

SERBIA

Trends and Developments

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Gecić Law

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Trends and Developments in Corporate Governance in Serbia 2025

Serbia's corporate governance landscape is experiencing significant transformation as the country aligns itself with EU standards and modernises its regulatory framework. In 2024-2025, a series of reforms have been launched to update company legislation, strengthen the governance of state-owned enterprises, incorporate ESG principles, and further liberalise markets. These initiatives coincide with Serbia's deepening integration into European markets, most notably through its accession to the Single Euro Payments Area (SEPA) and preparations for eventual EU membership. As Serbia continues its path toward European integration, its corporate governance framework is evolving to meet international standards while remaining attuned to local market realities, with a growing emphasis on sustainability and transparency.

Evolution of the Corporate Governance Framework in Serbia

One of the most significant developments in Serbian corporate governance is the implementation of the Act on Management of Companies Owned by the Republic of Serbia, adopted by the International Monetary Fund's recommendations. This legislation aims to advance corporatisation, improve management practices, and transform the legal structure of state-owned

enterprises. Under the new Act, enterprises owned by the Republic of Serbia must transform into corporations (joint-stock or limited liability companies) by the end of 2025.

The Act establishes a centralised ownership management framework, with the Ministry of Economic Affairs as the primary oversight body. In the energy sector, specific provisions delegate oversight responsibilities to the Ministry of Energy for electricity production and supply. At the same time, the Republic Commission for Energy Networks supervises electricity transmission and natural gas transportation operations.

Importantly, these overseeing institutions do not directly manage the corporations but rather monitor and enhance corporate governance, with authority to implement emergency measures if operational disruptions occur. This approach aims to improve the efficiency and transparency of state-owned enterprises while maintaining appropriate oversight.

Article 18 of the Act presents various situations in which a business company owned by the Republic of Serbia must obtain government approval, reflecting a balanced approach between operational autonomy and state supervision for entities of strategic importance.

The primary sources of corporate governance legislation in Serbia are:

- the Companies Act;
- the Banks Act;
- the Auditing Act; and
- the Capital Market Act.

This regulatory framework has been continuously enhanced since the post-socialist transition period, with significant corporate and security legislation interventions to establish market-based economic principles and improve corporate governance practices.

Serbia has taken decisive steps to modernise its company laws per EU legislation. The Companies Act has been amended to incorporate European corporate forms and practices. Serbia's law now recognises the *Societas Europaea* (SE), a European public company, and European Economic Interest Groupings (EEIGs) as permissible business entities. These EU-harmonized forms are slated to become available in Serbia by 2027, reflecting the government's commitment to integrating with the European corporate framework. Allowing SEs and EEIGs means that Serbian businesses will eventually be able to use the same cross-border corporate vehicles as those in EU member states, facilitating regional investments and partnerships. While these provisions are in place in the legislation, their implementation is timed with Serbia's anticipated EU accession timeline.

In addition to new business forms, Serbia is aligning its laws with recent EU directives. Pending legislation on cross-border mergers, conversions, and divisions will transpose EU rules that make it easier for companies to restructure across borders. Another area of upcoming alignment is board diversity: the EU's 2022 Directive

on gender balance (requiring a minimum representation of women on corporate boards) will necessitate changes in Serbian company law. Though not yet in force, Serbia is expected to introduce gender diversity obligations for listed company boards soon as part of its EU harmonisation efforts.

Digitalisation

The digitalisation of corporate processes has also advanced. As of May 2023, electronic filing of company incorporation became mandatory for all business entities. The Serbian Business Registers Agency (APR) now operates as a one-stop electronic system for company registration and information access. Company data is stored in a digital database, which is being made technically ready to interconnect with the EU's Business Registers Interconnection System (BRIS) once Serbia joins the EU. These measures streamline business start-up procedures domestically and ensure that Serbia's corporate registry can seamlessly integrate with European networks. Ongoing work to align with the EU's Digital Tools Directive (2019/1151) is expected to further enable online shareholder meetings and cross-border online registration, eliminating remaining paper-based formalities.

The Serbian Corporate Governance Act

Serbia's legal framework for corporate governance is already aligned mainly with EU principles. The Serbian Corporate Governance Act is based on OECD and EU best practices, guiding board responsibilities, shareholder rights, and transparency for listed companies. However, legislative modernisation continues in areas such as takeover regulation: a new Takeover Law is under consideration to fully implement the EU Takeover Directive and ensure equitable treatment of minority shareholders in acquisitions. The trend converges with EU standards:

Serbia is updating its company law regime to make it more modern, transparent, and compatible with Europe's internal market. This creates a more predictable environment for both domestic and foreign investors, signalling that Serbia's corporate legislation is keeping pace with international norms.

Recent Developments in Corporate Governance

Reform of state-owned enterprises

The reform of state-owned enterprises (SOEs) has become a central pillar of Serbia's governance improvements in 2025. Historically, many large SOEs in Serbia (spanning energy, utilities, infrastructure, and other sectors) suffered from politicised management, inefficiencies, and occasional fiscal drains. Recognising this, the Serbian government introduced a new Management of Public Enterprises Act to overhaul how SOEs are governed and overseen. This reform is being carried out in line with international best practices and is partly driven by commitments under Serbia's arrangement with the International Monetary Fund (IMF).

Under the new framework, SOE governance is being professionalised and depoliticised. Directors and board members of state-owned companies will be classified as public officials, subject them to stricter anti-corruption rules and transparency obligations. Article 18 of the Act presents various situations in which a business company owned by the Republic of Serbia must obtain government approval, reflecting a balanced approach between operational autonomy and state supervision for entities of strategic importance.

This change reverses a 2021 interpretation that had weakened oversight and reestablishes accountability for those managing public assets.

The revised provisions state that any acting director can only serve for a limited period, with a maximum cumulative duration. A qualified permanent director must also be appointed through a transparent public competition within a specified deadline. Serbia aims to ensure merit-based appointments and stable leadership in its state enterprises by closing this loophole.

Additionally, the new Act strengthens boards of directors and introduces clearer responsibilities for SOE supervisory bodies. It includes measures to prevent the misuse of public resources, especially around election cycles. Enhanced reporting requirements and performance monitoring are being implemented, aligning with OECD Guidelines on Corporate Governance of State-Owned Enterprises.

These legislative changes are expected to improve Serbia's task ahead of time to enforce the new rules fully:

- appoint truly independent, qualified directors;
- publish transparent financial results; and
- subject SOEs to market discipline.

Continued monitoring by international partners (EU, IMF, World Bank) is likely, given the importance of SOE reform for Serbia's fiscal health and EU accession prospects. Serbia's state-owned enterprises are finally being brought under a modern governance regime. This should lead to more efficient public companies and a level playing field where private and public businesses compete fairly, boosting overall economic performance.

Amendments to the Company Act

In early 2025, the Serbian government adopted a Draft Act on Amendments to the Company Act that introduces more precise definitions

and rules for cross-border corporate transformations, aligning with EU standards. The legislation defines:

- detailed procedures covering the drafting and publication of contracts;
- reports from competent authorities and auditors;
- registration requirements;
- the legal consequences of these transactions;
- the formation process;
- management structure;
- share capital requirements; and
- procedures for converting a joint-stock company into a European company; or
- transferring its registered seat to other EU member states.

The amendments introduce a harmonised framework for cross-border mergers with EU entities, eliminating the need for liquidation procedures. This reform aligns with Directive (EU) 2019/2121 on cross-border conversions and mergers. The finalised procedures require companies to prepare a joint draft merger agreement, publish it at least one month before adoption, and obtain independent auditor assessments of asset valuations. Notably, the Act mandates a notarial deed to confirm compliance, with registration effects binding only after both Serbian and foreign authorities validate the merger.

Introducing the European public limited-liability company (SE) enables Serbian firms to operate under a pan-European legal structure. An SE can be formed via a merger (with at least one Serbian joint-stock company), as a holding company, or through a subsidiary establishment. Key requirements include a minimum share capital of EUR120,000 (converted to dinars at the median exchange rate) and dual registration in Serbian and EU business registers. This structure allows

Serbian SEs to transfer their registered office to EU states without dissolution, facilitating seamless market entry. However, governance adjustments are necessary: SEs must adopt either a one-tier (board of directors) or two-tier (management and supervisory board) system, diverging from Serbia's traditional model.

The amendments authorise European Economic Interest Groupings (EEIGs), enabling Serbian and EU businesses to form joint R&D, production, or distribution alliances. Unlike traditional joint ventures, EEIGs lack legal personality, meaning members bear unlimited joint liability for obligations. This structure is ideal for SMEs collaborating on EU-funded projects, as it allows profit-sharing without creating a new corporate entity.

These amendments will take effect on 1 January 2027. The National Assembly is advised to adopt the Act under an urgent procedure to ensure Serbia's timely preparation for EU integration.

While the amendments advance Serbia's harmonisation with the EU *acquis*, gaps persist. The 2024 EU Progress Report notes Serbia's incomplete transposition of directives on digital tools in company law and takeover bids, areas not fully addressed by the current reforms.

Alignment with EU *Acquis*

Serbia's path to full EU alignment

Serbia is actively working toward achieving complete alignment with the EU *acquis* and practice by the end of 2026, with corporate governance being a crucial area of this harmonisation process. The abovementioned amendments to the Company Act stem directly from Serbia's obligations in the EU accession process, specifically under Chapter 6 (Company Act) of the Stabiliza-

tion and Association Agreement between Serbia and the EU.

Introducing European corporate forms and cross-border mechanisms represents a significant step in this alignment process. By establishing Societas Europaea and European Economic Interest Groupings, Serbia is launching itself into a more integrated corporate landscape that facilitates business operations across Serbian and EU markets.

Impact on Serbian companies

The ongoing EU alignment process has far-reaching implications for Serbian businesses. Companies must adapt to new corporate governance standards and familiarise themselves with unfamiliar European corporate forms. This adaptation requires investment in legal expertise, corporate restructuring, and governance training.

These changes offer significant opportunities for Serbian businesses with international ambitions. The ability to engage in cross-border mergers and acquisitions without liquidation procedures streamlines expansion into EU markets. Similarly, establishing European corporate forms provides Serbian companies with familiar structures when operating across the EU, potentially reducing administrative burdens and enhancing their competitiveness in the European market.

However, these benefits come with increased compliance requirements and administrative adjustments. Companies must balance the opportunities for European expansion with the costs of adapting to new governance frameworks and reporting obligations.

ESG Governance and Compliance

The rise of ESG requirements

Environmental, Social, and Governance (ESG) criteria have gained increasing importance in the Serbian business landscape, driven primarily by European regulations and global sustainability trends. The EU's Corporate Sustainability Reporting Directive (CSRD) is transforming the ESG reporting landscape, with 12 sector-agnostic European Sustainability Reporting Standards (ESRSs) requiring disclosures on hundreds of metrics and targets.

Although Serbia is not yet a member of the European Union, EU requirements significantly affect Serbian businesses – especially those involved in European supply chains or trying to access EU markets and financing. The concept of “*Due Diligence*” has become particularly important for Serbian companies, especially small and medium-sized enterprises, that want to become suppliers to major European corporations.

Non-financial reporting framework

Serbia has implemented non-financial reporting requirements through its Accounting Act, which obliges companies with over 500 employees to publish non-financial reports. In 2021, Smart Kolektiv and the Responsible Business Forum Serbia published a handbook titled “*Step by Step to the Non-Financial Report*” to guide companies through this process, providing insights into the context, requirements, and best practices for non-financial reporting.

The handbook addresses the challenges companies face when navigating various reporting requirements and methodologies. It aims to support both legal compliance with the Accounting Act and broader business sustainability efforts. This resource has been particularly valuable as

Serbian companies adjust to more comprehensive ESG reporting standards.

ESG criteria and their impact on Serbian businesses

Since 2024, ESG regulations have mandated that Serbian companies seeking access to the European market and opportunities as suppliers for major corporations must embrace comprehensive sustainability analysis. These regulations delineate over 20 specific criteria addressing human rights violations, environmental impacts, child and forced labour, workplace safety, freedom of workers' associations, and the right to a healthy natural environment.

Failure to comply with these rigorous ESG requirements can lead to substantial setbacks for Serbian businesses, including:

- diminished competitiveness;
- tarnished reputation;
- reduced added value; and
- increased energy and resource consumption.

The directive defines more than 20 human rights requirements and more than 10 environmental impact criteria that companies must address.

European companies are now obliged to analyse their partners' social and environmental impacts on global supply chains, directly affecting domestic suppliers in Serbia. Similarly, foreign banks are expected to conduct ESG analyses when deciding on loans and guarantees, making ESG compliance increasingly crucial for access to capital.

To support Serbian businesses in this transition, the United Nations Development Program, in collaboration with the Serbian Development Agency and Smart Collective, has established

initiatives like the “*ESG Practitioner*” training program. These initiatives aim to empower businesses to adopt and implement sustainable and ethical practices, demonstrating the growing institutional support for ESG implementation in Serbia.

Legal framework for ESG issues

While Serbia has legal regulations covering environment, labour relations, occupational safety, human rights, data protection, and corporate governance, the extensive European ESG legislation has not yet been fully transposed. State policies and strategies determining how domestic companies will align their operations with ESG requirements are still developing, particularly for companies directly obligated or affected by value chains.

Companies that are part of international groups have an advantage in this respect, as they can transfer policies and strategies from the group level and implement them more quickly locally. The journey toward comprehensive ESG integration remains more challenging for independent Serbian businesses, highlighting the need for additional guidance and support from regulatory bodies and industry associations.

Practical Implications and Future Outlook Convergence with European standards

The analysis of Serbian corporate governance codes reveals a high level of convergence with codes from EU member states. This convergence reflects a recognition that good corporate governance practices benefit listed companies, markets, and all stakeholders. As Serbia continues its EU integration process, we can expect further harmonisation of corporate governance standards and practices.

The evolving market for corporate control

The market for corporate control in Serbia has matured significantly since the early transition period, serving as an essential external corporate governance mechanism. The continued development of this market enhances discipline among corporate managers and contributes to more efficient resource allocation within the economy.

Increased focus on small and medium enterprises

Corporate governance has traditionally been associated with large public companies, albeit recent developments indicate growing attention to governance practices in small and medium-sized enterprises. The Chamber of Commerce and Industry of Serbia's corporate governance code specifically targets these companies, recognising their significant economic contribution.

For SMEs, improved corporate governance can streamline business processes, establish a clearer division of responsibilities, enhance accountability, and ultimately lead to better performance and competitiveness. This focus on SMEs is significant given their role in Serbia's economic development and potential integration into European value chains.

Challenges for SMEs and digital transformation

Despite the reforms mentioned earlier, Serbia continues to struggle to implement strong corporate governance practices throughout its economy. SMEs, vital to Serbia's economic structure, often fall short in governance standards and digital technology adoption. Addressing these shortcomings is crucial for achieving inclusive and sustainable growth.

As these companies grow or seek outside investment, the lack of a governance structure can become a hurdle. For instance, accessing bank financing or venture capital is harder without transparent financial reporting and sound management practices.

Another ongoing challenge is the digitalisation gap. Serbia has made good progress in e-government and digital infrastructure for businesses, yet there are still notable gaps in implementation and usage. A 2024 World Bank-supported report on Serbia's business environment highlighted that despite reforms, SMEs continue to face high parafiscal fees and cumbersome procedures, partly due to limited integration of digital services.

Moreover, digitalisation within companies is uneven. Larger Serbian companies have generally adopted modern IT systems for finance, inventory, and customer management. However, many smaller businesses operate with minimal digital tools. Cybersecurity and data protection present additional challenges in the digital realm.

In summary, the challenges of SME governance and digital gaps are recognised hurdles in Serbia's overall progress. Tackling them will require a combination of policy support, education, and market pressure. As EU integration looms, Serbian SMEs must increasingly meet higher compliance and technological standards to compete. Closing these gaps is not just a bureaucratic exercise; it is about ensuring that the positive reforms at the top, in regulations and large companies, permeate the entire economy. Only then will the benefits of corporate governance improvements and market integration be fully realised for Serbian society.

Bridging governance gaps

Despite substantial progress, gaps remain in Serbia's corporate governance framework, particularly regarding the application of ESG principles and the integration of sustainability into corporate strategy. Companies are increasingly expected to address these gaps to comply with regulations and meet the expectations of investors, partners, and customers.

Conclusion: Towards European Integration

Corporate governance in Serbia has evolved significantly, moving from basic frameworks toward sophisticated systems that incorporate international best practices and address emerging sustainability concerns. Serbia's ongoing alignment with the EU acquis, particularly in areas like cross-border mergers and European corporate forms, demonstrates its commitment to integration with European markets.

The introduction of ESG requirements presents both challenges and opportunities for Serbian businesses. While compliance demands resources and expertise, it also encourages more sustainable and responsible business practices that can enhance long-term value creation and competitiveness.

As Serbia continues its European integration journey, we can expect corporate governance to remain dynamic, with continued legislative developments, increased emphasis on transpar-

ency and accountability, and greater integration of sustainability principles. Companies proactively adapting to these changes will be better positioned to thrive in this evolving landscape, attracting investment, building stakeholder trust, and contributing to Serbia's economic development.

Overall, the trajectory for corporate governance in Serbia is a gradual but meaningful improvement. Continuous legislative reform, driven partly by the EU accession process, creates a more robust legal backbone for governance. Equally important, however, will be the evolution of corporate culture. As Serbian companies compete for capital and partnerships internationally, they are coming to appreciate that sound corporate governance is a competitive advantage. Directors and executives are increasingly expected to balance entrepreneurial agility with adherence to governance principles of transparency, fairness, and responsibility. In the years to come, Serbia's ability to uphold these principles – in both the private and public sectors – will play a pivotal role in sustaining investor trust and supporting the country's economic ambitions. The intersection of traditional governance concerns with newer ESG considerations creates a rich area for legal innovation and expertise, ensuring corporate governance remains a central consideration for businesses operating in Serbia in 2025 and beyond.