company's semi-annual and annual reports.
- 1.15 The Company shall appoint a person who is responsible for ensuring a timely and adequate response to questions or provision of information to shareholders and investors,

and ensure that there is a procedure for escalating these questions to the Supervisory and Management Boards where appropriate. The person's name, e-mail address and telephone number shall be published on the Company's website.

SECTION 2: THE SUPERVISORY BOARD

Purpose

As well as appointing and overseeing the work of the Management Board, the Supervisory Board can be a source of guidance and advice. Supervisory Board members may often have specific knowledge and experience that the Management Board does not, and they can bring expertise and objective insight to discussions on the company's strategic direction. By doing so it can help to ensure that both Boards are meeting their duty to act in the best interests of the Company.

In turn, the Supervisory Board should be willing to provide the Management Board with all the support

it needs, while not interfering in the day-to-day operational management of the company.

In order to carry out this role, it is important that the Supervisory Board has the necessary knowledge, skills, experience and support, and that some members are independent of management and major shareholders.

Principles, Provisions and Recommendations

Supervisory Board's Tasks and relations with the Management Board

The Supervisory Board shall ensure the Company's oversight and strategic guidance throughout the business year and conduct supervision over the Company's management body. It shall act in the interests of the Company and also take account of the interests of all shareholders and other stakeholders.

The Supervisory Board shall have continuous communication and cooperation with the Management Board in the best interests of the Company and in accordance with the legislation and Company's internal acts.

- 2.1 The Company's internal acts shall set out clearly the authorities and responsibilities of the Supervisory and Management Boards, in accordance with legal requirements, and the arrangements by which the two boards cooperate. The internal acts shall be made freely available on the company's website.
- 2.2 The Company's Statute and internal acts shall specify which decisions by the Management Board shall require the Supervisory Board's prior approval, and which require consultation with the Supervisory Board. Major decisions concerning the company's strategy or expenditure, and decisions that may increase the company's risk exposure or significantly affect its shareholders or stakeholders, shall require the Supervisory Board's prior approval.
- 2.3 The Supervisory Board shall invite Management Board members to attend Supervisory Board meetings unless their presence could affect the ability of the Supervisory Board to exercise independent decision-making. Management Board members shall not be present when the Supervisory Board discusses their performance and remuneration.

Recommendation

In addition to the specific tasks set out in law and elsewhere in this Code, the Supervisory Board's responsibilities should normally include: approving the strategy, business plan and budget; approving and monitoring the implementation of the Company's main policies; and monitoring and evaluating the performance of the Management Board.

Operation of the Supervisory Board

The Supervisory Board shall act with due care and diligence. Supervisory Board Members shall devote sufficient time to the work of this body in order to be able to fulfil their duties in the Company.

- 2.4 The Supervisory Board shall adopt its rules of operation (Rules of Procedure) that regulate at least the following:
 - a. the manner of convening meetings of the Supervisory Board and submission of materials to its members;
 - b. the manner of voting and decision-making;
 - c. the timetable of Supervisory Board's meetings;
 - d. the role and powers of the Supervisory Board Chair, Board Committees and the Corporate Secretary; and
 - e. detailed criteria for identifying and resolving conflicts of interest between Supervisory Board Members and the Company.
- 2.5 The Supervisory Board shall hold meetings at least four times a year in accordance with the law. The Annual Report shall specify how many meetings were held and how many each Board Member attended.
- 2.6 In order to ensure they can dedicate sufficient time to their duties, the number of days that each Supervisory Board member is expected to be available shall be specified before they are appointed. Details of all other board positions shall be disclosed when the board member is proposed for election at the General Meeting.

Supervisory Board Chair

The Supervisory Board shall have a Chair who will be responsible for ensuring that it functions properly. The Chair may not independently make decisions on behalf of the Supervisory Board.

- 2.7 The Supervisory Board shall elect its Chair by a simple majority vote. The Chair shall be chosen for their knowledge, experience, skills and ability for organization, management and mediation.
- 2.8 The Supervisory Board Chair may not have been a member of the Management Board of the Company for at least two years before their appointment. If the Supervisory Board Chair is not classified as independent, one of the independent Board members shall be appointed as Deputy Chair.
- 2.9 The duties and responsibilities of the Supervisory Board Chair shall be defined in its Rules of Procedure and shall include as a minimum:
 - a. overseeing the work of the Supervisory Board and its committees;
 - b. determining the agenda of the Supervisory Board meetings, convening and chair such meetings;
 - c. ensuring the provision of complete and timely information to the Supervisory Board Members so that they have enough time to prepare and make appropriate decisions;

- d. making sure that Supervisory Board members have sufficient time for discussion at their meetings before making any decisions;
- e. ensuring the proper compilation of the Minutes of Supervisory Board's meetings held;
- f. initiating the procedure for evaluating the work of the Supervisory Board; and
- g. other duties as specified in the law.

Composition of the Supervisory Board

The Members of the Supervisory Board collectively shall have the necessary level of professional knowledge, experience and range of skills to enable it carry out effective decision-making and supervision, taking account of the company's size and other specific characteristics. The Board's composition shall also take into account diversity and inclusion in terms of gender, age, education, ethnicity and other personal characteristics of the Members.

- 2.10 The Supervisory Board shall be composed of an adequate number of members to ensure that both the Board and its committees will have sufficient resources to carry out their assigned functions effectively.
- 2.11 The Supervisory Board or Selection and Appointment Committee, if a committee has been established, shall at least annually review the composition of the Board and its committees regarding the knowledge, qualifications, skills and experience that Members individually and collectively shall possess for the successful exercise of their functions (known as the 'board profile'). The board profile shall be published on the Company's website.
- 2.12 An independent member shall be deemed a person who meets the criteria specified in law and in addition:
 - a. has been a member of the Supervisory Board for less than 12 years;
 - b. is not a member of the [immediate family of a person] who in the last five years, has been CEO or member of the Company's Management Board;
 - c. is not affiliated with a company that provides consulting services to the Company or its affiliated companies;
 - d. is not a significant customer or supplier of the Company or its affiliated company and is not a person affiliated with a significant customer or supplier of the Company or its affiliated companies;
 - e. is not a board member of a non-profit organization which has received significant funding from the Company or its affiliated companies; or
 - f. in the last five years, has not been a partner or employee of an auditing company that conducted an audit of the Company or its affiliated companies.
- 2.13 The Company shall take action to ensure that it has at least 30% female members of the Supervisory and Management Boards by 2025. The Annual Report shall include a summary of the actions taken to meet this target.

Recommendations

In order to ensure that Supervisory Board has sufficient expertise and independence, it is recommended that at least one-third of the members shall be independent members whose skills and experience match those identified in the board profile.

The Company should consider whether the Supervisory Board would benefit from having one or more members with expertise in relevant environmental or social issues.

Procedure for Selection of Candidates as Supervisory Board Members

The procedure for selection and appointment of candidates as Supervisory Board Members shall be transparent and based on clear and relevant criteria.

- 2.14 When identifying potential Supervisory Board members, consideration shall be given to the following criteria in addition to those specified in law:
 - a. possession of personal integrity and ethics;
 - b. professional experience and knowledge relevant to the activity of the Company and its function; and
 - c. the ability and available capacity to participate actively and constructively in the Supervisory Board's discussions and decision-making.
- 2.15 The Selection and Appointment Committee, or the Supervisory Board if no committee has been established, shall make sure that the candidate meets the required conditions and check the candidate's compliance with the criteria laid down in law, the Company's internal acts and the board profile.
- 2.16 In order to enable the Shareholders' General Meeting to make the right choice, Shareholders shall be supplied with the following relevant information on the candidates proposed as Supervisory Board members in addition to the information specified in law:
 - a. whether there is a conflict of interest with the Company;
 - b. if they are already a Supervisory Board member, a summary of the most recent evaluation of their performance; and
 - c. for candidates nominated by the Supervisory Board rather than by a shareholder, the report by the Selection and Appointment Committee or Supervisory Board (if no committee has been established) on the analysis performed and verification of candidate's compliance with the criteria, internal acts and board profile, and whether the candidate is considered to be independent.
- 2.17 In order to ensure continuity and quality of its functioning, the Selection and Appointment Committee or Supervisory Board (if no committee has been established) shall prepare a succession plan for the Board which shall be included in the Annual Report.

Board Committees

The Supervisory Board shall establish committees to assist it in undertaking its tasks and ensure that they have the composition and resources necessary to carry out their role effectively.

- 2.18 The Supervisory Board shall establish an Audit Committee with responsibilities for oversight of the company's risk management and internal control, financial reporting and the external auditor.
- 2.19 If less than half of the Supervisory Board members are independent, the Board shall establish a Selection and Appointment Committee to oversee the selection and appointment of Board Members and a Remuneration Committee to oversee the remuneration of Management Board members. The functions of these two committees can be combined. If more than half of the Supervisory Board members are independent, the Supervisory Board can carry out these functions itself.
- 2.20 The Supervisory Board shall adopt Rules of Procedure for each committee. These shall indicate the tasks and functions of the committee concerned, its composition and the manner in which it discharges its tasks and functions. The Rules of Procedure shall be made available on the company's website.

- 2.21 Each committee shall have at least three members. The majority of members of each committee must be Supervisory Board Members, and at least one-third of them shall be independent.
- 2.22 External members shall only be appointed to a committee if Supervisory Board Members do not possess the skills or experience required. All external members shall have relevant expertise, shall be independent of both the Company and its Management Board, and shall not have any conflicts of interest under the criteria applicable to the Supervisory Board Members.
- 2.23 After each meeting of the committee, a written or oral report on its conclusions shall be submitted to the next meeting of the Supervisory Board.
- 2.24 The Supervisory Board shall report in the Annual Report on the committees, including their composition and activities, the number of meetings held and how many were attended by each committee member, and the main items discussed.

Supervisory Board Evaluation

The Supervisory Board shall annually evaluate its performance, composition, potential conflicts of interest of individual members and the relationship and cooperation with the management body. The work of the Supervisory Board's individual Members and the Board Committees shall also be evaluated. Based on the results of the evaluation, the Supervisory Board shall adopt measures to improve its performance as necessary.

- 2.25 At least once a year, the Supervisory Board, the Selection and Appointment Committee or an external consultant specialized in corporate governance shall evaluate the following:
 - a. the operation, engagement, actions taken and results of the Supervisory Board as a collective body, as well as of the Supervisory Board's committees;
 - b. the composition of the Supervisory Board and whether it has the knowledge, experience, skills and diversity identified in the board profile;
 - c. the effectiveness of the Supervisory Board Chair and the contribution made by each individual Board Member;
 - d. board dynamics, including whether individual Supervisory Board Members are able to express their views and resolve their differences;
 - e. the support given to the Supervisory Board, including the work of the Corporate Secretary and the quality and timeliness of materials received;
 - f. the quality of communication and cooperation between the Supervisory Board and the Management Board; and
 - g. the existence of circumstances related to individual Supervisory Board Members that could lead to conflict of interest and jeopardize their independence.

Supervisory Board Support

The Company shall ensure that the Supervisory Board and committees are provided with complete, accurate and timely information about the situation and activities of the Company.

- 2.26 All materials required for a meeting of the Supervisory Board or a board committee shall be provided to all its members at least five days before the meeting, except in rare cases of emergency issues when the materials can be provided in a shorter period of time.
- 2.27 The Management Board shall report to the Supervisory Board at least every quarter, in accordance with the law, on the company's operational performance, financial situation,

its major financial and non-financial risks, the results of its engagement with shareholders and other stakeholders and any other matters specified in internal acts. The two boards shall agree on the format and frequency of these reports.

- 2.28 The Company shall provide training to new Supervisory Board Members for their successful induction into their duties. The Company shall organize continuous training and education for all Supervisory Board Members, including training in the issues identified in the board profile as ones on which the Board shall have adequate knowledge.

The Company shall appoint a Corporate Secretary who shall assist the Supervisory Board to ensure its effective operation and be responsible for the implementation and improvement of Company's corporate governance practices.

- 2.29 The role of the Corporate Secretary shall be to:
- a. provide organizational and professional support to the Chair, the Supervisory Board and the committees;
 - b. advise the Supervisory Board and committees on their responsibilities and legal requirements;
 - c. attend and minute the proceedings of Supervisory Board and committee meetings;
 - d. ensure the proper implementation of procedures laid down in the Rules of Procedure;
 - e. assist the Supervisory Board and, if requested, the Management Board in order to improve the efficiency and quality of their work, including by organizing training for members;
 - f. organize Shareholders' General Meetings and ensure there is clear communication with shareholders about how they can exercise their rights; and
 - g. perform other administrative tasks related to the Company's corporate governance.
- 2.30 The Company shall allocate resources for Corporate Secretary's training to ensure their knowledge remains up to date.

Remuneration of Supervisory Board Members

The Members of the Supervisory Board shall receive remuneration corresponding to the volume and weight of their powers, functions and responsibilities.

- 2.31 The monthly lump sums and expenses of the Supervisory Board Members shall adequately reflect the time and effort on their part in fulfilling their duties in the Company. The Supervisory Board Members who are also members of the Supervisory Board's committees shall receive additional lump sums for their work on the committees, but this shall not exceed the amount received for participation in the Supervisory Board.
- 2.32 The amount of the monthly lump sums for Supervisory Board and Committee Members shall be determined by the General Meeting of Shareholders. The Remuneration Committee, or the Supervisory Board if there is no committee, shall be responsible for submitting a recommendation to the General Meeting.
- 2.33 Supervisory Board members shall not receive any remuneration that is directly linked to the company's performance.
- 2.34 The Company shall publish full and accurate data on each individual Supervisory Board Member's remuneration in the previous year in the Annual Report.

SECTION 3: THE MANAGEMENT BOARD

Purpose

The Management Board is responsible for the Company's operations, for meeting its targets and strategic objectives, and for maintaining its reputation as a responsible and trustworthy company. It is therefore essential that the Management Board has the necessary capabilities and resources to undertake its duties effectively, that the performance of the Management Board and its individual members is kept under regular review, and that any shortcomings are addressed promptly before they damage the interests of the Company.

Principles, Provisions and Recommendations

The Tasks of the Management Board

The Management Board shall be responsible for managing and organizing the operations of the Company in order to support the Company's long-term success. While managing the Company and performing its functions, the Management Board shall be guided by the interests of the Company and all of its Shareholders, while simultaneously taking into account the interests of employees and other stakeholders.

The Management Board shall act with diligence, applying high standards of reliability, responsibility and professionalism in its work.

- 3.1 The Management Board's responsibilities shall be set out in the Company's internal acts. The Management Board shall be responsible for its work to the Supervisory Board. This shall not preclude or reduce the Management Board's direct responsibility to manage the Company in a conscientious and professional manner.
- 3.2 The Management Board shall promote a corporate culture that encourages ethical conduct, respect and a commitment to compliance in all employees. For this purpose, the Company shall adopt a Code of Ethics and establish a system for ensuring compliance and business ethics in the Company. The Code of Ethics shall be approved by the Supervisory Board and published on the Company's website.

Recommendation(s)

In addition to the tasks set out in law and elsewhere in this Code, the Management Board's responsibilities should normally include: implementing the agreed strategy and business plan; managing the budget and other resources efficiently; and ensuring timely and accurate information is provided to the Supervisory Board, shareholders and stakeholders.

Management Board's Composition and Performance

The Management Board shall have the required level of skills, knowledge, experience and sufficient members to enable it carry out its responsibilities effectively.

- 3.3 The Selection and Appointment Committee, or the Supervisory Board if there is no committee, shall identify the knowledge, experience and skills required by the Management Board as a whole, and the personal qualities expected of individual Board Members. These criteria and qualities shall be taken into account when appointing new Management Board members.
- 3.4 The Committee shall review the size, composition and functioning of the Management Board at least once a year in order to assess whether it continues to be effective or whether changes shall be proposed.
- 3.5 The Committee shall ensure that members of the Management Board are able to dedicate sufficient time to their duties. If Management Board members hold board positions in other companies, the details must be disclosed in the Annual Report.
- 3.6 At least once a year the Management Board shall evaluate its own effectiveness and that of its individual members and shall report the conclusions of the evaluations to the Supervisory Board.

Management Board Remuneration

The remuneration policy for the Management Board shall enable the Company to recruit quality managers and ensure their motivated and dedicated work in the interest of all Shareholders and in accordance with Company's long-term interests.

- 3.7 The Remuneration Committee, or the Supervisory Board if there is no Committee, shall formulate a policy on Management Board's remuneration, which may consist of fixed and performance-related parts. The policy shall define the methodology, principles and performance criteria for determining the method and amount of remuneration for the Management Board.
- 3.8 Fixed remuneration (salary) shall adequately reflect the expertise, experience and responsibilities of each Management Board member, as well as the size and financial standing of the Company.
- 3.9 The award of performance-related remuneration (bonuses) shall be subject to the Management Board member's results and the Company's performance and shall be based on predetermined criteria. In addition to the financial results achieved, there shall be non-financial criteria that are relevant for Company's long-term performance, including implementation of Company's strategies; observance and implementation of Company's internal acts and ethical standards; and targets related to the Company's sustainability strategy.
- 3.10 If the Management Board remuneration policy permits the award of shares or rights to acquire shares, the criteria for doing so shall be approved by the Company's General Meeting of Shareholders. The criteria shall specify that shares awarded in this way cannot be sold for at least two years.
- 3.11 The Company shall publish full and accurate data on each individual Management Board member's remuneration in the previous year in the Annual Report.

SECTION 4: CONFLICTS OF INTEREST

Purpose

A conflict of interests between a member of the Supervisory or Management Board and the Company exist when their objective decision-making and the execution of their duties may be threatened by their personal economic interests. It is important for the Company to have robust and transparent processes to remove or manage in order to give shareholders confidence that their interests, and the interests of the Company, are being protected.

Principles, Provisions and Recommendations

Supervisory and Management Board Members shall avoid any conflict or potential conflict between their own interests and the Company's interests.

The Company's Supervisory Board shall monitor and manage potential conflicts of interest among Members of both Boards, senior management and Shareholders, including possible misuse of Company's funds and abuse of transactions with interested or related parties.

- 4.1 Members of the Supervisory and Management Boards must not:
 - a. be in competition with the Company;
 - b. request, accept or approve gifts of material value or donations from the Company to themselves or to their family members;
 - c. provide unjustified benefits to third parties to the detriment of the Company;
 - d. exploit business opportunities belonging to the Company for their own personal interests or the interests of their family members;
 - e. generate other forms of personal income from the Company's operations apart from the remuneration they receive as members of the Supervisory and Management Boards and income arising from any shareholdings.
- 4.2 The Supervisory Board shall adopt internal acts that contain provisions governing actual and potential conflicts of interest involving members of the Supervisory and Management Boards. These acts shall include:
 - a. Clear rules and procedures for identifying contracts or business activities where possible conflict of interest may exist;
 - b. The obligations of persons who have potential conflict of interest;
 - c. Criteria for identification of transactions that require approval by either the Supervisory Board or the General Meeting of Shareholders;
 - d. Procedures for the approval of such transactions that are compatible with legal requirements;
 - e. The information to be disclosed in the Company's Annual Report, which shall include at least the information required in law;
 - f. Procedures governing the disposal of company shares and acceptance of other engagements by members of the Supervisory and Management Boards.
- 4.3 Supervisory and Management Board members shall immediately inform the Chair of the Board of which they are a Member or the Audit Committee if they, either directly, indirectly, or on behalf of third parties, have a material interest in any transaction,

contract or business activity that directly affects the Company's interests. This obligation is in addition to legal requirements concerning interested party transactions.

- 4.4 If a Supervisory Board Member is suspected of a potential conflict of interest, they shall not participate in the part of the meeting in which there is a discussion and/or decision made about the contract or any other legal matter in which they would either directly or indirectly be a concerned party.

SECTION 5: RISK AND CONTROL

Purpose

The Company's ability to achieve strategic objectives, take advantage of growth opportunities and ensure its long-term survival all depend on being able to identify and deal with the risks it faces. Good risk management and internal control can make an important contribution to the Company's success if it is integrated into the Company's decision-making and not treated just as a compliance activity.

One function of the internal control system is ensuring the reliability of the information used by management published in the financial statements and other disclosures. This is of major importance to investors and regulators, and robust and independent internal and external audit investigations are essential to achieving this objective.

Principles, Provisions and Recommendations

The Supervisory and Management Board shall ensure that there are effective structures, policies and procedures in place to identify, report, manage and monitor the significant risks facing the company; that the company complies with legal requirements; and that the internal and external audit functions are independent and effective.

Risk Management Systems

- 5.1 The Management Board shall establish an efficient system of risk identification and management, internal controls, and processes for monitoring the Company's compliance with its legal obligations and the Company's internal acts. The Supervisory Board, either directly or through the Audit Committee, shall supervise the operation of this system to ensure its proper and efficient functioning.
- 5.2 In order to ensure the integrity of this system, the Company shall establish an organizational structure that is appropriate for the nature, scale and complexity of its operations, and shall provide a clear definition of duties and responsibilities within the organization.
- 5.3 At least once a year, the Audit Committee shall review the effectiveness of the risk management, internal control and compliance system as a whole and make recommendations to the Supervisory and Management Boards as necessary.

Internal Audit

- 5.4 The Supervisory Board shall ensure that the Company's Internal Audit Service operates in accordance with relevant laws and international standards. The Supervisory Board shall appoint the Head of the Internal Audit Service and approve the Annual Work Plan of the Internal Audit Service, on the recommendation of the Audit Committee. The Committee shall oversee the work of the Internal Audit Service and supervise the implementation of its recommendations.
- 5.5 Persons performing internal audit functions shall not concurrently perform other duties which can cause or could result in a conflict of interest.

- 5.6 The Supervisory Board shall ensure the Internal Audit Service has powers that authorize it to access all Company's documents and information that it may consider necessary to carry out its functions and to conduct audits of any area of Company's operations in accordance with the Annual Work Plan.
- 5.7 The Company shall ensure that the Internal Audit Service's reports and findings are made available to the independent external auditor appointed to audit the financial statements of the Company.

Whistleblowing

- 5.8 The Company's Supervisory Board shall ensure there is a whistle-blowing procedure for reporting actual or suspected breaches of the law or of the company's internal acts or Code of Ethics. Details of the procedure shall be published on the company's website. The procedure shall ensure that whistle-blowers do not suffer negative consequences if they report suspected misconduct.
- 5.9 Any breaches identified through this procedure shall immediately be reported to the Supervisory Board to decide what actions shall be taken as a result. The Audit Committee shall review the effectiveness of the procedure and how it has been applied at least annually.

External Audit

- 5.10 The independent external auditor shall be appointed by the General Shareholders Assembly at the proposal of the Supervisory Board. The proposal shall include a description of the criteria used by the Board or the Audit Committee to select the auditor.
- 5.11 The Audit Committee shall establish a Work Plan with the independent external auditor, agree how often and in what manner the external auditor will report to the Committee.
- 5.12 The certified auditor may not perform other services for the Company which may pose a threat to their objectivity and independence while performing the audit and for at least the two previous years. The Audit Committee shall make a proposal to the Supervisory Board on terminating the independent external auditor's engagement where there are circumstances that threaten auditor's independence. Early termination of the engagement shall be approved by the General Shareholders Assembly.
- 5.13 If other employees of the audit firm where the certified auditor works, perform other non-audit work for the Company and its affiliated companies, the Company must ensure that systems are in place to preserve the independence and objectivity of the auditor.
- 5.14 The Company shall disclose in the Annual Report the name of the independent external auditor and any other services provided to the Company and affiliated companies by the auditor or audit firm.

SECTION 6: STAKEHOLDERS, SUSTAINABILITY AND SOCIAL ISSUES

Purpose

The company's employees and other stakeholders such as customers, suppliers, public authorities and local communities all have an interest in the Company's activities, and all are important if the Company is to be successful over a long period of time. Regular engagement with its main stakeholders can help the Company to understand their views and concerns and find ways of addressing them that are in the interests of the Company and stakeholders.

Many stakeholders place great importance on the environmental and social impacts of the Company's activities. These issues are also fundamental to the long-term sustainability of the Company itself, as they affect the cost and efficiency of its operations and its reputation. They should therefore be taken in account when developing the Company's strategy, business model and risk management systems.

Principles, Provisions and Recommendations

Stakeholders

The Supervisory and Management Boards shall take the interests of the Company's main stakeholders and the impact of its activities on them into consideration when carrying out their responsibilities.

- 6.1 The Management Board shall ensure that there are effective mechanisms in place for identifying the Company's main stakeholders and understanding their views on issues of material importance to them. The Management Board shall ensure that there is regular engagement with these stakeholders, and that the Supervisory Board is informed of the results of that engagement. A summary of the engagement that has taken place shall be published in the Annual Report.
- 6.2 The Corporate Secretary shall ensure that the Supervisory and Management Boards are informed about all relevant legal changes regarding stakeholder rights.

Sustainability and Social Issues

The Supervisory and Management Boards shall cultivate a corporate culture that encourages a responsible attitude towards the environment and social issues; approve a strategy to promote sustainability; and ensure that its business model and risk management systems take account of the potential environmental and social impact of its activities.

- 6.3 The Company shall have internal acts relating to its responsibilities for environmental and social issues and policies and procedures that enable it to identify material factors and assess the impact on the company's activities. These policies shall be reviewed at least annually by the Supervisory and Management Boards, and shall be published on the company's website.
- 6.4 When the Management Board seeks the Supervisory Board's prior approval on decisions, the supporting documents shall explain how the recommended action is consistent with the Company's environmental and social policies.

- 6.5 The Supervisory and Management Boards shall ensure that performance measures and incentives take into account relevant environmental and social issues.
- 6.6 The Company's risk management system shall include processes to identify and manage risks arising from environmental and social issues. The effectiveness of these processes shall be reviewed at least annually.
- 6.7 In the Annual Report, the Company shall report on issues related to environmental and social issues based on the principle of transparency and in accordance with relevant legal requirements and good international practices.

SECTION 7: TRANSPARENCY AND DISCLOSURE

Purpose

Shareholders and potential investors require access to regular and reliable information for them to assess the Company's performance. This includes information on how the Company is managed and overseen as well as on its financial results. Without this, they have no clear basis on which to make investment decisions or decide whether to support the Company's strategy and future plans. Openness and transparency are also required if companies are to have a good reputation with their important stakeholders, whose support is essential to the company's long-term success.

Principles, Provisions and Recommendations

Public Disclosure of Information

The Company shall ensure the timely and accurate public disclosure of all material matters regarding its financial situation, performance, ownership and corporate governance.

- 7.1 The Management Board shall be responsible for ensuring the timely and accurate disclosure of all information required by law or the Listing Rules on the Macedonian Stock Exchange' system for electronic reporting by listed companies (SEI-NET). In addition, the Company shall publish the Annual Report and audited financial statements and other mandatory information related to Company's business operations, financial position and ownership on the Company's website.
- 7.2 In addition to the mandatory content prescribed by law and the Listing Rules, the Company shall publish on its website:
- Information about shareholder rights (1.1);
 - The decisions taken at the General Meeting and answers to questions raised at or before the Meeting (this information should be available for at least five years)(1.12);
 - Contact details for the designated shareholder contact person (1.15);
 - The internal acts setting out the responsibilities of the Supervisory and Management Boards (2.1);
 - The board profile of the Supervisory Board (2.11);
 - The Rules of Procedure for the committees of the Supervisory Board (2.20);
 - The Company's Code of Ethics (3.2);
 - The Company's whistle-blowing procedure (5.8); and
 - The Company's environmental and social policies (6.3).
- 7.3 In addition to the mandatory content prescribed by law and the Listing Rules, the Company shall publish in its Annual Report:
- The number of Supervisory Board meetings and attendance by board members (2.5);
 - The actions taken to address gender diversity on the Supervisory and Management Boards (2.13);
 - The succession plan for the Supervisory Board (2.17);
 - The composition of the committees of the Supervisory Board, the number of meetings and attendance by committee members (2.24);
 - Details of the remuneration of individual Supervisory and Management Board members (2.34, 3.11);

- Details of other board positions held by members of the Management Boards (3.5):
 - The name of the external auditor and details of any other services they provide to the Company (5.14);
 - A summary of the engagement with stakeholders undertaken during the year (6.1); and
 - Information on environmental and social matters (6.7)
- 7.4 The Management Board or any other person authorized by the Management Board shall verify the content of all information that is made public. The Company shall be responsible for the content of the information disclosed.

Recommendation

If the company has foreign shareholders, or wishes to attract foreign investors, it should consider also providing key information concerning its performance, ownership structure and corporate governance in English.

APPENDIX A: INTERPRETATIONS AND DEFINITIONS OF TERMS

When applying the Code, the provisions of the Code which include references such as “in accordance with the law”, or similar references, should be interpreted by the trade companies in accordance with the provisions of the Law on Trade Companies¹ and the applicable laws of the Republic of North Macedonia.

When applying the Code, a commercial bank listed on the MSE official market, should observe the NBRM Decision on Good Corporate Governance² while at the same time following the Code. In accordance with the Banking Law³, the commercial bank’s corporate governance should be at all times in compliance with the provisions of the Banking Law and the best corporate governance rules prescribed by the National Bank Council in accordance with the international standards.

The same applies also for insurance companies that should also observe the Law on Insurance Supervision⁴, as well as the bylaws adopted by the Insurance Supervision Agency.

Whenever in the Code a reference is made to “internal acts”, the companies should decide in which of its acts the specific matter would be included. Here, the companies should consider the definition of “other acts of the company” under the Law of Trade Companies, defined as “the general acts adopted by the joint stock company and the limited liability company, which in a general manner regulate the relations in the company not regulated by the articles of association, that is, the statute, and which have to be in accordance with them (rulebook, decisions, rules of procedures and others);”.

Section 1: Shareholder Rights and Relations

Provision 1.3 should be interpreted in accordance with Article 319 (Acts and Documents that have to be kept), Section 4 (Acts, Documents and Informing the Shareholders), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies) of the Law on Trade Companies.

Provision 1.4 should be interpreted in accordance with Article 385 (Convening an Assembly), Segment One (General Provisions on the Assembly), Subsection 4 (Assembly of the Company), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies) of the Law on Trade Companies.

¹ Law on Trade Companies, published in the “Official Gazette of the Republic of Macedonia” nos. 28/2004, 84/2005, 25/2007, 87/2008, 42/2010, 48/2010, 24/2011, 166/2012, 70/2013, 119/2013, 120/2013, 187/2013, 38/2014, 41/2014, 138/2014, 88/2015, 192/2015, 6/2016, 30/2016, 61/2016, 64/2018 and 120/2018 and “Official Gazette of the Republic of North Macedonia” nos. 290/2020 and 215/2021.

² National Bank of the Republic of North Macedonia adopted the decision on good corporate governance rules for banks, published in the Official Gazette of the Republic of North Macedonia, no.24/18, as further amended in 2019, (“NBRM Decision on Good Corporate Governance”).

³ Banking Law, published in the “Official Gazette of the Republic of Macedonia” nos. 67/2007, 90/2009, 67/2010, 26/2013, 15/2015, 153/2015, 190/2016 and 7/2019 and “Official Gazette of the Republic of North Macedonia” nos. 101/2019 and 122/2021.

⁴ Law on Insurance Supervision, published in the “Official Gazette of the Republic of Macedonia” nos. 27/2002, 98/2002, 79/2007, 88/2008, 67/2010, 44/2011, 112/2011, 188/2013, 30/2014, 43/2014, 112/2014, 153/2015, 192/2015, 23/2016, 83/2018 and 198/2018 and “Official Gazette of the Republic of North Macedonia” nos. 101/2019 and 31/2020.

Provision 1.8 should be interpreted in accordance with Article 392 (Proxy of a Shareholder at an Assembly), Segment One (General Provisions on the Assembly), Subsection 4 (Assembly of the Company), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies) of the Law on Trade Companies.

Provision 1.9 should be interpreted in accordance with Article 390 (Agenda and Inclusion of new items on the Agenda), Segment One (General Provisions on the Assembly), Subsection 4 (Assembly of the Company), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies) of the Law on Trade Companies.

Section 2: The Supervisory Board and Committees

Provision 2.1 should be interpreted in accordance with Subsection 3 (Two-tier Management System (Management Board And Supervisory Board)), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies) of the Law on Trade Companies.

“Stakeholders” means groups and individuals who directly or indirectly are influenced by the company, including, but not limited to, the employees, governmental bodies and institutions, suppliers, clients, customers, potential investors, as well as the community in which the company is doing business.

Provision 2.5 should be interpreted in accordance with Article 381 (Convening a meeting), Segment Two (Supervisory Board), Subsection 3 (Two-tier Management System (Management Board And Supervisory Board)), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies) of the Law on Trade Companies.

Provision 2.9 should be interpreted in accordance with Article 379 (President of the Supervisory Board), Segment Two (Supervisory Board), Subsection 3 (Two-tier Management System (Management Board And Supervisory Board)), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies) of the Law on Trade Companies.

Provision 2.12 should be interpreted in accordance with Article 3 (Meaning of the used terms), item 25, Part One (General Provisions) of the Law on Trade Companies.

In the Provision 2.12 (b), **“immediate family”** means: family members related through marriage or adoption; children and parents, siblings, half-brothers and half-sisters, grandparents and grandchildren; otherwise related by and up to the second degree; lived together for five years continuously in relation to as a parent - guardian and child, mother or guardian and stepson and daughter-in-law, daughter-in-law, son-in-law and parents of the spouses.

In the Provision 2.12 (c), **“person affiliated with a company”** should be interpreted in accordance with Article 2, item 32 of the Law on Securities.

In the Provision 2.12 (c), **“affiliated companies”** means: a company that owns, directly or indirectly, at least 20% of the voting shares by another company; a company in which at least 50% of the members of the management or supervisory board and the board of directors are members of the management board, the supervisory board or the board of directors of the other company; a company that, in accordance with the provisions of the Law on Trade Companies, has a significant participation, majority participation or joint participation in the other company; two companies controlled by the same or the same legal or natural persons and a company controlled on another basis by another company. In the Provision 2.12 (d), **“significant customer”** should be interpreted as a customer from whom the company receives payments whose total annual value is a significant

percentage of the company's annual income, and **“significant supplier”** should be interpreted as (a) one who receives a significant percentage of their total annual income from the company and/or (b) to whom the company makes payments whose total annual value is a significant percentage of the company's own annual income. Companies will need to exercise judgement when making this assessment [and should consider stating the percentages they will use for these purposes in their internal acts].

In the Provision 2.12 (e), **“significant funding from the Company”** should be interpreted as payments whose total annual value is a significant percentage of the company's annual income.

Provision 2.14 should be interpreted in accordance with Article 342 (Management Systems), Subsection 1 (Joint Provisions), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies).

Provision 2.16 should be interpreted in accordance with Article 344 (Election Bodies), Subsection 1 (Joint Provisions), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies).

In the Provision 2.22, **“external members”** should be interpreted with the meaning of **“other persons”** in accordance with Article 359 (Election Bodies), Subsection 1 (Joint Provisions), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies), and **“independent of both the Company and its Management Board”** should be interpreted as not employed by the Company or member of its Management Board.

Provision 2.27 should be interpreted in accordance with Article 352 (Report regarding the Company's Operation), Subsection 1 (Joint Provisions), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies).

Section 4: Conflicts of Interest

In the Provision 4.1 (c), **“gifts of material value or donations”** should be interpreted as gifts that will materially enhance (or improve) either the professional career or personal lifestyle of the recipient. Each company makes its own judgement when making this assessment what should be consider gifts of material value or donations and should consider stating the percentages they will use for these purposes in their internal act].

Provision 4.2 should be interpreted in accordance with Article 460 (Procedure for Approval of a Business Deal with an Interested Party), Section 2 (Business Deals with an Interested Party), Chapter Five (Major Business Deals and Business Deals with an Interested Party), Part Five (Types of Trade Companies).

Provision 4.3 should be interpreted in accordance with Article 460 (Procedure for Approval of a Business Deal with an Interested Party), Section 2 (Business Deals with an Interested Party), Chapter Five (Major Business Deals and Business Deals with an Interested Party), Part Five (Types of Trade Companies).

Section 5: Risk and Control

Provision 5.4 should be interpreted in accordance with Article 415-a, Section 6-a (Internal Audit Service), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies) of the Law on Trade Companies.

Provision 5.8 should be interpreted in accordance with the Law on Whistleblowers Protection⁵.

Section 7: Transparency and Disclosure

Provision 7.2 should be interpreted in accordance with Article 388-a (Content on the invitation, i.e. the public announcement of the Company whose shares are listed on the Stock Exchange, i.e. the Company which in accordance with the Law on Securities has special notification obligations), Segment Two (Convening and holding an Assembly), Subsection 4 (Assembly of the Company), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies).

Provision 7.3 should be interpreted in accordance with Article 384 (Annual Assembly), Segment One (General Provisions on the Assembly), Subsection 4 (Assembly of the Company), Section 6 (Bodies of the Company), Chapter Four (Joint-stock Company), Part Five (Types of Trade Companies).

⁵ Law on Whistleblowers Protection, published in "Official Gazette of the Republic of Macedonia" no. 196/2015 and 35/2018 and no. 257/2020.

APPENDIX B: APPLYING THE CODE TO COMPANIES WITH A ONE-TIER BOARD STRUCTURE

When applying the Code, companies with a one tier board (that is to say, a single board of directors with executive and non-executive members) should interpret the Code provisions as follows:

Section 1: Shareholder Rights and Relations

All references to the Supervisory Board and/or Management Board should be interpreted as meaning the Board of Directors as a whole.

In Provision 1.11, the reference to the Chairs of both Boards should be interpreted as meaning the Chair and CEO.

Section 2: The Supervisory Board and Committees

All references to the Supervisory Board and/or Management Board should be interpreted as meaning the Board of Directors as a whole with these exceptions:

Provisions 2.1 and 2.2: references to the Management Board should be interpreted as meaning the company's executive management.

Provision 2.3: the first sentence does not apply to companies with a single board of directors, and the second sentence should be interpreted as meaning that executive directors should not be present when their performance and remuneration is discussed.

Provision 2.8: the first sentence should be interpreted as meaning that the Chair should not have been an executive director for at least two years before their appointment.

Provisions 2.12: references to the Management Board should be interpreted as meaning the company's executive management.

Provision 2.16: in addition to the information specified, the Company shall also disclose whether the candidate is being nominated as an executive or non-executive director.

Provision 2.21: this should be interpreted as meaning that members of the Committees should either be non-executive directors or external members (but not executive directors). The majority should be non-executive directors, and at least one should be an independent non-executive director.

Provisions 2.27: the reference to the Management Board should be interpreted as meaning the company's executive management.

Provisions 2.31 – 2.34: these provisions should be interpreted as referring to the remuneration of non-executive directors. Remuneration of executive directors is addressed in Provisions 3.8 – 3.13.

Section 3: The Management Board

Provisions 3.1: references to the Management Board should be interpreted as meaning the company's executive management.

Provision 3.2: the references to the Management and Supervisory Boards should be interpreted as meaning the Board of Directors as a whole.

Provisions 3.3 – 3.6: these provisions do not apply to companies with a single board of directors. Both executive and non-executives are covered under Provisions 2.6, 2.14 – 2.17 and 2.25.

Provisions 3.7 – 3.11: references to Management Board members should be interpreted as meaning the executive directors.

Section 4: Conflicts of interest

All references to the Supervisory Board and/or Management Board should be interpreted as meaning the Board of Directors as a whole.

Section 5: Risk and control

All references to the Supervisory Board and/or Management Board should be interpreted as meaning the Board of Directors as a whole with one exception:

Provisions 5.1: the reference to the Management Board should be interpreted as meaning the company's executive management.

Section 6: Stakeholders, Sustainability and Social Issues

All references to the Supervisory Board and/or Management Board should be interpreted as meaning the Board of Directors as a whole with these exceptions:

Provisions 6.1 and 6.4: references to the Management Board should be interpreted as meaning the company's executive management.

Section 7: Transparency and Disclosure

All references to the Supervisory Board and/or Management Board should be interpreted as meaning the Board of Directors as a whole.