

RULEBOOK

Governing the Mutual Relations Between the Bodies of ALKALOID AD Skopje



RULEBOOK

**Governing the Mutual Relations Between the Bodies of
ALKALOID AD Skopje**



**ALKALOID
SKOPJE**

Health above all

Pursuant to Article 119 of the Statute, upon the proposal of the Supervisory Board, under Article 83 of the Statute, at its meeting on 29.12.2022, the Management Board of ALKALOID AD Skopje passed the following:

Rulebook Governing the Mutual Relations Between the Bodies of ALKALOID AD Skopje

INTRODUCTORY PROVISIONS

Article 1

This Rulebook shall govern the system and principles of cooperation between the Supervisory and Management Board and the rights and competences of both boards in their relations and actions in certain procedures. It shall also establish the Corporate Secretary's position, function, rights, and competences in ALKALOID AD Skopje (hereinafter referred to as "the Company").

Article 2

The provisions of this Rulebook shall apply to the Supervisory and Management Boards and their members, the Corporate Secretary, all organisational units and their employees and the Company executives when performing their mutually interrelated official actions.

Article 3

All bodies and persons subject to this Rulebook shall act in the Company's and its shareholders' best interest.

They shall treat each other respectfully while considering the rights and functions of the body or person they interact with.

Article 4

The Company has a long-term strategy for efficient corporate management. The supervisory and management boards shall monitor its implementation to ensure improved operation in achieving strategic goals.

The Company has a clearly set organisational structure defining the rights and responsibilities of the Supervisory and Management Boards and the organisational units to implement its corporate governance system successfully.

Article 5

The Company's Supervisory Board, Management Board, Corporate Secretary and all organisational units performing duties related to the competences of these bodies shall closely cooperate in exercising their rights and competences.

Organisational units that particularly perform the duties under article 1 of this Rulebook are the Corporate Legal Department, Personnel Affairs Department, Shareholding and Property Affairs Department and Finance Department.

PRINCIPLES OF MUTUAL COOPERATION BETWEEN THE COMPANY BODIES

Article 6

The Company governing bodies shall act and perform their duties applying best corporate practices when cooperating.

The Management and Supervisory Boards shall observe the best corporate principles in their mutual relations. The Company governing bodies shall adhere to the following principles:

Legality

Article 7

Company bodies shall organise their operation and the operation of the Company as a whole following the applicable regulations. To this end, the Company bodies shall continuously monitor and comply with the latest legislative changes and adequately adjust the Company operations to the applicable regulations.

Transparency and public information

Article 8

The Company shall use the established Stock Exchange system following the relevant regulations to regularly publish important information about its operations, including price-sensitive information, performance, results, and significant changes in financial status.

Division of competences

Article 9

The company bodies shall divide their competences to enable precisely defined rights and responsibilities for efficient performance and improvement to the system of checks and balance between the bodies.

Independence and objectivity

Article 10

Management and Supervisory Boards Members shall make independent decisions based on objective assessment while performing their duties. They shall act honestly, responsibly, independently, loyally and professionally within their competences. They must put the interests of the Company before their self-interest.

Efficiency

Article 11

The Management and Supervisory Board shall use all available capacities to perform their competences as quickly and efficiently as possible without unnecessary delay.

Acting in the interest and following recommendations of shareholders and other stakeholders

Article 12

The Company's bodies shall manage the Company following recommendations and information received from stakeholders, with particular attention to the interests of shareholders. These bodies shall obtain this information and these recommendations using the Rulebook Governing the Relations Between the Company and its Shareholders.

Social responsibility

Article 13

The governing bodies shall operate following the principles of corporate social responsibility and acknowledge their accountability to shareholders, investors, customers, suppliers, employees, the state, and society.

FUNCTION, RIGHTS AND COMPETENCES OF THE CORPORATE SECRETARY IN THE RELATIONS BETWEEN COMPANY BODIES

Article 14

The Company has established the role of Corporate Secretary within its organisational structure.

The Corporate Secretary shall provide administrative, organisational, and professional support to the Company's governing bodies, particularly in their cooperation and interaction as specified in this Rulebook and other internal Company acts.

The Corporate Secretary's activities aim to enhance efficiency and facilitate the relations between the Company's bodies, helping them exercise their competencies observing the regulations, the Statute, and the internal Company policies.

Article 15

The Corporate Secretary shall ensure that the Management and Supervisory Boards follow proper legal procedures.

As an internal legal advisor to the Supervisory Board, the Corporate Secretary shall provide professional assistance, particularly in interpreting and applying regulations related to corporate governance, company law, securities law, shareholder rights, and relations with competent institutions such as the Stock Exchange and Securities Commission.

Article 16

The Corporate Secretary shall ensure proper coordination and mediation between the Supervisory Board, Internal Audit Department, Shareholding and Property Affairs Department, Corporate Legal Department, Finance Department, and Personnel Affairs Department. This coordination shall ensure a consistent application of regulations, the Company's Statute, and other internal acts related to company law, securities law, shareholder rights, and relations with competent institutions such as the Stock Exchange and Securities Commission.

Article 17

The Corporate Secretary shall provide professional and administrative support to the Assembly of Shareholders and the Supervisory and Management Boards.

In addition to other duties, the Corporate Secretary shall be responsible for the following:

- Providing technical, normative, and organisational assistance to the Management Board or the authorised body convening the Assembly of Shareholders, including drafting documents for convening a meeting of the Assembly, preparing documents and materials for its work, ensuring appropriate logistics arrangements at its meetings, and contacting company employees and external persons involved in holding its meetings (e.g., a notary public).
- Coordinating the Management and Supervisory Board and related company organisational units to execute and implement decisions made by the Assembly of Shareholders.
- Preparing draft documents for Supervisory and Management Board meetings.
- Attending meetings of both boards and taking minutes.
- Taking appropriate actions to inform relevant organisational units and persons about adopted acts at meetings of both boards and their implementation.
- Providing legal and normative-technical assistance to both boards during their meetings or on their request, including interpreting and applying regulations related to corporate governance, in areas related to company law, securities law, shareholder rights, and relations with competent institutions such as the Stock Exchange and Securities Commission.
- Assisting shareholders and external interested parties regarding shareholder issues.

The Corporate Secretary shall have the authority to request information and access to documents from relevant bodies or organisational units on matters within their competence on their own initiative.

Article 18

The Corporate Secretary may receive assistance from organisational units or other Company full-time or part-time employees, appointed by an appropriate decision or order according to the Company's procedures.

Article 19

The Corporate Secretary shall work closely with the Corporate Legal Department and request them to provide interpretation and expert legal opinion on regulations within their scope of competence.

Article 20

The Corporate Secretary shall participate in the work of the Internal Audit Department regarding compliance with laws and bylaws related to the Department's legal competences.

Article 21

The Corporate Secretary shall assist the Supervisory Board and, if requested, help the Management Board improve their efficiency and quality of work, including organising training for members.

Article 22

The Corporate Secretary shall take special care to ensure shareholder rights within the Company, providing expert assistance to the Shareholding and Property Affairs Department and other competent bodies to meet legal obligations and business standards related to these issues.

Article 23

The Corporate Secretary shall report directly to the Chief Executive Officer (CEO) in the Company's organisational structure. The Secretary shall be appointed and dismissed by the Management Board upon the proposal of the CEO.

The CEO shall propose to the Supervisory Board that a Corporate Secretary be appointed, providing the information required by this Rulebook.

The Supervisory Board shall give prior consent to the proposal and consider it at its next meeting, deciding whether to approve or reject it. If rejected, they shall send the decision back to the CEO. If approved, they shall send the decision and proposal to the Management Board, and notify the CEO.

The Management Board shall consider this proposal at its next meeting and decide whether to approve or reject it.

Article 24

The Corporate Secretary shall serve for a two-year term, with a possibility for reappointment.

Article 25

The Corporate Secretary must be a law graduate with several years of domestic and international experience in the legal profession.

They shall be knowledgeable and experienced in corporate governance systems, securities, company law, and shareholder rights.

Article 26

On behalf of the Company, the Corporate Secretary shall participate in forums, conferences, public debates, and professional gatherings related to company law, securities, shareholder rights, and other topics within the scope of their duties.

COOPERATION AND COMMUNICATION BETWEEN THE SUPERVISORY AND MANAGEMENT BOARDS IN EXERCISING THEIR RIGHTS AND COMPETENCES FOLLOWING BEST CORPORATE PRACTICES

In addition to the numerous competences and powers that the Supervisory and Management Board have in the Company under the current legislation, Statute and other internal acts, this chapter describes some of their primary rights and obligations that require interaction, communication and cooperation between them.

The Supervisory Board shall oversee the Company's management by the Management Board and its operation as a body. The goal is to provide it with strategic guidance and determine whether it achieves the Company's objectives.

For more successful and efficient oversight, the Management Board shall provide to the Supervisory Board access to all books, reports, acts and other documents for inspection and review.

The Management Board shall answer all of the Supervisory Board's questions and explain any other matter.

Achieving these goals requires mutual communication, interaction, and exchange of documents and opinions. Due to the volume of documentation and workload in general, for efficiency, the Supervisory and Management Boards shall use the full capacity of the Corporate Secretary, the company organisational units and employees.

In exercising its rights and obligations, the Management Board shall objectively present all details about its operation to the Supervisory Board and include a detailed and objective description of the Company's operation and potential problems. When submitting documents, it shall try to include those required by the Supervisory Board and those that can help it understand the Management Board's work more objectively.

According to the principle of division of competences, the Company's Statute and rules of procedure for the Supervisory and Management Boards shall detail all rights and obligations they have, including obligations that require them to interact. Below are some specific actions taken by both governing bodies referencing the statutory provisions where these actions are described in more detail.

Article 27

The competences of the Supervisory Board concerning the Management Board are as follows:

- Elects and dismisses Management Board members and its President (Art. 116 of the Statute).
- Inspects the Company's operation and management by the Management Board (Art. 84 of the Statute).
- Provides strategic guidance to the Management Board (Art. 106 of the Statute).
- Checks the Company's books, documents and assets, especially cash and securities (Art. 106 of the Statute).
- Gives prior approval for Management Board to decide on certain types of matters (Arts. 106 and 120 of the Statute).
- Approves major transactions (Arts. 181 and 182 of the Statute).
- Approves transactions with interested parties (Arts. 183 and 184 of the Statute).
- Represents the Company towards Management Board members (Art. 106 of the Statute).
- Upon Management Board's proposal, confirms that Supervisory Board candidates meet the requirements set by applicable laws and regulations, the Company Statute and internal acts and fit the board profile (Art. 74 of the Statute).
- Gives the approval to Management Board Members under Art.78 of the Statute.
- Concludes contracts governing the relations between the company and Management Board members (Art.82 of the Statute).
- Requests special reports on the state of affairs in the Company or issues from the Management Board's operation (Art. 84 of the Statute).
- Supervises the remuneration of Management Board Members (Art. 91 of the Statute)
- Establishes criteria and qualities for the Management Board and its members (Arts. 92 and 116 of the Statute).

- Reviews and evaluates the Management Board (Art. 93 of the Statute).
- Ensures that Management Board Members have enough time for their duties (Art. 94 of the Statute).
- Reduces the remuneration and other rights of Management Board Members (Art. 99 of the Statute).
- Ensures 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 (Art. 101 of the Statute).
- Invites Management Board Members to attend its meetings (Art. 109 of the Statute).
- Gives and withdraws the approval under Art.124 of the Statute.
- Gives prior consent to the proposed Corporate Secretary (Art.129 of the Statute).
- Convenes the Annual Assembly of Shareholders if the Management Board fails to do so within the time specified by Statute (Art.43 of the Statute).
- Decides on advance payment of dividends (Art. 199 of the Statute)
- Oversees, reviews and makes recommendations under Art. 201 of the Statute.
- Performs activities under Art. 204 of the Statute.

Article 28

The competences of the Management Board concerning the Supervisory Board are as follows:

- Seeks prior approval and consults with the Supervisory Board for certain types of issues (Art. 120 of the Statute).
- Proposes candidates for Supervisory Board members (Art. 74 of the Statute).
- Convenes an Assembly of Shareholders if the Supervisory Board fails to do so within the time specified by Statute (Art. 77 of the Statute).
- Submits a written report on the Company's performance to the Supervisory Board (Arts. 84 and 115 of the Statute).
- Prepares a special report on the state of affairs in the Company or issues from its operation when the Supervisory Board requests it (Art. 84 of the Statute).
- Prepares all necessary documents and notifications for the Supervisory Board's control of its operation (Art. 84 of the Statute).
- Ensures access to certain information or the presence of certain persons at Supervisory Board meetings (Art. 107 of the Statute).
- Attends Supervisory Board meetings when invited (Art. 109 of the Statute).
- Submits an annual report (Art. 119 of the Statute).
- Informs the Supervisory Board about the evaluation of its own efficiency and effectiveness and that of its members (Art. 121 of the Statute).
- Seeks prior consent from the Supervisory Board for its candidate for Corporate Secretary (Art. 129 of the Statute).
- Submits an audit report to the Supervisory Board along with the annual account, financial statement, and draft decision for the distribution of profits (Art. 192 of the Statute).
- Informs the Supervisory Board about activities under Art. 203 of the Statute.
- Performs activities under Art. 204 of the Statute.

Article 29

The provisions outlined in this chapter of the Rulebook shall supplement and explain the procedural actions required by the Company bodies as specified in the legal and other applicable regulations, the Statute, and other internal Company acts. These provisions shall not affect the direct application of such regulations.

This chapter describes the procedural actions the Supervisory and Management Boards take in their cooperation and communication.

Election and Dismissal of Management Board Members and President

Article 30

Under Article 116 of the Statute, the Supervisory Board shall appoint and dismiss members of the Management Board and its President if a Management Board member resigns from their position or if a Supervisory Board member or a Company shareholder initiates it.

If the Supervisory Board receives a resignation from a Management Board member or its President, the Supervisory Board President shall convene a meeting as soon as possible to address the situation. At the meeting, the Supervisory Board may elect a new member or President of the Management Board.

A shareholder, the Supervisory Board President, or any Supervisory Board member shall submit the initiative for election or dismissal of a member or the President of the Management Board to the Supervisory Board, after which the Supervisory Board shall have the right to put the initiative for consideration.

The initiative must state the reasons.

If the initiative is for the election of a new member, information about the candidate shall be provided in accordance with applicable regulations and the Statute.

Inspection of company performance and its management by the Management Board

Article 31

Under Articles 84 and 106 of the Statute, the Supervisory Board or any of its members may request access to reports, books, assets, petty cash, securities, goods, acts, or documents of the Management Board or the Company to acquire specific information.

The Management Board shall promptly provide the requested information or access to the Supervisory Board.

Prior approval to the Management Board to decide on certain types of matters

Article 32

Under Art. 106 and 120 of the Statute, the Management Board shall submit a Request for prior approval to the Supervisory Board when deciding on certain types of matters.

If the Supervisory Board needs more time to decide, it shall notify the Management Board thereof in a timely manner. The Supervisory Board shall promptly notify the Management Board of its decision and provide an appropriate explanation.

Verification of Candidates for Membership on the Supervisory Board

Article 33

Under Article 74 of the Statute, the Management Board shall send each proposal for a Supervisory Board candidate to the Supervisory Board, with a request to consider it as soon as possible while taking into account the legal and statutory deadlines for the election of a Supervisory Board member by the Assembly of Shareholders.

The Supervisory Board shall promptly schedule a meeting and review the proposal to ensure it complies with Article 74 of the Statute. If it does not, the Supervisory Board shall provide an opinion accordingly. The Management Board shall publish the candidate's information per the Statute without delay.

Approval of a Management Board Member under Article 78 of the Statute

Article 34

Under Article 78 of the Statute, a Management Board member shall immediately request approval from the Supervisory Board if a situation described in that article arises.

The Supervisory Board shall add this request to its agenda for the next meeting and may request additional information from the member or the entire Management Board.

The decision about approval shall be notified to the Assembly of Shareholders.

Agreement governing the relations between the Company and a Management Board member

Article 35

Under Article 82 of the Statute, the competent organisational units shall prepare a draft Agreement governing the relations between the Company and the Management Board member. The draft shall then be submitted to the Supervisory Board President, and the competent organisational units shall assist in its processing.

Once signed, the agreement shall be delivered to the Management Board's archives.

Compiling a special report on the state of affairs in the Company or issues from the Management Board's operation

Article 36

Under Article 84 of the Statute, the Supervisory Board may request a special report, at any time, on the state of affairs in the Company or issues from the Management Board's operation.

The report shall be prepared and considered at the next Management Board meeting if it concerns a simple matter.

If it concerns a complex matter or requires more time to prepare, the Management Board shall notify the Supervisory Board of the delay and state its reasons.

Upon receiving the special report, the Supervisory Board shall consider it at its meeting. If it has additional questions or comments, it shall send them to the Management Board.

Establishing criteria and qualities for the Management Board and its members

Article 37

Under Articles 92 and 116 of the Statute, the Supervisory Board shall establish criteria and qualities required from the Management Board and its members. During their term, Management Board members shall review and update the requirements and qualifications following the changes in business trends and applicable regulations and draft a Recommendation based on their findings.

For this purpose, the Supervisory Board may discuss this with the existing Management Board members and its President, the Corporate Secretary, or external experts in corporate governance.

Reviewing and evaluating the Management Board

Article 38

Under Article 93 of the Statute, the Supervisory Board shall discuss this topic at its meeting at least once a year.

The Supervisory Board may conclude to request additional information from the Management Board.

For this purpose, the Supervisory Board may discuss this with the existing Management Board members and its President, the Corporate Secretary, or external experts in corporate governance.

After completing this process, the Supervisory Board shall issue an evaluation report and deliver it to the Management Board.

The Management Board shall have the right to express its opinion about the evaluation report and its findings.

Reducing Management Board Member's total remuneration and other rights

Article 39

Under Article 99 of the Statute, the Supervisory Board shall constantly monitor whether the rights, benefits, and

remuneration specified in the agreement governing the relations between the Company and the Management Board member represent an excessive burden for the Company if its financial situation significantly worsens. In such a case, at its meeting, the Supervisory Board shall initiate to have this agreement amended and propose to the Management Board the part to be amended.

The Management Board may comment on this proposal.

If both boards do not agree, the Supervisory Board's proposal must be accepted.

Issuing a statement on the application of the Code of Corporate Governance

Article 40

Under Article 101 of the Statute, the Supervisory Board shall follow the legal and statutory deadlines for issuing this statement and other obligations thereof. If the Management Board fails to do so, the Supervisory Board shall request the Management Board to fulfil this obligation as soon as possible.

The Management Board must comply with legal and statutory obligations. Otherwise, it must explain to the Supervisory Board why these obligations were not fulfilled.

Inviting Management Board members to attend Supervisory Board meetings

Article 41

Under Article 109 of the Statute, the Supervisory Board may, at its own discretion, invite Management Board members to attend its meetings.

The invitation shall state the reason for requesting their attendance. In principle, members must accept this invitation unless they have justified reasons not to.

Granting or revoking the approval under Article 124 of the Statute

Article 42

Under Article 124 of the Statute, the Management Board may request the Supervisory Board to approve another Management Board member, besides its President, to represent the Company.

The Supervisory Board shall consider this request at its next meeting and decide whether or not to approve it.

It shall notify the Management Board about its decision.

If approval is granted, the Management Board shall decide whether to authorise that member to represent it beside its President.

Convening the Annual Assembly of Shareholders if Management Board fails to do so within the statutory deadline

Article 43

Under Article 43 of the Statute, the Supervisory Board shall ensure that the Annual Assembly of Shareholders is convened within the statutory deadlines. If these deadlines are not met, it must convene the meeting without delay.

In such a case, the Supervisory Board shall require the Corporate Secretary, the departments for Shareholding and Property Affairs, Finance, and Corporate Legal Affairs to fulfil all legal and statutory obligations necessary to convene, organise, and hold the meeting as per the applicable regulations, the Statute, the Rules of Procedure of the Assembly of Shareholders, and other internal Company acts.

At the same time, the Supervisory Board shall request the Management Board to provide information on the reason for not convening the Annual Assembly of Shareholders within the mandatory deadlines.

The Management Board's response must provide a detailed explanation.

Decision to make an advance payment of dividends

Article 44

Under Article 199 of the Statute, the Management Board may decide to make an advance payment of dividends.

It must submit this decision to the Supervisory Board.

Before deciding, the Supervisory Board shall have the right to request information on the reasons for payment and the Company's current financial situation.

If the Supervisory Board approves it, it shall forward the decision to the Management Board to implement it.

Monitoring, reviewing, and issuing recommendations under Article 201 of the Statute

Article 45

Under Article 201 of the Statute, the Supervisory Board shall supervise the system throughout the year and review it at its meeting, complying with statutory obligations. It shall submit recommendations from these reviews to the Management Board, which shall have the right to comment on them.

Reviewing internal acts, policies, and procedures under Article 204 of the Statute

Article 46

Under Article 204 of the Statute, the Management Board shall re-examine the internal acts, policies, and procedures specified therein at its meeting and notify the Supervisory Board of the conclusions reached.

Both boards shall make an effort to align their conclusions before publishing them on the Company's website. If that is not possible, they will publish separate conclusions.

Convening an Assembly of Shareholders if not convened by the Supervisory Board in the case and deadline determined by the Statute

Article 47

Under Article 77 of the Statute, the Management Board shall monitor whether the Assembly of Shareholders is convened to fulfil legal and statutory obligations. If not convened, it shall promptly meet to pass a decision to hold the Assembly of Shareholders and to adopt the required acts.

Submitting written performance reports

Article 48

Under Articles 84 and 115 of the Statute, the Management Board shall prepare and submit quarterly reports to the Supervisory Board following the schedule established by the Macedonian Stock Exchange Listing Rules.

Enabling the Supervisory Board to receive specific information or certain persons to attend a Supervisory Board meeting

Article 49

Under Article 107 of the Statute, when requested by the Supervisory Board, the Management Board shall take the necessary actions to meet the request.

If it concerns a specific company executive, the Management Board shall instruct that executive to provide the requested information or attend a Supervisory Board meeting.

If it concerns someone outside the Company, the Management Board shall contact that person on behalf of the Supervisory Board and invite them to provide the requested information or attend its meeting.

The Management Board shall inform the Supervisory Board about the actions taken.

Submitting an Annual Report

Article 50

Under Article 119 of the Statute, the Management Board shall submit an annual report on its performance to the Supervisory Board within the legal and statutory deadline.

Evaluation under Article 121

Article 51

Under Article 121 of the Statute, the Management Board shall conduct an evaluation and inform the Supervisory Board about it.

The Supervisory Board shall consider this when exercising its competences under Articles 92, 93, and 116 of the Statute.

Audit Report, annual account, financial report, and draft decision for distribution of profits

Article 52

Under Article 192 of the Statute, the Management Board shall deliver the necessary documents to the Supervisory Board within the timeframe required by law and the Statute.

The Supervisory Board shall review the received documents promptly, following legal and statutory deadlines.

It shall prepare a written report of its findings and submit it to the Assembly of Shareholders, observing the given deadlines.

Procedure for approving a major transaction

Article 53

Under Articles 181 and 182 of the Statute, if the Company is to conclude a major transaction, the Management Board shall take all necessary actions before its conclusion to ensure that the competent bodies approve it.

Article 54

When the estimated transaction value exceeds 20% but is below 50% of the Company book value, the Management Board shall submit a request for approval of the major transaction to the Supervisory Board. The request should include all information about the transaction, including the manner and method of estimating the transaction value.

The Supervisory Board may decide to request additional information or call members of the Management Board or management to explain the transaction.

Upon receipt of the necessary information, the Supervisory Board shall pass a decision to approve or disapprove the major transaction. All board members must pass the decision to approve.

If the Supervisory Board does not approve the major transaction, it may decide to defer the matter to the Assembly of Shareholders for approval.

If no Assembly of Shareholders is scheduled, the Management Board shall pass a decision to convene an Assembly meeting to decide on the major transaction.

The Assembly of Shareholders shall pass the decision with a majority vote of the represented voting shares.

Article 55

If the estimated value of the major transaction exceeds 50% of the Company's book value, the Management Board shall notify the Supervisory Board and request that it prepares a written notification about the transaction. The notice must state that the Assembly of Shareholders should consider the proposal for the major transaction and its recommendation, including a statement about shareholders' right to disagree. It must also specify the parties to the transaction, its beneficiaries, value, subject matter, volume, and other financial conditions.

After preparing the notification, the Supervisory Board shall send it to the Management Board,

The Management Board shall convene the Assembly of Shareholders, where the approval of the major transaction will be proposed.

Before the Assembly, the Management Board shall provide all information about the transaction, including how its estimated value was determined and the notification from the Supervisory Board.

The Assembly of Shareholders shall decide by a minimum of a two-thirds majority vote of represented voting shares.

Procedure for approving transactions with interested parties

Article 56

Under Articles 183, 184, and 185 of the Statute, if the Company is to conclude a transaction with an interested party, the Management Board shall take all necessary actions before its conclusion to ensure that the competent bodies approve it.

Article 57

The Management Board shall submit a request for approval of the transaction with an interested party to the Supervisory Board. The request should include all information about the transaction, including the manner and method of estimating the transaction value.

The Supervisory Board may decide to request additional information or call members of the Management Board or management to explain the transaction.

Upon receipt of the necessary information, the Supervisory Board shall pass a decision to approve or disapprove the transaction with the interested party.

The decision to approve each transaction with an interested party shall be made by a majority vote of the Supervisory Board members who have no interest in the transaction.

If all Supervisory Board members are interested parties or if the number of members who have no interest is less than the number required for a quorum for the Supervisory Board meeting determined in the Statute, the transaction shall be approved by the Assembly of Shareholders. In such a case, the Supervisory Board shall notify the Management Board accordingly.

The Management Board shall convene a meeting of shareholders, at which the transaction with an interested party will be proposed for approval.

The Assembly shall approve the transaction with the interested party with a majority vote of all shareholders who have no interest and own voting shares.

Article 58

The Assembly must approve a transaction with an interested party by a majority vote of all shareholders who have no interest and own voting shares if:

- 1) the value of the assets involved in such a transaction or related transactions amounts to 2% or more of the Company's book value according to its latest audited financial statements or in relation to the offered price when assets are being purchased;
- 2) this transaction or related transactions involve issuing shares through subscription or selling amounting to more than 2% of the Company's outstanding ordinary shares at that time, and ordinary shares into which previously issued securities in a series convertible into shares may be converted; or
- 3) this transaction or related transactions involve issuing convertible bonds through subscription, which may be converted into ordinary shares amounting to more than 2% of the Company's issued ordinary shares, and if at the same time, previously issued ordinary shares in a series are convertible into shares.

A decision approving a transaction with an interested party shall specify the person who is a party to it or its beneficiary, as well as its value, subject matter, and other financial conditions.

Article 59

When the Company plans to engage in a transaction with an interested party mentioned in the previous article, the Management Board shall notify the Supervisory Board of the transaction, providing all information about the transaction, including the manner and method of estimating the transaction value.

The Supervisory Board may decide to request additional information or call members of the Management Board or management to explain the transaction.

Upon receipt of the necessary information, the Supervisory Board shall determine the price of the assets or other transaction elements in the approval process.

The Supervisory Board shall communicate its observations to the Management Board, which shall then call an Assembly of Shareholders to seek approval for the transaction.

The Assembly shall make the appropriate decision.

Article 60

Before the competent Company body passes a decision about approving a transaction with an interested party, if the value of this transaction or the cumulative value of related transactions during the past 12 months from the date of its approval amounts to 10% or more of the Company's asset value determined according to its latest audited annual financial statements, then the Corporate Secretary shall organise obtaining an opinion from an authorised auditor who meets conditions prescribed by the Audit Law and Securities Law.

The Corporate Secretary and other competent organisational units shall ensure that the provisions for a transaction with an interested party do not apply when:

- paying dividends; and
- issuing securities.

Article 61

The Corporate Secretary and competent organisational units shall ensure that after fully closing a transaction with an interested party, it is announced immediately, no later than the next working day, in at least one daily newspaper, on the Company's website, and the Stock Exchange's website.

The notification from the previous paragraph shall contain all data required by law.

ACTIONS TAKEN BY THE COMPANY BODIES TO PREVENT OR EFFECTIVELY MANAGE CONFLICTS OF INTEREST

Article 62

The Supervisory and Management Board members shall take due care to prevent conflicts of interest during their operation and decision-making.

To deal with circumstances that may benefit private interests over those of the Company, the Supervisory Board has proposed and the Management Board adopted a Policy for Preventing and Managing Conflicts of Interest to safeguard the assets, value, and interests of the Company, as well as the rights and interests of the shareholders. This policy aims to protect the collective interests of the Company rather than the personal interests of individual entities, including the potential personal interests of the Management and Supervisory Board.

Members of both boards shall act in accordance with applicable regulations, company Statute, and other internal acts when preventing and managing conflicts of interest. It includes compliance with the Company's Policy for Preventing and Managing Conflicts of Interest.

Once a year, members of both boards shall submit a statement affirming their compliance with this policy.

The Supervisory Board shall annually evaluate potential conflicts among individual members based on the above statements within 60 days after they are given.

In cases where potential conflicts arise, members shall follow the procedures established in the Policy for Preventing and Managing Conflicts of Interest.

Article 63

In addition to the principles established by this policy, special provisions shall apply to members of both boards concerning their functions.

Article 64

Supervisory and Management Boards Members and their family members (spouses, parents, and children) may not engage in the following activities without approval from the Supervisory Board:

1. Conduct business 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. Serve as a member of a management body or Supervisory Board or controller in another company with the same or similar subject of operation;
4. Conduct business for themselves or others on Company premises.

A member of either Board intending to perform an action or acquire a function listed above shall request Supervisory Board approval by detailing 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).

Article 65

In case of a conflict involving a Supervisory Board member, it shall inform the Assembly of Shareholders about the approval given under the above article at its next meeting.

Article 66

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;

5. 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 in another company.

If a Supervisory or Management 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 67

If a Supervisory or Management 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.

Duties of Supervisory and Management Board members in special conflict-of-interest procedures

Article 68

The Company's annual report shall disclose all transactions with interested parties in addition to the other required content.

This disclosure shall include information about the subject and value of each transaction, any profits derived from it, parties involved as interested parties and the nature of their relationship to the interested parties, and any other information relevant to their interest in the transaction.

Article 69

Ownership of shares in the Company shall follow the procedures established in the Company Law.

Persons who are shareholders, Management or Supervisory Board members, employees, or external associates who have access to insider information while performing their professional duties shall not buy or sell Company securities or otherwise gain material benefit based on insider information.

Persons referred to in paragraph (1) of this article who have access to insider information shall notify the Company, the Securities and Exchange Commission, and any stock exchange listing the securities if they find out that a legal or natural person buys or sells Company securities based on insider information.

Article 70

Supervisory Board members shall promptly notify the President of the Supervisory Board, and Management Board Members shall promptly notify the President of the Management Board if, in accordance with the policy for the Prevention and Management of Conflicts of Interest, they have an interest in any transaction, contract, or business activity that directly affects the Company's interests.

If a Supervisory or Management Board member has any interest, even indirectly, in any contract or other business activity of the Company, such contract or activity must be managed per the provisions of the Statute governing the handling of transactions with interested parties.

Any Supervisory or Management Board member with interest shall immediately disclose it.

If a Supervisory Board member becomes aware that any of the conditions outlined in paragraph 2 of this article have been met, they shall notify its Board immediately.

If a Management Board member becomes aware that any of the conditions outlined in paragraph 2 of this article have been met, they shall notify its Board immediately.

An interested member shall have the right to be heard but may not participate in discussions or decisions about approving transactions with interested parties.

FINAL PROVISIONS

Article 71

If any provision of this Rulebook 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 activities under this Rulebook.

The Management Board, the Supervisory Board, the Corporate Secretary, the Shareholding and Property Affairs Department, the Finance Service, and the Company's Corporate Legal Service shall ensure compliance with this Rulebook.

This Rulebook shall be amended in the same way and procedure as for its adoption.

Article 72

This Rulebook shall take effect on 01.01.2023.

¹ This version of the Rulebook Governing the Mutual Relations Between the Bodies of ALKALOID AD Skopje is formatted and designed to inform the public about it. The official version of the Rulebook is kept at the Company headquarters.



ALKALOID AD Skopje

Bld. Aleksandar Makedonski 12, 1000 Skopje,
Republic of North Macedonia

www.alkaloid.com.mk

