

RULES OF PROCEDURE of the Supervisory Board of ALKALOID AD Skopje



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ALKALOID
SKOPJE

Health above all

Pursuant to Article 112 of the Statute, the Supervisory Board of ALKALOID AD Skopje, at its meeting on 22.12.2022, passed the following:

Rules of Procedure of the Supervisory Board of ALKALOID AD Skopje

I. *Introductory Provisions*

Article 1

These Rules of Procedure shall determine the working method of the Supervisory Board, the preparation, convening and holding of the Board meetings, the method of voting and decision-making, the powers of its President and other issues, according to applicable regulations, the Company Statute and these Rules.

Article 2

The Supervisory Board shall pass the Rules of Procedure with a majority vote from the total number of members.

The provisions of the Rules shall apply to the members of the Board and its President, as well as to all persons attending its meetings.

Article 3

The Supervisory Board shall work and decide per the applicable regulations, the Company's Statute and internal acts.

The Board shall consider and decide only on issues within its competence.

Article 4

Supervisory Board members shall act in the best interest of the Company and all shareholders.

The Board shall act with the attention of an orderly and conscientious trader and in the Company's interest, and the Board members shall devote sufficient time to perform their function to fulfil their duties.

Article 5

All Supervisory Board members shall be equal and have the same rights and responsibilities.

Every Board member shall have one vote when passing decisions.

Article 6

Supervisory Board members shall have the right to discuss, vote, ask questions, make requests to the President or the Board, propose agenda items and raise initiatives and proposals for the Board's operation.

II. *President of the Supervisory Board*

Article 7

The Supervisory Board shall be headed by the President.

The Supervisory Board shall elect a President from among its members by a majority vote of the total number of members.

The rights and powers of the President shall be determined by the applicable regulations, the Statute and these Rules.

The President shall be responsible for ensuring the proper operation of the Board. The President cannot independently make decisions on behalf of the Board.

The President shall take care of the Board's operation and for full and correct application of the provisions of these Rules.

Article 8

The Supervisory Board President shall take care that Board members receive complete and timely information to have enough time to prepare and make appropriate decisions.

The President shall take care that Board members have enough time to discuss at meetings before passing decisions.

The President shall take care that the minutes of the Board meetings are properly constituted.

Article 9

The President shall supervise the Board's work and initiate its performance evaluation.

Article 10

The Supervisory Board may elect a Deputy President from among its members who shall manage the board if the President cannot perform their duties or is absent.

If the independent member is not the Board President, they shall be appointed Deputy President.

In performing their function, the Deputy President shall have the same rights and powers as the President.

III. Powers of the Supervisory Board

Article 11

The powers of the Supervisory Board are set in the Company Law and other applicable regulations, the Company's Statute and internal acts.

The Board shall especially have the power to:

- pass decisions, conclusions, proposals, recommendations, reports and other acts in compliance with the applicable regulations, Statute and other internal acts;
- approve Management Board decisions for certain types of work as required by law and Statute;
- approve large deals and deals with interested parties;
- organise an internal audit unit as an independent company organisational unit;
- represent the company to the Management Board Members;
- convene the Annual Meeting of Shareholders if the Management Board fails to do so on time or in other cases specified by law and the Company's Statute;
- confirm that Supervisory Board candidates meet the requirements set by applicable laws and regulations, the Company Statute and internal acts and fit the board profile when proposed by an authorised proposer;
- request special reports on the company's status or operation from the Management Board Members;
- act independently or through others to gain insight into the company's operation and management by the Management Board Members;
- request all documents and notices necessary for supervising the Management Board from its members;
- review all reports, acts and documents submitted by the Management Board Members;
- supervise risk management, internal control, financial reporting and the work of the external auditor in the company;
- oversee the selection and appointment of Supervisory Board Members;
- supervise the compensation of Management Board Members;
- determine the knowledge, experience and skills required by the Management Board as a whole and the personal qualities expected from each member, passing a separate act for this purpose;

- re-examine the size, composition and operation of the Management Board at least annually to assess its effectiveness and propose appropriate changes, passing a separate act for this purpose;
- care that Management Board Members have enough time for their duties;
- may dismiss any or all Management Board Members at any time, with or without justification;
- recommend the monthly fee for Supervisory Board Members to the Assembly of Shareholders;
- may reduce the income and other rights of a Management Board Member if the company's financial situation worsens significantly and members' pay becomes a significant burden for the company;
- Ensure that the Management Board includes a declaration on the application of the Code of Corporate Governance in a separate part of the company's annual performance report;
- perform other actions in compliance with applicable regulations, the company's Statute and other internal acts;

IV. **Meetings of the Supervisory Board**

Article 12

The Supervisory Board shall conduct its work and make decisions during meetings,

Meetings shall be convened and chaired by the President.

The President shall send a meeting invitation to the other Board members, specifying the exact date, time, and venue, the reasons for the meeting, the draft agenda, the materials to be discussed, and information about the attendance of other persons at the meeting.

All materials required for a Board meeting shall be delivered to all members at least five days before the meeting, except in exceptional circumstances where materials can be submitted on a shorter notice due to the urgency of the issues to be considered.

The invitation and materials for the meeting shall be distributed by email, except when it is more convenient for the Board members to receive them in another way.

The President shall notify the competent Company departments of the intention to hold a meeting, informing them of the exact date, time, and other important details to ensure the space and additional assistance necessary for the meeting.

A meeting can only be held if attended by a quorum of a majority of Board members.

Meetings shall be held at the Company's headquarters, except in exceptional circumstances that require holding the meeting elsewhere.

Article 13

In exceptional and urgent cases of great importance for the Company, the President may schedule a meeting in the shortest possible time and verbally invite the other Board members. In such cases, the President may be allowed not to inform them in advance about the draft agenda or deliver the necessary materials beforehand. However, the draft agenda shall be announced at the beginning of the meeting, and the necessary materials shall be distributed at that time.

Article 14

In exceptional cases of great importance for the Company, the Supervisory Board may pass conclusions and decisions without convening a meeting.

In such instances, Board members shall pass conclusions and decisions through mutually agreed-upon communication. There must be written evidence of the communication to demonstrate that the members have been informed about the issues under discussion and the conclusions and decisions reached.

These decisions shall take effect on the day of consent by all Board members unless the decision specifies another date for entry into force. Consent may be given by handwritten signature on the draft decision or by signature transmitted by fax or electronically.

Article 15

Supervisory Board members may attend and pass decisions in a meeting conducted over a teleconference connection, the Internet, or other audio and visual communication equipment, provided that all participants can hear or see one another and communicate with each other. Such participation in a meeting is regarded as equivalent to in-person attendance by the individuals involved.

Article 16

Any Supervisory Board member shall have the authority to request the President to schedule a meeting, using a written request, specifying the reasons for the meeting. The meeting shall take place within 15 (fifteen) days from the date of submission of the request.

Article 17

The certified external auditor and the shareholders owning at least 10% of the total number of voting shares in the Company shall be entitled to request the convening of a Supervisory Board meeting.

The persons mentioned in paragraph 1 of this article may request the meeting's convening by submitting a written request to the President, indicating the reasons. The meeting shall occur within 15 days from the request's submission date.

Article 18

The Supervisory Board may invite the Management Board members to attend its meetings unless their presence may affect the ability of the Supervisory Board to make decisions independently. Management Board members shall not attend when the Supervisory board discusses their performance and compensation.

Article 19

The President shall compose the draft agenda for the meeting of the Supervisory Board.

Only items under the exclusive competence of the Board shall be put on the agenda.

Article 20

Any Supervisory Board member may request an amendment to the draft agenda.

The President shall put the proposed agenda and its amendments to a vote, which shall be adopted if the majority of the members vote in favour.

After the publication and determination of the meeting agenda, each item shall be individually deliberated and decided upon.

If issues added to the agenda do not require more extensive study, they shall be considered and decided upon at the same meeting.

In connection with the previous paragraph, the President may decide to postpone certain matters to study and submit materials for a subsequent meeting.

Article 21

The President, a Board member, or an expert whose scope of work is the issue discussed as an agenda item shall provide an explanation (announcement) for the respective item.

After each agenda item, the President shall open a debate, deliberating on the proposals and opinions regarding the issue.

Article 22

After the discussion, a decision or other act shall be adopted for each agenda item, following the applicable legislation, the Statute, or other internal acts, and these Rules.

The Supervisory Board shall make valid decisions if a majority of its members attend and are passed by a majority of the members present.

Voting at the meeting shall be public and done by a show of hands.

In case of a split vote, the vote of the President shall decide, or in his absence, of the Deputy President.

The Board's decisions shall take effect on the day of their adoption unless otherwise envisaged in the decision or applicable regulation, the Company's Statute, or another internal act.

Article 23

The decisions and other acts passed by the Supervisory Board should be formulated clearly, leaving no room for doubt about what has been decided.

Adopted decisions and other acts shall be recorded in the meeting minutes.

Article 24

The President shall sign the original decisions, and other acts passed by the Board and stamp them with the company seal.

Article 25

Meetings of the Supervisory Board shall have minutes taken, regardless of how they are held.

Minutes shall include information on how the Board worked, the time and place of the meeting, the attendees, the agenda, the matters voted on, and the results of each vote, including the names of the members voting IN FAVOUR or AGAINST the decisions passed. If requested by a member voting IN FAVOUR or AGAINST a decision, the minutes may include the reason for their vote. Members with a conflict of interest shall announce it at the start of the meeting and have it recorded in the minutes.

Each Board member shall be entitled to request that their opinion or position regarding a proposal being considered or voted upon be included in the minutes.

The Board members present shall sign the minutes, and any member not signing it must state the reason if provided.

A recorder shall keep the minutes, which must be prepared in printed form within three days.

Written decisions, conclusions, and other acts shall be delivered to those executing them. The minutes and one copy of the decisions, conclusions, other acts, and materials from Board meetings shall be kept as an attachment to the ledger of the Board and in the Company archive resulting from that ledger.

V. *Other actions of the Supervisory Board*

Article 26

Supervisory Board Members may act independently or through requests to others to gain insight into the Company's operations and management by the Management Board. Each member may request that the Management Board prepare all necessary documents and notices to supervise its work.

Supervisory Board members shall have the right to review all reports, acts, and documents submitted by Management Board members.

Article 27

If the Supervisory Board deems it necessary, it may request relevant information from key executives in the Company and external advisors and ask them to attend its meetings.

Article 28

The Supervisory Board may establish one or more Commissions composed of its members or other persons.

Commissions may not decide on issues within the Board's competence, nor may the Board's rights and obligations be transferred to them.

All Commissions' activities are subject to approval by the Board.

Each Commission shall pass Rules of Procedure to govern its powers, the conduct of meetings, the manner of voting, passing decisions, and other details of its proceedings.

Article 29

The Corporate Secretary and the Company's organisational units shall provide professional and administrative support to the Board in executing its powers, following the Company's internal acts.

The Corporate Secretary and organisational units may:

- prepare draft acts for Board meetings
- prepare materials according to meeting agendas
- attend meetings and prepare minutes
- distribute minutes and decisions to concerned bodies and departments
- contact Board members and others on behalf of the Board or its President
- perform other actions per regulations, Statute, and internal acts.

The Corporate Secretary and organisational units shall perform these actions on behalf of the President or the Board.

Article 30

At least once a year, the Supervisory Board shall review its composition in terms of the knowledge, qualifications, skills, and experience that members possess individually and collectively for the successful performance of their functions. For this purpose, it shall prepare a "Board Profile."

After drafting it, the Board shall submit the profile to the Company's competent organisational units for publication on its website.

Article 31

When proposing candidates for the Supervisory Board, a report shall be submitted to the Board for candidates proposed by it, as opposed to those proposed by shareholders. The report shall include an analysis and verification of the candidate's fulfilment of criteria and compliance with internal acts and the Board's profile. It also includes an assessment of whether the candidate is considered independent.

Article 32

The Supervisory Board shall supervise the operations of the Management Board. In doing so, it shall pay particular attention to determining:

- whether the Company's goals are being achieved;
- the Company's strategy and associated business risks;
- the structure and functioning of internal risk management and control systems;
- the financial reporting process;
- the extent of the Company's compliance with laws and other regulations.

Article 33

The Supervisory Board annually shall evaluate its work, composition, potential conflicts of interest among individual members, and its relationship and cooperation with the Management Board.

It shall also evaluate the work of individual Board members annually.

The Board shall adopt measures to improve its work, if necessary, based on the evaluation results.

At least once a year, the Board or an external consultant specialised in corporate governance, if hired by the Supervisory Board, shall evaluate the following:

- a. the operation, engagement, activities and results of the Board as a collective body;
- b. the Board's composition and whether it ensures the necessary knowledge, experience, skills and equal representation determined in its profile;
- c. the effectiveness of the President and each member's contribution to the Board's work;
- d. the working atmosphere on the Board and whether members can express their views and resolve misunderstandings;
- e. the support provided to the Board, including the work of the Corporate Secretary and quality and timeliness of materials, received;
- f. The quality of communication and cooperation between the Supervisory and Management Board;
- g. Circumstances related to individual members that may cause conflicts of interest or threaten their independence.

A report shall be drawn up for the assessments from paragraphs 1, 2, and 4. For measures from paragraph 3, the Board shall pass decisions or recommendations.

Article 34

The Supervisory Board shall regulate the organisational structure, rights, responsibilities and relations with other organisational units of the Company. It shall also regulate the responsibility and conditions for appointing the head of the internal audit unit.

The Board shall ensure that the Company's internal audit unit operates in accordance with relevant laws and international standards.

The Board shall appoint the head of the internal audit unit and approves the unit's annual work plan.

It shall supervise the internal audit unit's work and implementation of its recommendations.

Through communication with the internal audit unit, the Board shall ensure that it has access to all necessary Company documents and information for performing its functions and conducting audits in accordance with its annual work plan.

VI. *Prevention and management of conflicts of interest*

Article 35

Supervisory Board members shall care to prevent conflicts of interest during work and decision-making. Board members shall follow the applicable regulations, Statute, and internal acts when preventing and managing conflicts of interest. This includes following the Company's Policy for Preventing and Managing Conflicts of Interest.

Once a year, members shall submit a Statement of Compliance with the Policy for Preventing and Managing Conflicts of Interest.

In case of potential conflicts of interest, members must follow procedures established by the Policy for Preventing and Managing Conflicts of Interest.

Article 36

In addition to the principles established by the Policy for Preventing and Managing Conflicts of Interest, special provisions related to their function shall apply to Supervisory Board members.

Article 37

Supervisory Board members and their family members (spouses, parents, and children) may not perform the following without Supervisory Board approval:

1. Perform work within the Company's scope for themselves or others.
2. Perform other paid or unpaid activities in another company with the same or similar subject of operation for their own or others' account.
3. Be a member of a management body or supervisory board or controller in another company with the same or similar subject of operation.
4. Perform work for themselves or others on Company premises.

A Board member intending to perform an action or acquire a function specified in paragraph 1 shall request Supervisory Board approval. They shall detail the action or position, its reasons, and how they plan to minimise conflicts of interest. The same shall apply if it involves their family member (spouses, parents and children).

At the first meeting of the Assembly of Shareholders, the Supervisory Board shall inform it about the approval given in this article.

Under any circumstance, Supervisory Board members may not:

1. Request, accept, or approve gifts of financial value or donations from the Company for themselves or their family members.
2. Allow third parties to benefit at the Company's expense.
3. Use Company business opportunities for personal or family interests.
4. Receive any personal income from Company operations except rights derived from contracts with the Company and/or affiliates, compensation as Board members, and income from shares held in the Company.

If a Board member acts contrary to this article's prohibitions or fails to disclose relevant facts in their notification per paragraph 2, the Company may:

- Demand compensation for damages; or
- Request that the legal matter be assigned to the Company and any benefits from it for themselves or others be given to the Company.

Article 38

If a Supervisory Board member is suspected of a potential conflict of interest, they shall not participate in meeting discussions or decisions on contracts or legal matters that may directly or indirectly relate to them.

Article 39

Supervisory Board members shall immediately notify the President if they have an interest in any deal or activity that affects the Company's interests following the Policy for Preventing and Managing Conflicts of Interest.

Any contract or business activity in which a Board member has an interest must be handled according to the Statute's provisions for transactions with interested parties.

Every Board member with an interest must report it immediately.

If a Board member becomes aware that any conditions from paragraph 2 have been met, they must immediately inform the Board. The interested member shall be entitled to be heard but cannot participate in discussions or decision-making regarding approval for transactions with interested parties.

Article 40

A Supervisory Board member may not simultaneously serve in more than five board of directors as a non-executive member or more than five supervisory boards in companies based in the Republic of North Macedonia.

If other Supervisory Board members receive information that a member has violated paragraph 1 of this article, they must promptly request verification. If the information is correct, they shall ask the member to resign from their position on the Board or their position in another company.

VII. ***Final Provisions***

Article 41

The President shall ensure the correct application of the Supervisory Board's Rules of Procedure.

These Rules shall be amended in the same way and procedure as for their adoption.

The Rules shall take effect on 01.01.2023.

Article 42

If any provision of these Rules conflicts with the applicable regulations or the Statute, an amendment will be initiated immediately. Until then, the requirements of the relevant regulations and the Statute shall directly apply to the work and decision-making of the Supervisory Board.

Article 43

These Rules of Procedure, taking effect, make the Rules under archive no. 0202-6, dated 21.07.2000, null and void.

¹ This version of the Rules of Procedure of the Supervisory Board of ALKALOID AD Skopje is formatted and designed to inform the public about it. The official version of the Rules is kept at the Company headquarters.



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