



CORPORATE MANAGEMENT CODEX OF BH TELECOM JSC SARAJEVO

A large, stylized graphic of the letter 'C' in orange and yellow, with a white interior. The letter is partially obscured by a white, curved, paper-like shape that appears to be peeling away from it. The word 'CODEX' is written in orange capital letters inside the white interior of the 'C'.

C O D E X



Sarajevo, June 2019



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Pursuant to Article 234. item (1) provision s) of the Law of Economic Societies („FBiH Official Gazette“ No.: 81/15) and Article 48. item (1) provision u) of the Statute of BH Telecom JSC Sarajevo No.: 00.1-1.1-1881/16-9 dated 25 Feb., 2016 and No.: 00.1-1.1-27474/17-5 dated 23 Oct., 2017, the 55th (regular) Stockholder Assembly of BH Telecom JSC Sarajevo, held on 27 June, 2019, has adopted the following

CORPORATE MANAGEMENT CODEX OF BH TELECOM JSC SARAJEVO

1. GENERAL

BH Telecom JSC Sarajevo (hereinafter: the Company) is business society acting in the market of Bosnia and Herzegovina as the operator for performance of telecommunication and other activities specified in the Statute. The Company keeps progressing and operating in accordance with a good corporate management practice and it has transparent and efficient business operations through its business strategy, business policy, key documents and business practice, as well as a high level cooperation with its business environment.

The Company has been registered as a joint stock company with 90% of the Government capital and 10% of the stockholders capital whose stocks are traded within Sarajevo Stock Exchange.

This Codex defines the principles of corporate practices and organization to make the grounds for activities of the corporate management holders within the Company, particularly related to the stockholders' rights, frameworks and method of the corporate management holders' work, publicity and transparency of the Company's operations.

This Codex is composed of the following main principles:

- business transparency,
- clearly defined operating procedure for the Stockholder Assembly, Supervisory Board, Management and Audit Board of the Company,
- avoidance of conflict of interests,
- efficient internal control, and
- efficient accountability system.

This Codex is meant for enhancement of the Company's business evolution for the well-being of all interest groups and for provision of the following:

- mechanisms for definition of the Company's goals, their implementation and follow-up of their effects,
- grounds for efficient implementation of corporate management principles,
- balance of interest groups' influences,
- ongoing and consistent control of the Management operations and investors' protection,
- accountability of the Company's bodies,
- strengthening stockholders' and investors' trust in the Company and the same treatment for all stockholders,
- information announcement and business transparency,
- efficient utilization of the Company's resources, and
- trust in the Company's operations.

2. BUSINESS TRANSPARENCY, RELATIONS WITH STOCKHOLDERS, INVESTORS AND INTEREST HOLDERS

The Company provides a timely announcement of information about the Company-related issues pursuant to the Law of Business Societies, Law of Public Enterprises, Law of Securities Market, Rule Book on Joint Stock Companies' Management, Rule Book on Information and Reports in the Securities Market, etc., and documents issued by the Securities Committee, rules of organized market with which the Company is integrated and the Company's documents allowing the same information access for the stockholders, investors and other interest holders.

Public communications are based on the principles of veracity, accuracy, data completeness, timeliness, equal accessibility, strengthening trust and economics, so that the stockholders, potential investors, buyers and suppliers, state bodies and public can be truly and objectively familiarized with the facts and events being important for the Company's business operations.

Information are publicly available as a result of their announcement, submission and insight into certain documents. Information are announced on the Company's web page and/or in daily newspapers and other media.

Management is accountable for provision of business transparency.

2.1. BUSINESS REPORTS

The Company prepares its financial reports pursuant to valid laws, by-laws and international accounting standards/international financial reporting standards.

In addition to financial elements defined in valid laws and by-laws, annual and semi-annual business reports include also a clear analysis and explanation made by the Management about business operations in the referred period. It also includes the Management's statement about eventual oscillations of business results between two reporting periods, as well as explanation of important deviations from planned results.

For the purpose of making external and objective evidence that the Company's financial reports reflect impartially the financial state and results of the Company, the Company hires an independent, competent and qualified auditor (hereinafter: the external auditor) who performs annual audit.

All information that can be important for making a decision on investment in the Company's securities will be announced promptly and simultaneously to all persons who can be interested in them, including both positive and negative information equally, so that the information user can have a full understanding and proper assessment of the Company's state.

The Company announces its business reports, whose announcement is predefined, on its web page in the deadlines being set for report announcement.

2.2. PRICE-SENSITIVE INFORMATION

The Company makes a public announcement of information on events having a significant impact on the Company's financial operations, which can influence on the price of the Company's stocks and not being considered as special information, as well as information which are not found as trade secrets according to valid laws, by-laws and the Company's documents including, but without limitations, the data about the following:

- the Company's operations,
- current business results,
- ownership structure and management of the Company,
- the Company's goals,
- profit share,
- status changes in the Company, and
- management policies, i.e. documents defining management policy in certain areas.

Announcement of all price-sensitive information is made clearly and impartially, having in mind that it has to be fully announced (including both positive and negative aspects of some event or change in circumstances).

2.3. CORPORATE CALENDAR

By the end of a business year, the Company announces a calendar of important corporate events scheduled for the following year on its web page, especially including as follows:

- approximate date, i.e. time of periodical financial results and reports announcement,
- approximate date, i.e. time of regular Stockholder Assembly meetings for the purpose of the annual report adoption and special Assembly meetings aimed at adoption of the three-year business plan, making decision about giving approval for donation legal persons, selection of members to the Supervisory Board, etc.,
- plan of the Supervisory Board meetings,
- BH Telecom Day.

The Company's Secretary is in charge of the corporate calendar announcement on the Company's web page.

2.4. OWNERSHIP STRUCTURE

A) The list of stockholders:

Top ten stockholders of the Company are announced on the web page of Sarajevo Stock Exchange - SASE.

B) Ownership in other companies:

The Company announces the data about business societies in which it has ownership rights on its web page. The Company is obliged to announce all changes in its ownership in other legal persons within eight days from the day of corresponding change.

C) Stocks owned by the members to the Supervisory Board and Management:

Members to the Supervisory Board and Management are obliged to furnish the Company's Secretary with a written notice each time they purchase or sell stocks and/or other securities of the Company, i.e. next working day after purchasing them the latest.

The Company announces the number/percentage of stocks and/or other securities of the Company owned by the members to the Supervisory Board and Management on its web page, and each change in those data will be announced two working days from the date of written notice, submitted by the Supervisory Board and Management, about each purchase or sale of stocks and/or other securities of the Company, the latest.

2.5. SPECIAL INFORMATION

It is not allowed to use special information which are not publicly announced to all parties having access to them, either directly or indirectly, during a purchase or sale of the Company's securities to which those information refer. This ban is valid for the members to the Supervisory Board and Management, Audit Board, employees and other persons being hired and having access to special information, stockholders and other legally bound persons.

2.6. BUSINESS SECRET

Information considered as business secrets will be disposed pursuant to applicable law and the Company's documents.

2.7. RELATIONSHIPS WITH STOCKHOLDERS AND INVESTORS

The Company is obliged to announce, deliver and show information about the status and business operations of the Company in accordance with applicable law and by-laws.

The Company gives its business data to all investors, including local or foreign physical or legal persons wishing to invest in purchase of the Company's stocks, in order to enable them to make a correct estimation of the Company and to decide about their investments..

2.8. INTEREST HOLDERS

Interest holders are legal and physical persons taking direct or indirect risks related to the Company (stockholders, employees, buyers, suppliers, governments, media and general public).

Protection of interest holders' rights and a high quality cooperation with them result in the Company's success following the stockholders' interests.

The Management is accountable for good and transparent relationships between the Company and interest holders, and it is obliged to provide for the Company to respect rights of interest holders grounded on valid laws and good business practices.

2.9. RISKS

Within the three-year business plan and business reports, the Company will state the main risks to which the Company is exposed, probability for their occurrence, if possible, and measures and plans being adopted for their avoidance or reduction.

2.10. STOCK EXCHANGE REPORTS

The Company is obliged to furnish Stock Exchange with all information according to applicable laws.

2.11. WEB PAGE

The Company makes timely and efficient announcements of information through its web page.

Information are announced in one of the official languages of Bosnia and Herzegovina, as well as in English language.

Information announced on the Company's web page, in addition to information defined in valid laws, by-laws and the Company's documents, include as follows:

- main data about the Company,
- Statute of the Company,
- list of the members to the Management, Supervisory Board and Audit Board,
- external audit data,
- annual business report,
- external audit report,
- data on the Company's ownership in other business societies, including their web pages links,
- data about stocks and/or other securities of the Company owned by the members to the Management and Supervisory Board,
- data about shares and/or stocks of the Management, Supervisory Board and Audit Board in competitive societies,
- information of implementation/non-implementation of the Corporate Management Codex,
- proposals of candidates to be the members to the Supervisory Board and their biographies,
- fees paid to independent external auditor,
- all other information important for business operations of the Company.

Members to the Management and Secretary of the Company are accountable for announcement of information on the Company's web page.

3. STOCKHOLDERS ASSEMBLY

3.1. STOCKHOLDERS RIGHTS

Stockholders' rights result from valid laws and Statute of the Company.

The basic stockholders' rights to have a reliable registration of their stock ownerships and a free stock transfer fall within the scope of valid laws and by-laws and they are exercised through institutional mechanisms and procedures established out of the Company.

Thanks to its active approach, the Company enables for the stockholders to exercise their other rights as well, particularly the following:

- right to participate in work and decision-making at the Stockholders Assembly meetings, in person or over their proxies, pursuant to applicable laws, Company's Statute and Assembly Rules of Procedure,
- right to participate in distribution of the Company's profit, resulting from collection of dividend or purchase of new stocks pursuant to valid laws and Company's Statute,
- regular and timely delivery or access to relevant information about the Company, and
- right to have division of property after bankruptcy or liquidation of the Company.

3.2. EQUAL STOCKHOLDERS TREATMENT

During performance of its obligations defined in applicable laws, by-laws, Company's Statute and other documents, the Company treats all its stockholders equally and under the same conditions, regardless if they are individual or institutional stockholders, especially with respect to announcement and/or availability of information referring to the Assembly meetings.

The Company applies "one stock - one vote" principle based on valid laws, i.e. all stockholders have the number of votes proportional to the number of their stocks.

The Company will follow the principle of equal treatment of its stockholders and take necessary measures in that respect, especially including as follows:

- providing that stocks from the same class have the same rights,
- enabling investors to get information about rights referring to the stocks' series and class before their purchase,
- regular and timely informing about the Company (including also information available over web page of the Company),
- participation and voting at the Assembly meetings,
- timely, true and full informing about the issues being especially important for the Company's operations related to important corporate changes, particularly changes and additions of the Statute, reduction or increase of capital, significant changes in the ownership structure, statutory changes and changes in legal form and availability of the high value property,
- making decision about appointment and release of the members to the Supervisory Board,
- specification of fees for persons appointed in relevant bodies, i.e. rules for their specification, including also the fee paid in stocks and other securities,
- provision of equal treatment for all stockholders (including minority and foreign stockholders) and especially efficient legal protection of the minority stockholders' rights from misuse of rights by the majority stockholders.

If there is a higher number of stockholders, the Company will mostly use its web page www.bhtelecom.ba for communications. The Company bans and will permanently prevent the illegal stock trade grounded on confidential (insider) information, as well as possible misuses based on mutual business cooperation. In the case that the Company issues stocks with a limited voting right (priority stocks) pursuant to valid law, it is obliged to timely announce all relevant data on the content and volume of rights resulting from these stocks, so that the investors are able to make a proper decision about purchase of those securities.

3.3. MINORITY STOCKHOLDERS PROTECTION

The Company will take all measures necessary for facilitating, i.e. enabling the minority stockholders to exercise their rights in line with applicable laws.

3.4. CAPITAL CHANGES, STOCKS AVAILABILITY AND PURCHASE AND RIGHT OF PRE-EMPTION

The Company will make all changes in the capital, performed over the Company's bodies, transparently.

When the Company buys or withdraws its own stocks or other securities, it is obliged to do it without a special treatment of certain stockholders (stockholders' groups) or investors (investors' groups).

Changes in the ownership structure are performed within the same treatment of stockholders and obeying the right of pre-emption while issuing new stocks following valid laws, by-laws and/or the Statute of the Company.

3.5. CALL FOR ASSEMBLY MEETINGS

The Supervisory Board calls for the Assembly meetings upon its own initiative, upon the request made by the authorized stockholders pursuant to valid laws and regulations, Audit Board, when it is for the best interest of the Company and stockholders, at least once a year for the purpose of the annual report adoption.

The extraordinary Assembly meetings will be called for in line with the Company's interests.

The Company's Supervisory Board is obliged to call for the Assembly meeting upon request of a stockholder or a group of stockholders having over 10% of the total number of voting stocks, a member to the Supervisory Board and Audit Board, explaining the reasons for legal calling for the Assembly meeting. In the case that the Supervisory Board does not reply on the request for calling for the Assembly meeting within 15 days, the request submitter is authorized to call directly for the Assembly meeting the same way and to send a notice to the Securities Commission. The request submitter can authorize the Company's Secretary to compose the bodies of the Assembly, to announce information about the Assembly meeting and to take all other actions important for organization of the Assembly meeting.

Information about the time, date, place and agenda of the Assembly meeting, authorization and voting method will be announced timely in daily newspapers and on the Company's web page. The materials to be considered at the Assembly meeting will be available to stockholders in the Company's premises from the day of the public announcement.

A stockholder or a group of stockholders having at least 5% of voting stocks is entitled to make a written proposal of questions and decisions to be included in the agenda of the Assembly meeting prior to announcement of a call for the Assembly meeting, i.e. changes and additions to the agenda and proposal of current Assembly decisions. The Supervisory Board is obliged to announce the stockholder's proposals for a change in the agenda of the Assembly meeting the same way as the announcement of a call for the Assembly meeting.

3.6. PROXIES

A stockholder is able to exercise his right to participate in the Company's Assembly meetings in person or over his proxy. The Company will not define additional requests for issuance and implementation of the proxy, except for legally binding requests.

In addition to persons with working ability, a proxy can be a legal person registered for mediation in securities turnover and an association which is a legal person established and registered for the purpose of stockholders' merger and representation, and in those cases the proxy of such legal person exercises his authorizations.

3.7. REPORTS FOR THE ASSEMBLY

The Company's Assembly makes a decision about the annual business report of the Company which is composed of the financial report, auditor's report, report about the Supervisory Board's work and report about the Audit Board's work, including a consolidated financial report if necessary.

The Supervisory Board submitsto the Assembly the annual business report of the Company in which, besides legally binding financial reports, it is obliged to make an estimate of the total success of the Company's business operations, Management operations, especiallyreferring to its cooperation with the Management. In addition, the Supervisory Board is obliged to make a report about its work and familiarize the Assembly with eventual conflicts of interests of its members or members to the Management and Audit Board, and with measures taken in that respect.

The annual business report of the Company will be clear and transparent and will include all significant aspects of business activities in the previous year.

The Assembly will be also furnished with the external auditor's report about the Company's business operations in referred period.

3.8. DIVIDENDS

During payment of dividends, the Company will not find certain stockholders favorable. Payment of dividends is effected according to the decision about profit share and the decision about dividends payment, for which the opinions of the Audit and Supervisory Boards were provided previously. Decision about dividends payment will also include the period in which it will be effected.

3.9. ANNOUNCEMENT OF ASSEMBLY'S DECISIONS

The Management of the Company should make a public announcement of the Assembly's decisions on the Company's web page as soon as possible and send them to Sarajevo Stock Exchange – SASE.

4. SUPERVISORY BOARD

4.1. MEMBERS SELECTION AND APPOINTMENT

Members to the Supervisory Board must meet certain conditions and standards referring to their education and business experience, as well as their moral standards, and must have time necessary for a high quality work of members, i.e. President, of the Supervisory Board.

Persons having legal and Company's limitations cannot be selected as members to the Supervisory Board.

The Supervisory Board will have at least 1/3 of independent members, when independence, in terms of this Codex, means that the member:

- is not a majority stockholder or a member to a group of stockholders having a joint share and influence as the majority stockholder, spouse or blood relative or in-law up to second level of any person from previous group, and does not have any relationship with the companies connected with the majority stockholder,
- was not a member to the management or an employee of the company or any related company last three years,
- did not have a major business relationship with the same company or related companies for at least one year, directly or indirectly, as a partner, stockholder, member to the management or supervisory board or member to higher management of organization being in major business relationship with the company, including also indirect or direct major suppliers and/or buyers of the company's goods and/or services (including financial, legal, advisory and consultancy services) and organization having significant profits from the company or related companies,
- was not a partner or an employee of the auditing company which provides or provided auditing services to the same company or related companies last three years,
- is not a member to another company's management in which some of the management members of the same company is a member of the supervisory board and has no major connections with members of the company's management through his participation in other organizations, bodies or companies,
- is not a spouse or blood relative or in-law to any management member or person having any above mentioned position.

General manager and member to the Company's Management cannot be a president and a member to the supervisory or managing board in business societies or institutions, including, but without limitations, funds, banks, agencies and commissions.

If a member to the Supervisory Board is exposed to pressures or limitations from any stockholder, he is obliged to inform the Supervisory Board and take an independent attitude while voting or resign, according to ongoing circumstances.

4.2. APPOINTMENT COMPOSITION AND PERIOD

Selection, appointment, release, composition and method for making decisions by the Supervisory Board are defined in the Company's Statute.

One position in the Supervisory Board belongs to the candidate having the highest number of votes made by the Assembly and being the candidate of the stockholders with minimum 5% of voting stocks.

Members to the Supervisory Board are selected at the same time and have four-year mandate, with a possibility for their re-selection without limitations.

Upon expiration of the two-year period from their appointment date, the Company's Assembly votes about giving trust to the Supervisory Board members.

In the case of an early termination of membership in the Supervisory Board, the mandate of the newly appointed member to the Supervisory Board lasts until expiration of the mandate of the Supervisory Board members being appointed during appointment of the whole Supervisory Board and not being released.

4.3. RIGHTS AND OBLIGATIONS

Members to the Supervisory Board (president, deputy president and member) are obliged to perform their obligations in line with the Company's and stockholders' interests, in good faith and with due care and diligence.

Each Supervisory Board member performs his duties conscientiously and responsibly.

Members to the Supervisory Board are obliged to be loyal and conscientious to the Company and they are unable to perform activities which are competitive for the Company's activities without informing and having a consent of the other members to the Supervisory Board.

4.4. ACTIVITIES OF SUPERVISORY BOARD

The Supervisory Board follows the vision, mission, goals and strategy of the Company and business plan implementation, making sure that the Company's activities are carried out in line with valid laws, regulations and good business practices.

The Supervisory Board adopts its work plan which includes the plan of regular meetings and data to be regularly and timely put at disposal to the members to the Supervisory Board.

The Supervisory Board's Rules of Procedure do not prevent any member from working on his own. Documents issued by the Supervisory Board must not prevent or limit any member to work and respect the law, and each member is obliged to avoid abuse of his power and to make attempts to harmonize his activities with the other members to the Supervisory Board.

With its Rules of Procedure, the Supervisory Board defines the proposals of documents which must be verified by experts.

4.5. RELATIONSHIP WITH MANAGEMENT

Company's Supervisory Board and Management are obliged to have a full cooperation for the best interest of the Company. Members to the Management are obliged to attend meetings of the Supervisory Board if invited.

4.6. FEES

Members to the Supervisory Board are entitled to be paid for their work in accordance with the decision made by the Company's Assembly.

The Company is obliged to state the sum of yearly fees and other earnings of the members to the Supervisory Board in its annual business report.

4.7. REPORTS ON PURCHASE AND/OR SALE OF COMPANY'S STOCKS

Secretary, to the Management and other Supervisory Board's members about all changes in his stocks and/or other securities ownership next working day after that change the latest, and the Company's Secretary is obliged to announce it on the web page of Sarajevo Stock Exchange – SASE.

4.8. CONFLICT OF INTERESTS, RELATED PARTIES AFFAIRS AND COMPETITION BAN

Conflict of interests is caused by personal interests of a member to the Supervisory Board in relation to some business, which can make him work or have that business, being contrary to the best interest of the Company and its stockholders.

Members to the Supervisory Board must not make decisions based on their personal interests or interests of people being close to them.

If a member to the Supervisory Board finds that he or another member has a conflict of interests in terms of deciding about certain issue, he is obliged to immediately inform the Supervisory Board. That member to the Supervisory Board cannot take part in the discussion and decision-making about the same issue.

All business affairs, in which the members to the Supervisory Board or related physical and/or legal persons participate, will be market-based, especially in terms of deadlines, interests, guarantees, etc., and clearly mentioned in the Company's reports. Those business affairs will be confirmed by evaluation of independent experts.

Members to the Supervisory Board must not, for their own or somebody's account, in person or over third persons, do or advise persons doing jobs considered as the Company's competition.

Members to the Supervisory Board are obliged to publicly announce their part and/or stocks percentage and all changes in companies found as a competition for the Company and to inform the Company's Secretary within three working days from acquiring the part and/or stocks, i.e. from occurrence of change. The Company's Secretary will announce those data on the web page within two working days after receiving them.

4.9. COMMISSIONS

In the case that the Supervisory Board establishes commissions, it is obliged to define their mandate and power in details.

Commissions must inform the Supervisory Board about their work and results regularly. Commission can invite certain experts or employees of the Company to be present at its meetings. Each commission president must be able to have a direct communication with the president and deputy president of the Supervisory Board and Management of the Company.

4.10. SUPERVISORY BOARD MEETINGS

The Supervisory Board holds meetings, as a rule, in accordance with the schedule of regular meetings and convenes extraordinary meetings when necessary. Frequency of meetings should result in efficiency of the Supervisory Board's operations following circumstances and needs of the Company and pursuant to applicable laws.

Materials for meetings will be timely delivered to the members of the Supervisory Board. Minutes of meetings will consist of clearly stated voting results for each issue.

4.11. MEMBERSHIP IN SUPERVISORY BOARDS OF OTHER COMPANIES

Members to the Supervisory Board cannot be members to supervisory board or management of another company, except in legally defined cases.

4.12. EDUCATION OF SUPERVISORY BOARD MEMBERS

Following applicable regulations and its needs and possibilities, the Company will encourage additional education of the Supervisory Board's members in order to renew and improve their knowledge and capability.

4.13. WORK VALIDATION

Each year the Supervisory Board is obliged to prepare a business report for previous year, including validation of contributions made by the Supervisory Board's members, validation of commissions established by the Supervisory Board and validation of achieved results compared with planned Company's goals, grounded on evaluation of certain parameters and criteria.

The report is submitted for adoption by the Company's Assembly together with annual business report.

5. MANAGEMENT

5.1. DUTIES AND RESPONSIBILITIES

The role of the Management is defined by valid laws and in the Company's Statute. The Management organizes and manages business operations of the Company independently and responsibly, and makes decisions based on its own estimation, when the consent of other Company's bodies does not exclude responsibility of the Management for managing business operation with due care and diligence.

The Management is obliged always to act for the benefit of the Company and its stockholders exclusively, having in mind the interests of its employees and public in order to increase the Company's value.

The Management is unable to transfer its power to any other Company's body. Giving procuration is not considered as a transfer of power for the purpose of managing the Company.

The Management is responsible for establishing and keeping suitable internal control system and risk management in the Company.

Rules of Procedure and other documents are the grounds for the Management to provide for the procedures, powers and duties of the Management and its members, including particularly the following issues:

- field of work and goals,
- procedural rules,
- rules for conflict of interests solution,
- meetings, decisions, agenda, minutes and documents, and
- cooperation with the Supervisory Board.

Members to the Management can ask for consultancy of external expert associates about important issues if necessary.

5.2. COMPOSITION

Selection, appointment, release, composition and method for decision-making of the Management are specified in the Statute of the Company.

Members to the Management should be focused on managing Company's operations and, in addition to legally defined conditions, they should meet also the other conditions in accordance with requests of the position of the member to the Management in the Company, being defined in the Company's document.

Members to the Management should have adequate education, experience and skills for management of business operations, solution of critical situations, recognition and supervision of risks and abilities to integrate all interests within and out of the Company.

Members to the Management should as follows:

- be capable to understand reports about the Company's management as well as financial reports,
- be out of conflicts of interests,
- be familiarized with good corporate management practice,
- have personal integrity,
- be motivated,
- be capable for team work, and
- have a strategic vision.

Except for above stated conditions, the General Manager, presiding the Management, should have organizational skills and experience in managing business operations, as well as reputation of a good entrepreneur in broader business community.

Each member to the Management should report to the General Manager and Management about all important issues, being relevant for evaluation of ongoing situation, development and management of the Company, continuously, truly and timely.

Members to the Management should aim for the highest possible independence in relation to certain stockholders, groups of stockholders or other interest holders, and be aware that they have responsibility toward all Company's stockholders.

If a member to the Management is exposed to pressures or limitations from any stockholder, he is obliged to take an independent attitude while voting or to resign, in line with ongoing circumstances.

5.3. REWARDS

Nadzorni odbor utvrđuje poslovne ciljeve Uprave i u skladu sa zakonom definira politiku nagrađivanja prema dostizanju poslovnih ciljeva.

5.4. RESPONSIBILITY

The Management is responsible for implementation and efficiency of decisions it adopted, and the members to the Management will show their solidarity and be responsible for damage caused as the consequence of violation of their duties, unless they prove that they performed their duties responsibly and consciously.

5.5. REPORTS ABOUT COMPANY'S STOCKS AND/OR OTHER SECURITIES OWNERSHIP

Each member to the Management is obliged to give a written notice, over the Company's Secretary, to the Supervisory Board about all changes in his stocks and/or other securities ownership next working day after occurrence of that change the latest, and the Company's Secretary is obliged to announce it on the web page of Sarajevo Stock Exchange – SASE.

5.6. CONFLICT OF INTERESTS

Conflict of interests is caused by personal interests of a member to the Management in relation to some business, which can make him work or have that business, being contrary to the best interest of the Company and its stockholders. Members to the Management must not make decisions based on their personal interests or interests of people being close to them.

If a member to the Management finds that he or another member has a conflict of interests in terms of deciding about certain issue, he is obliged to immediately inform the Management. That member to the Management cannot take part in the discussion and decision-making about the same issue. The Supervisory Board will be informed about possible conflict of interests while making a decision about certain issues.

5.7. COMPETITION BAN

Members to the Management must not, for their own or somebody's account, in person or over third persons, act as the Company's competition anyhow.

Members to the Management must not have a significant part in the companies which can be considered as competitive companies.

Members to the Management are obliged to publicly announce their part and/or stocks percentage and all changes in companies found as a competition for the Company and to inform the Company's Secretary within three working days from acquiring the part and/or stocks, i.e. from occurrence of change. The Company's Secretary will announce those data on the web page of Sarajevo Stock Exchange – SASE.

5.8. COOPERATION BETWEEN SUPERVISORY BOARD AND MANAGEMENT

Members to the Supervisory Board and Management need to have the best possible cooperation and to exchange information, especially about the issues being important for work and decision-making of both bodies. The Company will develop mechanisms and maintain cooperation of the bodies while controlling business operations of the Company, as well as in the field of planning, formulating and implementing the Company's strategy.

The Management is obliged to report to the Supervisory Board timely and fully about all facts and circumstances which can make effect on business operations, financial standing and property of the Company.

The Management and the Supervisory Board are obliged to constantly reach an agreement about the strategic decisions of the Company and implementation of that strategy.

The Management is obliged to enable its members and members to the Supervisory Board to have a simple access to all facilities and premises of the Company, data, records and all other documents necessary for performing their duties.

6. SECRETARY OF THE COMPANY

The Company has a Secretary.

Responsibilities, selection, appointment and release of the Secretary is defined in the Statute of the Company.

Mutual business relationships, fee, responsibility during performance of duties and other issues are defined in the contract, which is previously approved by the Supervisory Board and concluded between the Secretary and General Manager on behalf of the Company.

7. AUDIT AND INTERNAL CONTROL MECHANISMS

7.1. AUDIT BOARD

Pursuant to valid laws and the Company's Statute, the Assembly appoints the Audit Board for the purpose of a detailed analysis of financial reports, support to the Accountancy Department and establishment of a good internal control in the Company.

President and member to the Audit Board cannot be a member to the Supervisory Board or Management, employed and have a direct or indirect financial interest in the Company, except for the fee paid for his work.

Provisions of the Rule Book on Joint Stock Companies Management referring to the Supervisory Board, Statute and contract concluded with the Company are applied on the field of work, appointment and release of the president and members to the Audit Board.

Audit Board members must not make decisions grounded on their personal interests or interests of their close people. If a member to the Audit Board finds that he or another member has a conflict of interests in certain issues, he is obliged to inform the Audit Board promptly. That Audit Board member is unable to participate in the discussion and taking attitude about the same issue. The Supervisory Board will be informed about possible conflict of interests.

With respect to policies and rules adopted by the Company, the Audit Board should:

- follow integrity of the Company's financial information, particularly correctness and consistency of accounting methods applied in the Company,
- evaluate the quality of internal risk control and management system at least once a year, in order to identify and publicly announce the main risks of the Company, including those related to implementation of regulations, and to manage them accordingly,
- provide efficiency of internal audit system, especially through preparation of recommendations during selection, appointment, reappointment and release of the manager of the Internal Audit Department.

The Audit Board needs to have an open and unlimited communication with the Management and Supervisory Board. The Company's Assembly controls its work.

The Management needs to deliver the periodical reviews of financial reports and related documents to the Audit Board before their public announcement, data on changes in the accounting principles and criteria, accounting procedures accepted for the majority of activities, each important itemized discrepancy between book and real value, as well as the complete correspondence with the Internal Audit Department and independent auditors.

The Management is especially obliged to inform the Audit Board about the methods used for book entry of important and unusual transactions and business events, when the book review of such events can be approached differently.

The Audit Board provides internal control and verification of implementation of regulations, guidelines and instructions, delivering a report about their results to the Supervisory Board.

The Supervisory Board is obliged to consider the reports of the Audit Board, analyze its results and supervise implementation of its recommendations.

The Audit Board is authorized to prepare and propose the procedures which should minimize the risk of violation and failure, to provide implementation of accounting standards and to propose accounting policies.

The Audit Board is authorized to cooperate with the external auditor without interference of the Supervisory Board and Management.

7.2. INTERNAL AUDIT DEPARTMENT

The Internal Audit Department is found and operates pursuant to valid laws and the Company's Statute. The Manager of the Internal Audit Department is appointed in accordance with the Law of Public Enterprises.

In addition to duties defined in valid laws and the Company's documents, the role of the Internal Audit Department is to examine, evaluate and report about adequacy, reliability and efficiency of internal controls in the Company.

The Internal Audit Department reports to the Audit Board about the audits being performed.

7.3. INDEPENDENT EXTERNAL AUDITOR

The Company has the independent external auditor whose main duty is to enable for the financial reports to properly reflect the real standing of the Company as a whole. The independent external auditor does not have proprietary and other interests in the Company and does not provide any other services to the Company, directly or through related persons.

The independent external auditor is obliged, as clearly as possible and undoubtedly, to present his opinion and state if financial reports, prepared by the Management, properly reflect the capital and financial standing of the Company, as well as the results achieved in certain period of time.

The independent external auditor is obliged to inform the Supervisory Board about the following issues:

- considerations and comments on account policy,
- important shortages of internal control and procedures,
- alternative accounting procedures,
- disagreement with the Management,
- risk assessment, and
- possible analyses of fraud and/or misuse.

The procedures implemented by the auditor should reflect his independence and objectivity, especially if the employees of the same auditing company provide other professional, particularly advisory, services. The Company should be familiarized with all services provided by the independent auditor, as well as his fees, in order to avoid any doubt about his independence and possible conflicts of interests.

In the case of the circumstances pointing to possible jeopardizing of the auditor's independence, the Supervisory Board is obliged to recommend another auditor. If the Audit Board fails to implement the Supervisory Board's recommendation, the Supervisory Board can inform the Assembly about the issue.

The Company should publicly announce the external auditor's name and the fees paid for the completed audit and other services being provided.

The Audit Board should:

- monitor independence and objectivity of the external auditor, especially in terms of rotation of authorized auditors within the auditing company, and fees paid by the Company for external auditing services,
- follow the type and quantity of services which are not audits, being received by the Company from the auditing company or related persons, when, among other things, the auditing company is obliged to deliver a notice about all fees paid by the Company to the auditing company and related persons,
- make rules about services which cannot be provided to the Company by the external auditing company and related persons, services which can be provided only if approved by relevant commission and services which can be provided without a previous approval, and
- consider external audit's efficiency and actions of higher management resulting from recommendations of the external auditor.

8. CORRUPTION PREVENTION

The Company bans corruption in its business operations and is obliged to take measures for prevention of corruptive activities through its bodies, managers, as well as all employees, in accordance with relevant authorizations. For that purpose, the Management adopted the Anti-Corruption Codex, so establishing the code of conduct and defining the responsibilities of the members to the Management and employees of the Company.

9. SOCIALLY ACCOUNTABLE BUSINESS OPERATIONS

While making any decision, the Company's bodies will take into consideration not only the economic profitability but also the social and ecological accountability, having in mind that the Company is a public enterprise. That way the Company shows that it does not seek for the economic results only, but also a sustainable evolution both locally and globally.

Accordingly, the Company incorporates social accountability in its business operations, i.e. it does not consider its stockholders' interests only, but also the interests of all other interest holders during decision-making.

The Company will make its best efforts to recognize all other interest holders being interested in its activities and to further develop their relationships.

The Supervisory Board and Management adopted the documents about the specific rules related to interests of other interest holders in order to ensure their adequate engagement in decision-making and solving issues. Those rules should make a balance of the Company's interests and interests of other interest holders in the economic, social and ecological environment of the Company.

10. CODEX IMPLEMENTATION

Except for the obligations taken from applicable laws and regulations, implementation of this Codex is grounded on the "apply or explain" principle, so that, if the Company withdraws or fails to apply some principle defined in this Codex, it must explain why it withdrew or made a failure in its annual business report.

This Codex comes into effect 8 (eight) days after its announcement on the Company's message board.

No.:00.1-03-37064/19-5
27 June, 2019

CHAIR OF THE ASSEMBLY

Irma Memić, B.LL.

Corporate Management Codex of BH Telecom JSC Sarajevo was announced on the message board of BH Telecom JSC Sarajevo on 28 June, 2019.

a.i. SECRETARY OF THE COMPANY

Faruk Hamzić, B.LL.