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Kosovo Pension Savings Trust

BYLAWS

14 December 2023

These Bylaws was approved by the Governing Board of KPST on 31 October 2023.

These Bylaws received the consent of the CBK on 14 December 2023.

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The Governing Board of the Kosovo Pension Savings Trust, in accordance with Law No. 04/L-101 supplemented and amended by Law 04/L-115, by Law 04/L-168, 05/L-116 and by Law 07/L-016, on Pension Funds of Kosovo, at the Board -meeting held on 31/10/2023, Approved:

BYLAWS OF THE KOSOVO PENSION SAVINGS TRUST

Chapter I GENERAL PROVISIONS

Article 1 Purpose

1.1 These Bylaws define the basic principles for the organisation and work of the Kosovo Pension Savings Trust, the Governing Board, and the Administration of KPST.

Article 2 Definitions

2.1 All terms in these Bylaws have the same meaning as the terms defined in Article 1 of the Law on Pension Funds of Kosovo, with all its additions and amendments, and/or with the definitions as follows for the purpose of these Bylaws:

- 2.1.1 **Shares** -Financial instrument that provides ownership in a company, depending on the level of investment.
- 2.1.2 **Member of the Governing Board** - "Member" means any of the Members of the Governing Board, whether elected or ex officio.
- 2.1.3 **TAK** - Tax Administration of Kosovo - a unit within the Ministry of Finance, responsible for the collection of taxes and pension contributions in Kosovo.
- 2.1.4 **Bills** - Financial instruments issued by governments or corporations with an original maturity of 12 months or less.
- 2.1.5 **Governing Board** - "Governing Board " or "Board" is a body composed of eight Members of the Governing Board of KPST, who serve as Trustees, according to the LPF.
- 2.1.6 **CBK** - The Central Bank of the Republic of Kosovo, which is responsible, as an independent institution according to Article 140 of the Constitution, for the licensing, supervision and regulation of pension funds, pension insurers, asset managers and open-end vehicles as well as custodians according to this law and has responsibility for the supervision of the Kosovo Pension Savings Trust.
- 2.1.7 **Brokers** - selected intermediaries for direct investments in securities (shares, bonds, ETFs or ETCs)
- 2.1.8 **Statement of investment principles** - means the investment policy and investment development objectives adapted by KPST for the investment of pension assets, which must be in accordance with the Law and CBK regulations on pensions, or with investment directives which the pension entity determines asset managers or custodians.
- 2.1.9 **“ETC” or Exchange Traded Commodities – an Exchange traded fund comprised of commodities.**
- 2.1.10 **“ETF” or “Exchange traded funds”** - A security, tradable on the stock exchange, that contains a number of securities of one or more classes of financial instruments such as shares, bonds, commodities, etc.
- 2.1.11 **Bonds** - Financial fixed-instrument with an original maturity of more than 12 months.

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- 2.1.12 **Open-end vehicles/Investment funds** - investment through organised entities that act as investment companies, and which are authorized to issue an unlimited number of capital shares (in partial or full units) presenting equal proportional ownership in such entities from the share custodian or insurance policies where the main asset is accumulated for investment purposes. This term includes mutual funds, investment funds, unit funds, insurance policies and other investment vehicles, which operate on a pooling basis.
- 2.1.13 **Chairman of the Governing Board** - "Chairman" means the person elected as Chairman of the Governing Board under the LPF, or as Acting Chairman, as the Chairman may determine. The Member appointed as Chairman must be one of the Members of the Board with the right to vote.
- 2.1.14 **Securities** - Financial instrument, traded on an exchange, such as shares, bonds, commodities, derivatives.
- 2.1.15 **Law on Pension Funds of Kosovo** - hereinafter LPF, means Law No. 03/L-084, amended by Law No. 04/L-101, supplemented and amended by Law 04/L-115, Law 04/L-168 and Law 05/L-116 of the Republic of Kosovo, or other amendments and supplements that this law may suffer in the future.
- 2.1.16 **Custodian** - a fiduciary that is a licensed bank and legal entity in Kosovo or a subsidiary of a foreign bank that is a legal entity licensed to conduct business in Kosovo by the CBK, or is licensed to conduct business in any Member state of the Organization for Cooperation and Economic Development by the banking supervisory authority of that country that provides services for the storage and deposit of the Kosovo Pension Savings Trust or pension funds or persons who provide individual supplementary pensions related to pension funds based on the agreement for such storage.
- 2.1.17 **Asset manager** - a fiduciary (trustee) who is a legal entity licensed by the CBK or by any other regulatory body of the capital market in Kosovo (or its successor) or by a capital market body of the Member states of the Organization for Economic Cooperation and Development that invests or manages the funds or provides advice regarding the investments of the Kosovo Pension Savings Trust, based on the fund management agreement.
- 2.1.18 **OECD** – means the Organization for Economic Cooperation and Development.
- 2.1.19 **Organisation, Policies and Procedures** - hereinafter OPP, means an internal act, approved by the Governing Board of KPST, which describes in detail the responsibilities, policies and procedures required to ensure the effective administration of KPST, as required by the LPF and Regulations.
- 2.1.20 **Participant** - natural person on whose behalf the employer or participant pays contributions to the Kosovo Pension Savings Trust.
- 2.1.21 **Portfolio** - means the allocation of pension funds in different investment strategies, whereby the risk is adapted according to participant's age. The unit price and investment performance of financial instruments (stocks, bonds, cash, ETFs and others) is specific to each portfolio.
- 2.1.22 **Regulations** - "Regulations" or "Rules" mean secondary legislation, namely the Regulations and Rules issued by the CBK in line with LPF, as well as other administrative instructions that regulate the field of pensions.

Article 3 Kosovo Pension Savings Trust, Mission, and activity

- 3.1 Kosovo Pension Savings Trust (hereinafter "KPST") is an independent legal entity created by the Assembly of the Republic of Kosovo with the Law on Pension Funds of Kosovo.
- 3.2 KPST was established for the purpose of administration and management of individual accounts for pensions based on savings; careful investment and preservation of pension assets; as well as the payment of proceeds created in individual accounts for the purchase of annual pensions, for pensions based on savings.
- 3.3 KPST enjoys independence in the exercise of its functions and competencies for functional, organizational, and financial administration in accordance with the LPF.
- 3.4 KPST reports to the Assembly and is supervised by the CBK, in accordance with the LPF.

Article 4 Legal status

- 4.1 KPST has the status of a non-profit legal entity and is subject to rights and obligations.
- 4.2 KPST can be sued and sue in its own name.
- 4.3 The activity of KPST is carried out in accordance with the Laws of Kosovo.
- 4.4 KPST enjoys organizational, administrative, and budgetary independence.

Article 5 Name

- 5.1 The official name of the Institution in the Albanian language is: Fondi i Kursimeve Pensionale i Kosovës, whereas the abbreviation is **FKPK**.
- 5.2 Official name of the Institution in the Serbian language is: Kosovski Pensijski Štedni Fond, whereas the abbreviation is **KPŠF**.
- 5.3 The official name of the Institution in English is: Kosovo Pension Savings Trust, whereas the abbreviation is **KPST**.

Article 6 Headquarters, Seal, Logo, Premises and Accounts

- 6.1 The headquarters of KPST is in Prishtina.
- 6.2 KPST has its own seal, the form and content of which is determined in accordance with the Law on Seals of Institutions of the Republic of Kosovo.
- 6.3 KPST has its own logo. The logo of KPST is placed on the premises of KPST, in internal documents and acts, in staff communications with third parties, in publications and in activities organized by KPST.
- 6.4 KPST may decide to purchase, build, or rent the necessary properties for performing the functions of KPST in an appropriate manner.
- 6.5 KPST maintains bank accounts in licensed banks in Kosovo or abroad.

Article 7 Steering bodies

- 7.1 The steering bodies of KPST are the Governing Board and the Managing Director.

Article 8 Selection of Custodian and Custody agreement

- 8.1 For investments that are made through Asset managers, a custodian is needed, which is selected by KPST through an international call for bids.
- 8.2 All procedures related to the selection of custodian are directed by KPST.
- 8.3 Conditions and procedures for conducting the competition, including the preliminary qualification requirements for the custodian, the amount and composition of his shares; the reasons and procedure for the suspension or cancellation of his license are determined in accordance with the LPF.
- 8.4 The custody agreement between KPST and the custodian must include the conditions stipulated in the LPF.
- 8.5 KPST can request and accept information from the custodians of funds and other service providers for all transactions on behalf of KPST, including the voting of the shares held by the Fund.
- 8.6 KPST may dismiss and replace custodians and other service providers of KPST.

Article 9 Selection of asset managers

- 9.1 For the investment and management of part or all the assets, the Board can engage asset managers, through the international call for bids.
- 9.2 All procedures related to the selection of the asset managers are led by KPST.
- 9.3 The conditions and procedure of the announcement, including pre-qualification requirements for asset managers, the amount and composition of the capital and other requirements are determined in accordance with the LPF.
- 9.4 The asset management agreement provides for the management only through the appointed custodian.
- 9.5 Asset managers of KPST must manage the assets in accordance with the pension asset management agreements, entered into force in conformity with LPF and with other applicable regulations.
- 9.6 Asset managers and their employees who act on behalf of KPST with the funds must be fiduciaries of KPST.
- 9.7 KPST can request and accept information from asset managers for all transactions on behalf of KPST, including the voting of the shares held by the Fund.
- 9.8 KPST can dismiss and replace the asset managers of KPST.

Article 10 Open-End Vehicle investments

- 10.1 The Board of KPST in the exercise of its fiduciary duty that the optimal investment for some or all Pension Assets of the Trust is through Open-end Vehicles.
- 10.2 KPST through a competitive international bid, which it leads, can choose one or more Open-end Vehicles.
- 10.3 The conditions and procedures of the call for bids, including the pre-qualifying conditions for the open-end vehicles and any other conditions are determined in accordance with the LPF.

- 10.4 The provisions related to custodians do not apply to assets invested through open-end vehicles.
- 10.5 KPST realises investments in Open-end Vehicles through subscription, by signing the appropriate form for the purchase of respective units.
- 10.6 KPST can terminate the investment in Open-end Vehicles through sale/redemption of units that it possesses.
- 10.7 KPST can re-subscribe to the fund from which it has redeemed all units.

Article 11 Selection of securities

- 11.1 The Board of KPST can determine that a part of investments of pension assets is to be made through direct investments in securities that are publicly traded in an exchange.
- 11.2 Securities are selected based on analysis and in accordance with the Statement of Investment Principles.
- 11.3 The trading of such securities is done through brokers, as defined in these Bylaws and other derivative acts.

Article 12 Selection of Brokers

- 12.1 For direct investments in exchange traded funds and other securities KPST selects brokers through international competition.
- 12.2 All procedures for the selection of brokers are directed by KPST.
- 12.3 Brokers must be licensed by the financial market authority in Kosovo or by the financial market authority of an OECD member state.
- 12.4 The conditions and procedures of the announcement of the competition, including the pre-qualifying conditions for brokers as well as any other condition, are determined by the Board.
- 12.5 In cases where the Broker provides KPST with custody services for the funds invested through that Broker, the custody provisions provided for in these Bylaws do not apply.

Article 13 Statement of Investment Principles

- 13.1 The Board, based on professional advice, in accordance with the LPF and the Regulations in force, prepares and approves the Statement of Investment Principles in harmony with the principles presented in these Bylaws.
- 13.2 The statement of investment principles sets out:
 - (a) the way the LPF conditions are met.
 - (b) the types of assets in which pension assets can be invested, the conditions for their selection as well as the maximum exposure for each asset class and the maximum exposure to a single issuer or group of issuers connected to each asset class.
 - (c) The parties are responsible for decisions related to securing and realizing investments.
 - (d) decision-making procedures, and
 - (e) method of revising statements.
- 13.3 The funds of KPST are invested only in accordance with the provisions of the LPF and only in the interest of participants and beneficiaries; with the aim of increasing the investment return through prudent investment.
- 13.4 The goals of a prudent investment of the pension assets are:

- a) security of pension assets;
 - b) diversification of investments;
 - c) maximum gain consistent with the safety of pension assets; and
 - d) maintaining adequate liquidity.
- 13.5 The Board of KPST reviews the statement of investment principles any time deemed necessary, but no less than once per year, and if necessary, changes it.
- 13.6 The Board of KPST may include in its statement of principles of investments an instruction for the splitting of pension assets in separate portfolios, in order that the different participant age groups are provided with a risk profile corresponding with the age of participant.

Article 14 Operational performance

- 14.1 To fulfill its duties, as needed and in accordance with the procedures detailed in the internal acts, in compliance with the laws in force in Kosovo, and respecting the basic principles of good administration, KPST may enter into agreements for:
- (a) Buying, selling, or renting property.
 - (b) The supply of equipment and materials necessary for operation and administration.
 - (c) Contracting the necessary professional services.

Article 15 Employment by KPST

- 15.1 To fulfill its duties, as needed and in accordance with the procedures detailed in the internal acts, in compliance with the laws in force in Kosovo, and respecting the basic principles of good administration, KPST employs:
- (a) Executive personnel
 - (b) Non-executive personnel

Article 16 Insurance agreements

- 16.1 To ensure the Board as well as staff in the fulfillment of their duties, as needed and in accordance with the procedures detailed in the internal acts, in compliance with the laws in force in Kosovo, and respecting the basic principles of good administration, KPST may obtain insurance agreements, including fiduciary insurance, with companies licensed in Kosovo or in the Member states of OECD.

Article 17 Operational and investment fee

- 17.1 All activities related to the administration of the operational functions of KPST are financed by the operational fee.
- 17.2 All activities related to the investment of pension funds by KPST are financed by the investment fee.
- 17.3 The level of the operational and investment fees is expressed as a percentage and are approved annually by the Assembly of Kosovo, based on the request of KPST.
- 17.4 KPST may submit a request for additional investment fees, depending on the financial activity and price movements in the market. The request must be specified and justified, which reflects the additional activity and the price of the financial activities for which the additional fee is requested.

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- 17.5 The request of KPST for the determination of the annual operational and investment fee must be specified with all the expenses calculated for the period for which the request is submitted.
- 17.6 In case the Assembly cannot approve the investment and operational fee for the following year, the fee of the previous year remains in force until the new decision of the Assembly.

Article 18 The budget of KPST

- 18.1 The budget of KPST is prepared considering the needs of KPST for the following year, by respecting the established deadlines as well as the procedures for the compilation of the Budget as foreseen in the internal acts.
- 18.2 The budget of KPST is approved by the Governing Board. The Chairman directs the preparation of the KPST's annual budget, including expenditures and revenues, such as fees and transfers from general revenue, and submits them to the Governing Board for approval.
- 18.3 Re-allocation of funds between budget lines can only be done by decision of the Governing Board. A complete review of the need for reallocations, or changes to the budget in general, should be carried out during the third quarter of the year.
- 18.4 The Board creates an operational reserve and determines its amount by a decision and the same is prescribed in the internal acts.
- 18.5 Funds from the reserve can only be used with a Board Decision, in circumstances and procedures provided for in the internal acts.
- 18.6 The reserve can be replenished only from the operational activities' surplus, with a Board Decision.

Article 19 Preservation of evidence

- 19.1 KPST shall keep the evidence of the administration of KPST including:
- (a) evidence of all receipts and payments:
 - (b) evidence of all investments bought or sold:
 - (c) all decisions and minutes of the meetings of the Governing Board, and all follow-up correspondence.
- 19.2 No evidence shall be destroyed until the storage period expires as provided by the law on archiving, specific legal requirements as well as the internal rules of KPST.

Article 20 Authorized signatures

- 20.1 Official documents of KPST can be signed only by authorized persons and their authorized signatures (for various fields) as well as electronic signatures as regulated within the internal acts.

Article 21 Prevention of Conflict of Interest

- 21.1 The Board Members and Any official of the KPST has a duty to prevent and resolve in the most effective possible way any situation of conflict between his public and private interests.
- 21.2 If an official has suspicion or determines that a conflict of interest has occurred or may occur, he/she shall consult and inform as soon as possible his superior or the Managing Director. During this time, the official shall suspend all actions related to this issue, until a relevant decision is made in connection with the case.

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- 21.3 If the official in paragraph 2 of this Article, is the Managing Director, he/she shall consult the Governing Board.
- 21.4 If the official in paragraph 2 of this Article, is a Board Member, he/she shall consult the Governing Board.
- 21.5 KPST shall take all the necessary measures to prevent and resolve cases of conflict of interest.
- 21.6 In cases when the Managing Director or the Governing Board is not convinced about the existence of the conflict of interest or if they consider that they have or may have a conflict of interest as well, they will address this to the Anti-Corruption Agency, which shall decide on the case.

Article 22 Composition of the Governing Board

- 22.1 The Governing Board is the highest decision-making body of KPST.
- 22.2 The Board consists of eight (8) Members, who are fiduciaries according to the meaning of the LPF, one of whom does not have the right to vote.
- 22.3 Board Members must be people of known integrity and must possess professional skills and experience in pension, finance, investment, and insurance matters.
- 22.4 The Member without a vote, as per paragraph 2 of this article, is the representative of the Government in the Governing Board and is appointed by the Prime Minister.

Article 23 Election and mandate of the Members of the Governing Board

- 23.1 Members of the Board of KPST are elected by the Assembly of the Republic of Kosovo according to the procedure provided in the LPF, for a 4-year term, with the possibility of re-election.
- 23.2 The Assembly appoints the Members of the Governing Board, including the Chairman, based on the recommendations of the selection committee, after consultation with the Government. The Government submits its opinion to the Assembly within fifteen (15) days from the day of acceptance of the Assembly's request for consultation.
- 23.3 If the mandate of the Board Member expires and no new Member has been elected, then the existing Board Member(s) will continue the mandate for a maximum of ninety (90) days.
- 23.4 In case the subsequent Member is elected within these ninety (90) days, then the ninety (90) day mandate ends on the day of the decision for the election of the successor Member enters into force.
- 23.5 The representative Member of the Government of Kosovo shall serve as appointed by the Government of Kosovo, in accordance with the LPF.
- 23.6 After the end of their term as Members of the Board, the Members may not serve in any professional capacity for any broker, asset manager or custodian of KPST for a period of twelve (12) months.

Article 24 Termination of mandate, resignation

- 24.1 The mandate of the Board Member may be terminated only if the Member becomes ineligible according to the provisions of the LPF.
- 24.2 The responsible body will terminate the mandate of the Member by communicating this in writing, a copy of which must be submitted to KPST.
- 24.3 Board Members may resign from their position at any time. The act of resignation is submitted for notification to the Chairman of the Board and the Assembly of Kosovo.
- 24.4 Vacancies in Board Member positions shall not impede the power of the Board to administer the affairs of KPST, if a quorum exists, as specified in the LPF and these Bylaws.
- 24.5 In all cases when the mandate ends, the Member of the Board is obliged to immediately return any property, material, or other data of KPST, which was in his/her possession or control due to exercising the function.
- 24.6 The handover of the mandate from the departing Board member to the newly appointed one shall be regulated by the internal procedures for succession planning.

Article 25 Compensation and expenses

- 25.1 For the performance of the function of the Board Member, the Members, except for the Government Representative Member, enjoy the right to compensation in accordance with the legal provisions and budget planning of KPST.
- 25.2 The amount of the monthly compensation of the Board Member is determined in the annual budget of KPST and enters into force with the approval of fees (operational and investment) by the Assembly for that year.
- 25.3 Each Member will be reimbursed by KPST for all expenses related to exercising the duties of the Board Member of KPST.
- 25.4 Any compensation of expenses for the Members of the Board is determined in detail in internal acts.

Article 26 Regular meetings of the Governing Board

- 26.1 The Board supervises the progress of work and investments in KPST. The Board must hold regular meetings at least once every 3 (three) months.
- 26.2 The Chairman will set the dates of the Board meetings after consultation with the Members and the Managing Director.
- 26.3 The notice for the meeting of the Board, together with the agenda and other accompanying documents, is sent in writing to all Members by the Chairman, at least 7 (seven) days before the date set for the meeting.
- 26.4 The minutes of the Board meeting are kept by the Managing Director, or the person appointed by the Board, and are approved at the next meeting.
- 26.5 Board Members can participate in Board meetings through teleconference or online.

Article 27 Extraordinary meetings

- 27.1 The Chairman, Members or Managing Director of KPST can propose an extraordinary meeting of the Governing Board.
- 27.2 The proposal of a Member of the Board, or the Managing Director, must be supported by at least one other Member of the Board before the extraordinary meeting is held.
- 27.3 Notice of the extraordinary meeting is sent in writing to all other Members, at least 24 (twenty-four) hours before the date set for this meeting.
- 27.4 When proposing an extraordinary meeting, the agenda, time, manner, and place of the meeting must be proposed.

Article 28 Quorum

- 28.1 Before the start of every meeting of the Board, regular or extraordinary, the existence of a quorum must be ascertained.
- 28.2 The quorum exists when there are at least five (5) Members present in the meeting of the Governing Board with the right to vote.

Article 29 Voting

- 29.1 Any action or decision taken by the Board must be made with at least 4 (four) votes for (pro).
- 29.2 In cases where the vote divided into two equal parts (three for and three against/abstain), then the Chairman (or Acting Chairman) will use the casting vote to unlock this tie.
- 29.3 If the Chairman cannot or for any reason does not use the casting vote to break the tie, then the proposal does not pass.
- 29.4 Voting on issues through representation/proxy is not allowed. To vote, the Members must be personally present physically or through the telephone line, or other forms of communication. The method of voting through other forms of communication is regulated in detail in the internal acts.
- 29.5 Proposals for consideration of issues not regulated by the internal acts can be presented by the Chairman or any Member of the Board, Board Committees, or the Managing Director.

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- 29.6 Proposals for review submitted according to par. 5 of this article must be supported by at least one other Board Members, before the issue is put to a vote.
- 29.7 Each Member can support or not the proposals through voting, by acting as a fiduciary with responsibility to the participants and beneficiaries.
- 29.8 Any member of the Board takes measures for self-exclusion or prior exclusion from decision-making process, discussion and voting of an issue in conflict or potential conflict of interest.

Article 30 Chairman of the Board

- 30.1 The Chairman of the Board is appointed by the Assembly.
- 30.2 The Chairman presides and determines the agenda of the meetings of the Governing Board; in his absence, the meetings are chaired by another Member whom he appoints as acting.
- 30.3 The Chairman of KPST appoints the Members of the Board's committees.
- 30.4 The Chairman will represent the Governing Board in meetings inside and outside the country, as well as undertake other duties that may be assigned by the Governing Board.
- 30.5 If the mandate of the Chairman of the Board appointed by the Assembly ends, either by resignation or other legal means, the matter is addressed to the Assembly.
- 30.6 Until the new Chairman of the Board is appointed by the Assembly, the Members of the Board by majority vote appoint an Acting Chairman of the Board from among themselves.

Article 31 Committees

- 31.1 The Board establishes permanent committees, whose members are appointed by the Chairman in accordance with these Bylaws and the OPP.
- 31.2 The Board, by special decision in accordance with the OPP, may also create additional committees or sub-committees, as well as ad-hoc committees, as needed, whose members are appointed by the Chairman.
- 31.3 The Managing Director and other members of the management staff of KPST can be appointed as committee members, except for the Audit Committee.
- 31.4 The duties and responsibilities of the permanent committees are presented in the OPP in detail.

Article 32 Permanent committees

- 32.1 The Governing Board has the following permanent committees, that have at least 3 (three) members each:
- a) Investment Committees
 - b) Budget Committee
 - c) Complaints Committees
 - d) Audit Committee
- 32.2 The functioning and composition of the committees, meetings, duties, and responsibilities, as well as the procedures to be followed, are provided in detail in the internal acts.

Article 33 Investment Committee

- 33.1 Investment Committee is responsible for the continuing review of the Statement of Investment Principles, as well as the issues related to the investment of pension funds, as well as giving the necessary recommendations for the relevant actions to the Governing Board.
- 33.2 The Investment Committee reviews the Statement of Investment Principles at least once a year.
- 33.3 The Investment Committee acts in accordance with all applicable fiduciary prudence and care requirements that experienced investment professionals apply, as well as in compliance with all laws, rules, and regulations.

Article 34 Budget Committee

- 34.1 The Budget Committee is responsible for the preparation of the annual Budget and proposes the same to the Board for approval.
- 34.2 The Budget Committee reviews the Budget and proposes changes to the Board for approval.
- 34.3 The proposal for the annual Budget also includes the level of operational and investment fees to be requested for Assembly's approval.
- 34.4 The Chairman of the Board is also the chairman of this committee.

Article 35 Complaints Committee

- 35.1 The Complaints Committee is responsible for handling complaints from participants or beneficiaries related to pension savings.
- 35.2 The Complaints Committee is also the second degree for disciplinary procedures within KPST.

Article 36 Audit Committee

- 36.1 The Audit Committee is responsible, through the review of issues identified in audit reports (Finance, IT, etc.), to provide assurance to the Governing Board and external parties for the well-functioning of processes at KPST.
- 36.2 In accordance with the legal requirements, the Audit Committee must have at least one member who must be an external expert in the field of accounting or auditing and who is independent from the Management and the Governing Board.
- 36.3 The External Member of the Audit Committee is selected through a public competition and is appointed by a Board Decision.

Article 37 Temporary or Ad hoc Committees

- 37.1 The Governing Board can establish Temporary or Ad hoc Committees.
- 37.2 The number of members, their duties, responsibilities, and mandate are defined in the Board Decision which establishes the said committee.
- 37.3 The Chairman of the Board appoints members in accordance with the Board Decision.

Article 38 Rights of the Member of the Governing Board

- 38.1 In the exercise of the function, the Member has the right to have access to the data, official materials and documents that are prepared and collected by the Board committees or the Administration of KPST.
- 38.2 In the exercise of the function, the Member has the right to be informed or to request clarifications, orally or in writing, on the issues that are within the competence of the Chairman or Committee chairpersons.
- 38.3 With the approval of the other committee members, the Member may participate in the meetings of committees where he is not a member, but without the right to vote.
- 38.4 Members enjoy the right to have insurance policies provided by KPST, to be covered for their activities on behalf of KPST.
- 38.5 Members may participate in educational, legislative, or similar events, as representatives of KPST. When these participations carry a financial cost a Board Decision is needed.

Article 39 General duties

- 39.1 Each Member of the Board is a fiduciary within the meaning of the LPF.
- 39.2 The Governing Board administers KPST in compliance with the LPF and all applicable laws, rules, regulations, and administrative guidelines in force.
- 39.3 The Governing Board administers the pension funds and invests them for the sole and exclusive benefit of the participants and their beneficiaries.
- 39.4 The Governing Board approves the internal acts (OPP) which describe in detail the responsibilities, policies and procedures required for effective administration of KPST.

Article 40 Powers of the Governing Board

- 40.1 The Board has full and exclusive authority to control and administer KPST, unless expressly limited by the Law or these Bylaws.
- 40.2 The Board has full authority to take any action, including the expenditure of KPST money, when it is deemed necessary to fulfill the purpose of KPST.
- 40.3 The Board exercises its powers by making decisions, approving, and implementing rules, procedures, and relevant policies.

Article 41 Transfer of powers from the Governing Board

- 41.1 The Governing Board, to fulfill its responsibilities and when it is considered appropriate, may transfer certain powers to its committees, the Managing Director, or any other instance within the organizational structure of KPST, unless otherwise provided by a higher legal act.
- 41.2 Powers transferred can be revoked, with a Board decision.

Article 42 Reporting

- 42.1 The Governing Board will submit the annual report to the Assembly no later than five (5) months after the end of the calendar year.
- 42.2 The annual report must contain the information required by the legislation in force.
- 42.3 Audited financial statements are sent to CBK no later than April 30 of the following year.

- 42.4 KPST submits other periodic reports to the Assembly, CBK and the Government, in line with deadlines and content provided in the legislation in force.
- 42.5 The publication of information in accordance with the legislation in force is done on the official website of KPST.

Article 43 External audit

- 43.1 The audited financial statements for pension assets are prepared separately from operational assets.
- 43.2 The audit of financial statements is done by an external licensed auditor as per legal requirements.
- 43.3 The Board, with the recommendation of the Audit Committee, sets the criteria for the selection through public procurement of a qualified and independent external auditor, approved by the CBK.
- 43.4 The external auditor will be provided with access to all relevant materials of KPST.

Article 44 Contributions

- 44.1 The basis on which contributions of employers and employees are paid in KPST derives from the LPF, with their declaration and payment performed according to the procedures provided by TAK.
- 44.2 Contributions paid to KPST are recorded against the individual accounts of participants, upon receipt from the employer of the payment and the information as to whom those contributions belong.
- 44.3 Pension funds allocated to individual accounts are the property of the respective participants.
- 44.4 The property right over the pension funds is limited in such a way that the right to receive or use the property can only be done at the time of retirement age, death, or physical disability of the participant, as provided by the LPF and Regulations of CBK.
- 44.5 This property right cannot be pledged, stopped, transferred, or alienated. It is not subject to execution, does not form part of the estate in the event of bankruptcy of the participant and cannot be affected by any procedure of the agreement and any attempt to do so will be void.

Article 45 Basis of Benefits from KPST

- 45.1 The basis on which the pension funds are paid out by KPST for the withdrawal of savings are regulated by the relevant provisions of the LPF and CBK Regulations, respecting the relevant tax laws.
- 45.2 KPST pays the proceeds of individual pension savings accounts to annuity providers for the purpose of purchasing pensions for participants and beneficiaries in accordance with the LPF.
- 45.3 In the absence of annuity providers, KPST, with the consent of CBK, reaches agreements with financial institutions for providing the phased withdrawal of savings.
- 45.4 The details regarding the payment procedure as well as the responsibilities regarding the same are described in the internal acts.
- 45.5 The official website of KPST will present updated information for: the basis upon which savings can be withdrawn, the necessary documents and the procedure to be followed.

Article 46 Statements for participants

- 46.1 The KPST ensures that participants, in accordance with the LPF, are informed about their pension savings, dates of contributions, the amount earned from investments and the balance of funds in their individual accounts.
- 46.2 After the calendar year ends, participants receive the annual statement, via mail or e-mail, with the data as in paragraph 1 of this article, including the level and amount of fees charged on the relevant account.
- 46.3 Participants can request information about their pension savings, through online access to their account or physical appearance at KPST offices.
- 46.4 The Board may decide that participants who are provided with a statement at the offices of KPST will be charged a reasonable fee for the service. The level of the fee must be

published on the official website of KPST, and the collection procedures regulated by internal acts.

Article 47 Complaints reviewing procedure

- 47.1 Participants or their beneficiaries can submit complaints to KPST, which will be reviewed by the Complaints Committee.
- 47.2 The complaint review procedure is regulated in the internal acts.
- 47.3 The parties enjoy the right to use legal resolutions at higher instances.

Article 48 Data improvement

- 48.1 Detailed procedures will be developed within internal acts, for the updating of incorrect data or the completion of missing data, related to participants, employers or received contributions.
- 48.2 In the case of erroneous payments made to a wrong beneficiary, KPST takes measures to claim back such payments.

Article 49 The internal organization of KPST

- 49.1 KPST is led by the Governing Board and is organized in the following administrative units:
- 49.1.1 Managing Director
 - 49.1.2 Directors
 - 49.1.3 Units
- 49.2 Administrative units according to points 1.2 and 1.3. of this article, are organized in appropriate sizes based on the relevant functions and complexities.
- 49.3 Administrative units, according to point 1.2 of this article, must have at least two units under management.
- 50 The organizational chart of KPST is regulated in the internal acts.

Article 50 The Managing Director of KPST

- 50.1 The Managing Director is the main official responsible for the daily administration of KPST and its staff.
- 50.2 The Managing Director reports and answers directly to the Governing Board and exercises duties under the direction and instructions of the Board.
- 50.3 The Managing Director supervises all activities of KPST, including:
- (a) Recordkeeping of all payments and contributions.
 - (b) Maintenance of individual accounts.
 - (c) Reporting to participants.
 - (d) Communicating with other relevant entities in Kosovo.
 - (e) Arrangements with TAK and CBK for collecting contributions and information on individual payments.
 - (f) Preparation of materials for Board meetings.
 - (g) Keeping minutes of meetings, and annual public statements; and
 - (h) other responsibilities as defined in internal acts.
- 50.4 The Managing Director is assisted in his work by professional and supporting staff.
- 50.5 The Managing Director must possess a higher education and be a person of high character, morals, honest and experienced, and employed in accordance with the Law on Labour.
- 50.6 The selection is made by the Board, through a public competition, with conditions and procedures determined in advance.
- 50.7 The Governing Board sets the performance parameters and metrics for compensation and remuneration, evaluates the performance, sets the disciplinary measures, and initiates the procedures for voting on the dismissal of the Managing Director.
- 50.8 The handover of the mandate from the departing Managing Director to the newly appointed one, shall be regulated by the internal procedures for succession planning.

Article 51 Directors

- 51.1 Directors of KPST must possess a high education and be individuals of high character, morals, honesty, and experience.

- 51.2 The employment procedures of Directors will be developed in full compliance with the requirements of the Law on Labor and other applicable legal acts.
- 51.3 Director's report to the Managing Director of KPST.
- 51.4 Duties and responsibilities for Director positions are defined in the internal acts.
- 51.5 The employment of Directors is done by Board Decision, in accordance with the Law on Labour.
- 51.6 The selection committee for the positions of Directors consists of the Managing Director and two Members of the Board.
- 51.7 For the selection of Directors, the selection committee recommends to the Board by a majority vote, where one of the votes for (in favor) must be of the Managing Director.
- 51.8 The Governing Board sets the performance parameters and metrics for compensation and remuneration, by which the Managing Director evaluates the performance and determines the salary of Directors in compliance with the internal acts. Also sets disciplinary measures against Directors.
- 51.9 The Managing Director initiates the procedures for voting on the dismissal of the Directors, for which Boards' approval is needed.
- 51.10 In cooperation and coordination with the Managing Director, the Directors are responsible for ensuring the smooth running of the daily operations of KPST, in accordance with the requirements of the internal acts, including but not limited to the field of:
- (a) finance,
 - (b) investments,
 - (c) risk management,
 - (d) IT and Operations,
 - (e) human resources, etc.
- 51.11 The handover of the mandate from the departing Director to the newly appointed one shall be regulated by the internal procedures for succession planning.

Article 52 Managers

- 22.1 Employment procedures for Unit managers are developed in full compliance with the requirements of the Law on Labour and other applicable legal acts.
- 22.2 Duties and responsibilities for any position of the Manager are set by the decision of the Managing Director, in accordance with internal acts.

Article 53 Professional and supportive staff

- 53.1 In the day-to-day administration of KPST, the Managing Director relies on the professionalism and assistance of professional and support staff.
- 53.2 The employment of the professional and support staff of KPST is done by the Managing Director, in accordance with the Law on Labour and according to the procedures provided in the internal acts.
- 53.3 The duties and responsibilities for each job position that must be covered are set by the Managing Director, in accordance with the needs of KPST.

Article 54 Internal Audit Unit

- 54.1 The Internal Audit Unit is responsible for the regular audit of the activities of the KPST.

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- 54.2 The Unit is led by the Internal Auditor, who is selected by the Governing Board, through a public competition, with the recommendation of the Audit Committee.
- 54.3 The employment of other employees within the Unit is done by the Board's Decision, with the proposal of the selection committee consisting of the Internal Auditor, the Chairman of the Audit Committee, and another Member of the Governing Board.
- 54.4 The Internal Auditor of KPST reports to the Audit Committee and functions independently from the management of KPST.
- 54.5 In case of the need for specialized internal audit services, the criteria and selection are made by the Audit Committee in consultation with the Internal Auditor.

Article 55 Representatives of KPST

- 55.1 KPST is a separate and independent entity as provided by the LPF.
- 55.2 No individual or organization can act or function for or on behalf of KPST or as its representative, unless authorized by the decision of the Governing Board or the Managing Director.

Article 56 Liability for violations, damages, and other liabilities

- 56.1 No Member of the Governing Board shall be personally liable for breach of fiduciary responsibilities in KPST, committed before their election as a Member of the Governing Board.
- 56.2 Fiduciary responsibility, for the period during which the function of the Board Member was exercised, does not cease with the termination of the mandate.
- 56.3 No Board Member shall be personally responsible for the obligations and debts of KPST.
- 56.4 Employees or those acting on behalf of KPST are not responsible for losses, obligations, demands, expenses, decisions, and expenses incurred during the exercise of their duties, unless it is decided by a court decision that the damages resulted from intentional bad behavior or gross negligence.
- 56.5 KPST shall pay in advance the legal protection expenditures for persons mentioned in paragraph 4 of this article. The Governing Board shall approve the legal protection expenditures and advance payment, in compliance with the Procedures in force relating to the use of operational reserve.
- 56.6 The damages and legal protection expenditures mentioned in paragraphs 4 and 5 do not, under any circumstances, include expenditures related to a criminal indictment.

Article 57 Applicable law and regulations

- 57.1 These Bylaws will be interpreted, in accordance with the LPF, with possible amendments from time to time, as well as other laws and regulations applicable in the Republic of Kosovo.
- 57.2 References herein to any article of the LPF shall include those relevant rules for those articles, as issued by the implementing authorities in Kosovo and any subsequent amendments to such laws and rules.

Article 58 Amendments and interpretation

- 58.1 Any change in these Bylaws is approved by decision of the Governing Board and enters into force after the consent of the CBK.
- 58.2 The Governing Board will issue the necessary procedures within the internal acts for the implementation of the provisions in these Bylaws.
- 58.3 The Board has the exclusive authority to interpret and implement these Bylaws, subject to the supervision of the Assembly of the Republic of Kosovo and CBK, as set out in the LPF.

Chapter XI TRANSITIONAL PROVISIONS

Article 59 Revocation

- 59.1 With the entry into force of these Bylaws, the Bylaws dated dd/mm/yyyy are revoked.
- 59.2 All decisions, policies and other documents approved by the Governing Board based on the previous Bylaws remain in force until repealed or replaced by the Governing Board.
- 59.3 All legal acts deriving from the Bylaws will be harmonized no later than 6 (six) months after the entry into force of these Bylaws.
- 59.4 All references to the previous Bylaws approved at previous meetings of the Governing Board, in decisions, policies and other documents shall be interpreted as references to the corresponding authorizing provisions in these Bylaws.

Chapter XII FINAL PROVISIONS

Article 60 Entry into force

- 60.1 These Bylaws were approved by the Governing Board on dd/mm/yyyy and enter into force after receiving the consent of the CBK.

Chairman of the Governing Board of KPST

Pristina, __/__/2023