



Annual Report

of the Supervisory Board of GD Granit AD Skopje

2022



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01

**ACTIVITIES AND
EVALUATION OF THE
SUPERVISORY BOARD IN
2022**

01.1 Activities of the Supervisory Board in 2022

In accordance with the competences arising from the Company Law, the Code of Corporate Governance of Companies Listed on the Macedonian Stock Exchange, the Company's Statute, the Code of Corporate Governance of the Company, the Rules of Procedure of the Supervisory Board of GD Granit AD Skopje and other internal acts of the Company, the Supervisory Board of GD Granit AD Skopje oversees the activities of the Company and gives it strategic directions, supervises the Management Board, acts in the interest of the Company, ensures the implementation of the business policy adopted by the Company' General Meeting, while taking into account the interests of shareholders and others stakeholders.

In the course of 2022, the Supervisory Board held 5 regular meetings where it presided and passed resolutions in full numbers, composed of: Chairwoman Ivana Milkovska Simeva, and members Violeta Bozhinoska and Goran Markovski, and passed 23 Resolutions thereat. The meetings of the Supervisory Board were also attended, at the invitation of the Chairwoman of the Supervisory Board, by a member of the Management Board, who reported on the current performance of the Company's operations and answered the questions of the members of the Supervisory Board.

Accordingly, the Supervisory Board of GD Granit AD Skopje:

- Examined and inspected the Company's books of accounts;
- Evaluated the accuracy and reliability of information and financial statements;
- Supervised the implementation of the Company's strategic policies;
- Supervised the operation and the acts adopted by the Management Board of GD Granit AD Skopje;
- Monitored the compliance of the Company's operations with the applicable laws of the Republic of North Macedonia;
- Made decisions and gave recommendations and consents, within the framework of the requirements of the Company, and according to its competences.

In addition to the regular meetings, in 2022 the Supervisory Board additionally passed 2 Resolutions without holding a meeting, on issues within the competence of the Supervisory Board.

In 2022, the members of the Supervisory Board worked, collectively and individually, towards the fulfillment of legal obligations, thus contributing to successful continuity of the business and stable corporate governance, through:

- Monitoring and reviewing the liquidity, the economic and financial situation of the Company, and making appropriate decisions for efficient use of funds;
- Giving directions for the development and improvement of the Company's operations;
- Giving directions for compliance with the changes in the legal regulation within the competence of the Supervisory Board;
- Giving directions for compliance with the new Code of Corporate Governance adopted by the Macedonian Stock Exchange;
- Reviewing information submitted by the Management Board of the Company.

In 2023, the Supervisory Board will be aimed at improving corporate governance, in accordance with the new Code of Corporate Governance adopted by the Macedonian Stock Exchange, by following legal regulations, and also by implementing the best international practices, in order to protect the interests of shareholders, investors, customers, suppliers, employees, and other stakeholders.

The Supervisory Board also remains committed to the continuous improvement of the Company's strategic priorities.

01.2 Evaluation of the Supervisory Board's Performance in 2022

In accordance with provision 2.25 of the Code of Corporate Governance of joint-stock companies listed on the Macedonian Stock Exchange, the Supervisory Board of the Company carried out an evaluation of its performance in 2022, especially in terms of engagement, composition, potential conflict of interests of all members individually, and with regard to the cooperation with the Management Board, and it reached the following conclusions:

- In the course of 2022, the Supervisory Board fully met the obligations and objectives arising from the applicable laws, by-laws, the Code of Corporate Governance of the joint-stock companies listed on the Macedonian Stock Exchange, and the internal acts of the Company;
- All members of the Supervisory Board put, within their professional knowledge and expertise, their selfless efforts, contribution and dedication into the activities of the Supervisory Board, attending all meetings held by the Board in 2022, discussing all issues, and giving their contribution according to their knowledge and skills;
- In accordance with the nature of the Company's activities, the number and composition of the Supervisory Board fully responded to the needs of the Company's activities. In particular, the professional knowledge, skills and experience of all members of the Supervisory Board fully addressed the challenges imposed by the activities in 2022;

- The cooperation and communication between the Supervisory Board and the Management Board during 2022 was at an exceptionally high and professional level, in that the Management Board regularly sent information about the results of the Company's activities including Resolutions and Conclusions adopted by the Management Board, and additionally, upon invitation and request from the Chairman of the Supervisory Board, a member of the Management Board was present, whenever it was appropriate and necessary for a more successful fulfillment of the legal obligations of the Supervisory Board;
- The Corporate Secretary provided a high level of timely and proper technical and professional support to the Supervisory Board, in terms of timely and proper delivery of all materials related to the operation of the Supervisory Board, as well as monitoring the legal regulations related to the operation of the Supervisory Board;
- In 2022, no circumstances have been observed that constitute a conflict of interest of any of the members of the Supervisory Board or that pose a threat to their independence.

In the course of 2022, the Supervisory Board of GD Granit AD Skopje performed within the framework and competences established by the Company Law, as well as the Company's Statute and the Rules of Procedure of the Company's Supervisory Board.

02

COMPANY GOVERNANCE OVERSIGHT



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02.1 Overview of the Company's Quarterly Performance Reports

The periodic reports on the operation of the Organizational and Work Units that operate within the Company, as well as the LLCs established by the Company, are the basis for continuous inspection, analysis and control by the Supervisory Board of the management by the Management Board. Depending on the established needs recognized through the analysis of the above reports, the Supervisory Board has made Decisions and Conclusions on an ongoing basis.

After the crisis caused by the pandemic, in 2022 the economy faced a new crisis caused by the war in Ukraine, which resulted in a drastic increase in the prices of materials and resources, which could not have been predicted in any event.

With that, the Company was once again faced with the challenge of providing materials and their transport in a timely manner, as well as finding a way to cushion the damage caused by the enormous increase in the prices of materials and basic resources. The activities of domestic and foreign suppliers, as well as subcontractors, were fraught with the same difficulties.

However despite such conditions of economic crisis and instability, the Company achieved positive results.

02.2 Examination of the Annual Accounts, the Financial Statements, and the Annual Report on the Activities of GD Granit AD Skopje

The inspection and examination of the Annual Account and the consolidated annual account of the Company for 2022, the individual and consolidated financial statements for 2022, and the Annual Report on the activities in 2022 confirmed that the information disclosed therein is objective and expressed in accordance with the legal regulations and standards in the area of finance.

Therefore, the Supervisory Board reasonably gave its consent to the Resolution on distribution of profit, which, in addition being factually financially valid, is also legally justified, that is, drawn up in accordance with the criteria established in the Company Law and other applicable legal regulations. Regarding the proposed matters and Resolutions to be passed by the Company's General Meeting, they were accepted and approved by the Supervisory Board.

02.3 Audit of the Financial Statements and the Annual Account for 2022

By examining the financial statements from the performed audit, the Supervisory Board reviews the performance of the overall operation and management of the Company, but also identifies the areas where it is necessary to focus the business policy and the strategic decision-making.

Following the audit, the independent auditor Moore Stephens Skopje, determined that the separate and individual consolidated financial statements present fairly and objectively, in all material aspects, the consolidated financial position of the Company as at December 31, 2022, as well as its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with the accounting standards accepted in the Republic of North Macedonia.

Therefore, and bearing in mind the findings and the continuous supervision it carried out for the entire course of the specified period, the Supervisory Board determined that the results of the operation correspond to the data presented in the financial statements, and thus it assessed that the audit was successful and comprehensively performed, in accordance with the accounting records for the Company.

02.3 Audit of the Financial Statements and the Annual Account for 2022

The Supervisory Board also acknowledged the timely activities of the Management Board, which are aimed at timely identification and continuous monitoring of possible risks in the operation. It noted that both the Management Board and all competent services have successfully dealt with all the difficulties and circumstances that constitute risk management, which especially affect the assessment of the credit, market, liquidity, price, and interest risks, and acted so in a timely manner, in order to overcome the possible impacts on the performance and profitability of the Company.

In addition, the Management Board has also continuously and closely monitored the financial results of all Organizational and Work Units and, wherever it found necessary, it gave directions and proposed appropriate measures, in order for the Company to achieve positive results in its operations.

02.4 Overview of Transitional Work Tasks in 2023

The transitional tasks for 2023 of each of the Organizational and Work Units in the Company, which the Supervisory Board considered through the Reports and Work Plans of the same, provide for the fulfillment of the plans and economic growth and conditions for the future development of the Company.

However, given that the crisis caused by the war in Ukraine has not subsided even in 2023, and the consequences thereof still strongly affect the market and make it difficult for the Company to operate, it remains to actively monitor the economic trends and take the necessary actions and measures aimed at optimizing the Company's operations.

03

**ACTIVITIES OF THE
INTERNAL AUDIT
OFFICE**

Based on the legal obligations arising from the Company Law of R. of North Macedonia, in accordance with Articles 415-a, 415-b and 415-c, the Supervisory Board approved and adopted:

- Annual Work Plan of the Internal Audit Office in 2023;
- Six-month report on the activities of the Internal Audit Office for the period January-June 2022;
- Annual report on the activities of the Internal Audit Office in 2022;

The examination of the above documents confirmed that the Office carries out a systematic review and evaluation of the risk management in the current activities of the Company and, at the same time, regularly prepares an overview of the measures and recommendations given to the Departments, and the Organizational and Work Units with the goal of their implementation and increased effectiveness and efficiency.

In addition, in accordance with the changes in the Company Law, the Office also monitored the compliance of the Company's organization and actions with the Company's Code of Corporate Governance, whereby the Office determined that the Company is fully compliant with the newly adopted Code of Corporate Governance, and the checks carried out by the Internal Audit Office have determined consistent and continuous application and practice of all principles of corporate governance. Thus, the Supervisory Board identified the areas where the organizational process, and the control and management process, could be improved, based on which it made appropriate decisions and suggested taking appropriate measures and activities for their implementation.

The Supervisory Board of GD Granit AD Skopje found that the Internal Audit Office continuously achieves successful cooperation with the Departments, the Offices, and the Organizational and Work Units that function within GD Granit AD Skopje.

04

**COOPERATION WITH THE
MANAGEMENT BOARD OF
GD GRANIT AD SKOPJE**



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The Company has established a system of corporate management that is based both on the legal regulations and the latest international practices, which is especially visible from the continuous and close cooperation between the Supervisory and Management Board of the Company.

In the course of 2022, the Management Board regularly and promptly informed the Supervisory Board about the achieved results of the Company's operations, and about all circumstances and situations that may be of importance for its decision-making. All necessary documents and acts were submitted to the Supervisory Board, in accordance with the applicable legal regulations and the currently established requirements of the Company.

In addition, at the invitation of the Chairman of the Supervisory Board, the meetings of the Supervisory Board were attended by a member of the Management Board, who reported in more detail on the results of the Company's operations and answered all questions posed by the members of the Supervisory Board.

05

**RECOMMENDATIONS
FROM THE SUPERVISORY
BOARD TO THE ANNUAL
GENERAL MEETING**

The continuous oversight and supervision over the operation of the Company in 2022 enabled the Supervisory Board to carry out control and evaluation and, based on it, the Supervisory Board concludes that the given indications, decisions, recommendations and conclusions have been promptly implemented in the operation of the Company by the Management Board of GD Granit AD Skopje.

Therefore, pursuant to Article 480 paragraph 3 of the Company Law of R. of North Macedonia, the Supervisory Board reviewed, approved and proposes to the General Meeting of GD Granit AD Skopje to adopt the following:

1. Annual account and consolidated annual account of GD Granit AD Skopje for 2022;
2. Individual and consolidated financial statements for the activities of GD Granit AD Skopje for 2022;
3. Annual Report on the activities of GD Granit AD Skopje for 2022;
4. Audit Report for the annual and consolidated annual accounts of GD Granit AD Skopje for the year 2022, and for the individual and consolidated financial statements;
5. Report on the activities of the Supervisory Board for the year 2022 and an inspection of the Annual and the Consolidated Annual Account of GD Granit AD Skopje for 2022, the financial statements, and the audit reports;
6. Decision to approve the work of the members of the Management Board and the work of the members of the Supervisory Board of GD Granit AD Skopje in 2022;
7. Decision on the distribution of profit of GD Granit AD Skopje generation according to the Annual Account for 2022;
8. Decision on dividend payment for 2022;
9. Report on the activities of the Internal Audit Office in GD Granit AD Skopje in 2022;

06

CONCLUDING OBSERVATIONS



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In the course of 2022, the members of the Supervisory Board of GD Granit AD Skopje, within the framework of the established competences arising from the provisions of the Company Law, the Statute of the Company, the Rules of Procedure, and other general acts for the purpose of realization of the regular business activity of GD Granit AD Skopje, actively contributed and participated in the decision-making, transparently, through objective, competent and comprehensive analysis.

In 2023, the Supervisory Board of GD Granit AD Skopje will also remain committed to the strategic priorities and business policy for development that will be determined by the Management Board of GD Granit AD Skopje, as well as the other plans for further economic growth, successful fulfillment of the projects undertaken in 2022, and overcoming the crisis resulting from the war in Ukraine and the enormous increase in prices of basic materials worldwide.

Skopje, April 2023

Chairwoman of the Supervisory Board
of GD Granit AD Skopje
Ivana Milkovska Simeva



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