

The step under review	Amend corporate law ¹ to introduce new rules on the appointment of independent board members of State Owned Companies
Baseline	0 (2024)
Deadline of the step	December 2024 (February 2025)
Actual results	<p>The Law Amending the Law on Trade Companies foresees optimization of the number of independent members in the management and supervisory boards of State-owned companies, (aim 2) specify criteria and conditions for their appointment in terms of necessary education and work experience, (aim 3) as well as stipulate equal compensation of the appointed independent board members, across all state-owned companies. The amendments were adopted by the Parliament on 27 December 2024.</p> <p>Article 3 of the Law provides for the optimization of the number of members in the supervisory boards of state-owned limited liability companies, depending on their classification as micro, small, medium or large enterprise. (aim 1)</p> <p>The criteria of classification of the trader (micro, small, medium and large) as the basis for delimiting and determining the maximum required number of members in Supervisory Boards (SB) in state-owned LLCs is taken in accordance with the Action Plan of the National Strategy for Preventing Corruption and Conflict of Interest 2020-2024. In this way, state-owned LLCs (medium and large) are enabled, through the higher amount of income, the greater value of property (assets) and the larger number of employees, to have the opportunity to have a larger number of members in the SB (maximum 5) unlike other LLCs (micro and small) which should have 3 members. The classification of traders is taken as a criterion, because it is traceable and measurable, based on data from the annual accounts and financial reports of the traders, and as such determined by the Central Registry.</p> <p>Until the date of application of this Law, the provisions on the composition of the Supervisory Board shall apply equally to both state-owned and privately-owned LLCs. The classification of traders, as a criterion for determining the number of members in the Supervisory Board of a state-owned LLC, was introduced for the first time with the Law</p>

¹ NB: Please note that the terms company law, law on trade companies and corporate law are used as synonyms.

Amending the Law on Trade Companies (Official Gazette No. 272 of 27.12.2024).

This criteria also applies to Supervisory Boards and Boards of Directors in state-owned JSCs.

Article 4 of the Law provides for the **equalization and limitation of the amount of compensation of non-executive members and members of the supervisory boards of state-owned companies**, in the amount of one quarter of the average net salary paid in the Republic of North Macedonia for the previous year and thus provide equal compensation across all state-owned companies which was not the case previously. (aim 3)

Article 5 of the Law provides for the **optimization of the number of members on the board of directors** in state-owned joint-stock companies, depending on their classification as micro, small, medium or large enterprises. (aim 1)

In the context of the above, a state-owned JSC classified as a micro and small trader may have a Board of Directors (BD) with at least 3 and at most 5 members, one of whom is an independent member. This means that a JSC with a lower amount of income, a lower value of property (assets) and a smaller number of employees can operate with a BD consisting of 3 members. The optimal effect in this case is that the JSC should achieve maximum good outcomes under certain completely justified restrictions, i.e. with limited funds at its disposal.

Article 6 of the Law intervenes in Article 367-a, which regulates the **conditions for the election of independent non-executive members of the board of directors in a joint-stock company in full or dominant state ownership**, by adding new provisions specifying the conditions for the election of an independent non-executive member on the board of directors, in a way that provides for a minimum of four years of work experience, in the field of financial operations and/or in the field of legal affairs, which was not a case previously. (aim 2)

Article 7 of the Law provides for the **optimization of the number of members on the board of directors in state-owned joint-stock companies**, depending on their classification as micro, small, medium or large enterprises. (aim 1)

In the context of the above, a state-owned JSC classified as a micro and small trader may have a Board of Directors (BoD) with at least 3 and at most 5 members. This means that a JSC with a lower amount of income, a lower value of property (assets) and a smaller number of employees can operate with a Board of Directors consisting of 3 members. The optimal effect in this case is that the JSC should achieve maximum good outcomes under certain completely justified restrictions, i.e. with limited funds at its disposal.

In the context of the above, a state-owned JSC classified as a micro and small trader may have a supervisory board (SB) with at least 3 and at most 5 members, one of whom is an independent member. This means that a JSC with a lower amount of income, a lower value of property (assets) and a smaller number of employees can operate with a SB consisting of 3 members. The optimal effect in this case is that the JSC should achieve maximum good outcomes under certain completely justified restrictions, i.e. with limited funds at its disposal.

Article 8 of the Law provides for the **optimization of the number of members of the supervisory board in state-owned joint-stock companies**, depending on their classification as micro, small, medium or large traders. (aim 1)

Article 9 of the Law intervenes in Article 378-a, which regulates the **conditions for the election of independent members of the supervisory board in a joint-stock company in full or dominant state ownership**, by adding new provisions specifying the conditions for the election of an independent member of the supervisory board, in a manner that provides for a minimum of four years of work experience, in the field of financial operations and in the field of legal affairs, which was not a case previously. (aim 2).

Article 11 of the Law provides for all initiated procedures before 4 April 2025 for the election and appointment of members of the management and supervisory boards in state-owned JSCs, i.e. LLCs, should be completed in accordance with the Law on Trade Companies ("Official Gazette " No. 28/04, 84/05, 25/07,87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14,138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18, 120/18 and "Official Gazette of the Republic of North Macedonia" No. 290/20, 215/21 and 99/22).

Article 12 of the Law provides that the manager, members of the board of directors, members of the management board and members of the supervisory board in joint-stock companies with dominant or full state ownership and in a limited liability company with dominant or full state ownership, who have been elected or appointed until the date of entry into force of this Law, shall continue to perform the function for which they have been elected or appointed, until the election or appointment of a new manager, new members of the board of directors and new members of the management or supervisory board.

Article 13 of the Law provides for a postponed application for a period of three months from the date of entry into force of this Law. This is necessary to provide sufficient time for state-owned companies to adopt and harmonize their by-laws to these Law amendments.

Evidence	Law Amending the Law on Trade Companies (Official Gazette No. 272 of 27.12.2024)
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Checks performed in the verification of the step and related findings	When adopting the amendments to the Law on Trade Companies, all relevant stakeholders were consulted, who had positive opinions. The text of the law was reviewed by all relevant government bodies, after which it was submitted to Parliament for adoption
Clear conclusion on the achievement of the step	<i>Fully Achieved</i>