



**SLOVENSKI DRŽAVNI HOLDING, d. d.**

# CORPORATE GOVERNANCE CODE FOR STATE-OWNED ENTERPRISES

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Ljubljana, May 2017

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[Corporate Governance Code for SOEs](#)

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## 1. PREAMBLE

### **Legal basis and authorisation for the adoption of the Corporate Governance Code for State-Owned Enterprises**

The Slovenian Sovereign Holding Act (Official Gazette of RS, No 25/2014, hereinafter referred to as: "ZSDH-1") entered into force on 26 April 2014. This Act regulates the following: the status and operation of Slovenian Sovereign Holding (hereinafter referred to as: »SSH«) and of Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d., in English, Pension Fund Management (hereinafter referred to as "KAD"); the management of assets in the ownership of SSH and assets of the Republic of Slovenia, managed by SSH; legal documents in relation to the management of assets; measures for the enhancement of integrity and responsibility and mitigation of risks related to corruption, conflict of interest and abuse of inside information in the management of capital assets which are owned by SSH, and assets of the Republic of Slovenia which are managed by SSH.

In its Article 32, the Slovenian Sovereign Holding Act stipulates the Corporate Governance Code for State-Owned Enterprises ( hereinafter referred to as: the "Code") to be one of the legal documents related to the management of capital assets which is adopted by SSH with a consent given by the SSH Supervisory Board.

### **Addressees of Code**

The Code is addressed to state-owned enterprises (SOEs). It should also be applied by subsidiary companies in a Group in which the position of the controlling company is held by a company with State's capital assets. The said companies should apply the Code as their code of reference.

In accordance with Article 2 of ZSDH-1, companies with capital assets of the State are legal entities which are the issuers of capital assets owned by SSH, or companies which are the issuers of capital assets managed by SSH and owned by the Republic of Slovenia.<sup>1</sup> In accordance with Article 19 of ZSDH-1, SSH is responsible for the management of all capital assets owned by the Republic of Slovenia, except for the management of capital

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<sup>1</sup> Capital assets are equity securities or shareholdings. In the interest of simplification, the wording "the issue of capital assets" referred to in ZSDH-1 applies equally to all types of capital assets although shareholdings cannot be subject to an issue.

assets in international financial institutions, of capital assets in companies performing the service of general economic interest as a system operator for the transmission and distribution of natural gas and electricity and in companies performing the service of general economic interest in relation to the organisation of the electricity market in the Republic of Slovenia, and of assets in the Bank Asset Management Company. Capital assets are equity securities or shareholdings.

Companies with State's capital assets should apply the Code regardless of their legal form and regardless of shareholdings held by the State and/or SSH in the share capital of a company.

### **Code contents**

The Code contains principles and recommendations for good practice in corporate governance of SOEs. Some recommendations are common and refer to all companies with State's capital assets, while some recommendations refer to companies with a specific legal organisational form, taking into account the size, the ownership structure of the company and the fact whether company's securities are traded on the regulated securities market. The Code complements the statutory arrangement. The Code's recommendations should meet the requirements of the majority of companies being addressed.

The Code also includes certain general expectations on the part of SSH in relation to SOEs.

For simplicity reasons and to avoid repetitions, the Code refers to other documents adopted by Slovenian professional associations and organizations in regard to certain principles and recommendations.

### **Code purpose and objective**

Some special elements apply for the corporate governance system of state-owned enterprises which arise from the fact that the State is the holder of shares and stakes in companies (for example, the atypical agency problem, mixing of public and non-public objectives, the State playing a role in the corporate governance system that is too active or not active enough, the need by the management company to access the information of a company). The special interest and some expectations held by the State in relation to SOEs must be given the necessary attention and their legitimacy must be acknowledged since the State, by way of state ownership in companies, satisfies the needs of citizens and these needs are most efficiently satisfied with the legal organisational form provided by a

company. In this regard it is important that the expectations of the State from SOEs and the conduct by SOEs themselves are transparent and predictable.

The purpose of the Code is to set the standards of governance and supervision in SOEs and to develop a transparent and understandable system of corporate governance in the above mentioned companies.

The objective of the Code is as follows: by raising the quality of corporate governance in SOEs and in SSH, and to improve the performance of these companies in the long term, for the interest of all of its stakeholders.

### **Code's legal nature and Corporate Governance Statement**

The Code is addressed to SOEs under the "apply and explain" principle. The companies should formally accede to this Code in accordance with Article 70 of ZGD-1 (a Code of reference) and apply the Code to their own circumstances to the fullest possible extent. If the Slovenian Corporate Governance Code for Listed Companies is applied by a company with State's capital assets, or any other Slovenian or foreign Corporate Governance Code is used on a voluntary basis, the company should accede to this Code in addition to the Code already in use. However, the observance of each Code should be transparently and separately disclosed in the Corporate Governance Statement, in accordance with Principle No. 3.4 and Recommendation No. 3.4.1 of this Code.

Deviations from certain recommendations of the Code are justified if, considering the company's ownership structure, activity and other special characteristics of a company, the company attains such better governance effect as would be achieved if the company followed the recommendation which has been deviated from, and this is duly, and in terms of the substance, explained in the Corporate Governance Statement. When an individual recommendation of the Code is explicitly addressed solely to a certain type of companies, then deviations from such a recommendation shall not be explained by other companies in the declaration on the compliance with the Code.

In the Corporate Governance Statement, which is to be included in the Annual Report in a manner as stipulated in ZGD-1, a company should clearly and explicitly declare its compliance with the Code and provide an explanation on deviations from individual recommendations by stating the reason for such deviation from individual recommendations, by stating the manner in which a specific recommendation has been violated and by clarifying whether it intends to follow the recommendation of the Code in the future and when it intends to do so.

Slovenian Sovereign Holding will oversee the implementation of the Code by verifying and analysing the company's declaration of compliance with the Corporate Governance Code which will be published by companies as a separate part of the Annual Report; in addition, every year, SSH will send to companies a special questionnaire regarding the observance of the Code and analyse the answers provided by companies, and on the basis of these analyses, SSH will held discussion with company's representatives in this regard at periodic meetings, when necessary.

### **History of the Code and its sources**

To a certain extent, in terms of the content, the Code is the continuation of the Corporate Governance Code for Companies with State Capital Investments, which was adopted by Slovenska odškodninska družba, d.d., on 15 May 2013, and which was applied until the adoption of this Code. The Corporate Governance Code for Companies with State Capital Investments drew one part of its content from the AUKN Corporate Governance Code for Companies with Capital Assets of the State which was adopted by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter referred to as : "AUKN") on 13 January 2011. The Code has become purposeless with the Agency's discontinuation and the abrogation of the Management of Assets Owned by the Republic of Slovenia Act (Official Gazette RS, NO. 38/2010, et seq.).

In the formulation of this Code, the following sources have also been taken into account: Slovenian Corporate Governance Code for Listed Companies, Corporate Governance Code for Non-Public Companies, Slovenian legislation, Principles of G20/OECD for Corporate Governance, the OECD Guidelines on Corporate Governance of State-Owned Enterprises, other Slovenian and EU guidelines and recommendations (for example, Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC)), various European Corporate Governance Codes, other internationally recognised standards for responsible and good quality corporate governance of SOEs and of other corporations.

### **Code validity**

Due to amendments to Slovenian legislation and owing to other autonomous legal sources and due to some practical insights from the recent application of the Code, the Code was partially revised for the first time in March 2016, and for the second time in May 2017.

The first version of the Code was adopted by the SSH Management Board on 17 December 2014, to which the SSH Supervisory Board granted its consent on 19 December 2014.

By monitoring amendments to legislation, by following the development of good practice at home and abroad, by analysing the effects of the Code in the operational practice of companies, in the future, Slovenian Sovereign Holding will continue to regularly monitor the effectiveness and suitability of the Code in regard to legal and actual business environment of companies with capital assets of the State and SSH, and modify and amend the Code when required.

## 2. DEFINITION OF TERMS USED IN THIS CODE

Individual terms and abbreviations used in this Code shall have the following meaning:

- **Accreditation:** is a decision of the SSH Nomination Committee that a potential candidate fulfils conditions and criteria for accreditation (the first evaluation phase) and his/her application is recorded in the pool of potential accredited candidates for members of supervisory boards of SOEs. The accreditation is regulated in more detailed in the SSH Asset Management Policy.
- **The legal documents regarding asset management:** are the applicable State Assets Management Strategy and the applicable Assets Management Annual Plan, adopted in accordance with Chapter 3 of ZSDH-1.
- **Membership rights arising from an capital asset:** are property and shareholder's rights in a company which arise from the holding of shares or stakes in which regard the exercising of membership rights especially refers to the participation at the General Meeting, the request to convene the General Meeting, the discussion and the voting at the General meeting, the exercising of the right to information and inspection, the exercising of the right to challenge the General Meeting Resolutions and the right to file an action of partnership.
- **Stakeholders:** are individuals and interested parties in companies who, voluntarily or involuntarily, contribute to the potentials or activities for generating the added value of companies and therefore hold potential benefits as well as undertake risks of a company. In addition to shareholders, the stakeholders include employees, creditors, customers and citizens and business and ecological environments of a company.
- **Shareholder:** is a holder of shares in a state-owned enterprise which is organised as a public limited company.
- **State-owned enterprise:** is a company in which capital assets are directly held by SSH or the Republic of Slovenia, and which is managed by SSH in accordance with ZSDH-1.
- **Company member:** is a member of a partnership or a limited liability company.
- **Family members:** are persons as defined in Article 2 of ZSDH-1.

- **State:** is the Republic of Slovenia as the legal entity.
- **Single-person company:** is a company organised as a limited liability company with one company member (the founder).
- **Public limited company:** is a company organised as a public limited company with securities that are listed on a regulated stock exchange market.
- **KAD:** is Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d., or with the English corporate name: Pension Fund Management.
- **SSH Nomination Committee:** is a consultative body of the SSH Management Board, which, pursuant to ZSDH-1 and on the basis of the SSH Asset Management Policy, performs procedures for recruiting candidates for members of supervisory bodies of SOEs, and procedures for their accreditation and nomination which are regulated in more detail in the SSH Asset Management Policy.
- **Capital asset of the State:** is a share or shareholding in an individual company which is held by the Republic of Slovenia, SSH or KAD, regardless of the portion of shares or shareholding.
- **Code:** is the abbreviated term for this Code (Corporate Governance Code for SOEs) and it is written with a capital "C" in this document.
- **Corporate Governance Code for Non-Public Companies:** is a Code which was adopted on May 2016, in cooperation between the Chamber of Commerce and Industry of Slovenia, the Ministry of Economic Development and Technology, and the Slovenian Directors' Association.
- **Annual Asset Management Plan:** is the legal document regarding asset management which is adopted by SSH pursuant to Article 30 of ZSDH-1. The general part of the applicable Asset Management Plan is published on the web site of SSH.
- **Conflict of interest:** there is a conflict of interest when circumstances have arisen in which private interest of a person influences or creates an impression of having an influence on the impartiality of the said person in performing the said person's duties in a company. The private interests are profits or non-material gains for the said person, his/her family members and for other

individuals or legal entities or other entities with which the said person has or has had personal, business or political contacts or interests which are a result of political or national (non)affection or (ill)favour, including emotional attachments. The definition of the conflict of interest in this Code is compliant with the definition of this term in ZIntPK which is referred to in Article 59 of ZSDH-1; in its interpretation, the practice of the Commission for the Prevention of Corruption and the case law in this regard is also taken into consideration *mutatis mutandis*.

- **Supervisory Board:** is a body of supervision in a company with State's capital assets and also applies as appropriate for management boards.
- **Assets or capital assets:** are abbreviated terms for State's capital assets.
- **Non-public companies:** are companies limited by shares whose shares are not listed on regulated securities market, and limited liability companies.
- **Independence of a candidate or a member of a supervisory board of a company with State's capital assets:** A person who is not dependant under this Code is independent.
- **Nomination:** is the decision by the Nomination Committee which is based on the identification, evaluation and the judgement that a potential candidate satisfies conditions and criteria set for the nomination (the third evaluation phase) and that he/she is a suitable candidate for a member of supervisory body of a specific company. If there are more candidates for a vacancy of a member of a Supervisory Board, the selection of candidates is also performed (the selection of the most suitable candidates). The potential nominated candidates are proposed to the SSH Management Board for the selection. The nomination is regulated in more detailed in the SSH Asset Management Policy.
- **Dependency of a candidate or a member of a supervisory board of a company with State's capital assets:** is given when the following dependency elements are simultaneously satisfied:
  1. there is a potential for conflict of interest,
  2. potential conflict of interest arises from personal, business or any other relation with a company, the Management Board of a company or any other person/entity or a stakeholder who, as a rule, has contradictory interest,
  3. potential conflict of interest is of a lasting (and not only transitional) character, and

4. potential conflict of interest is relevant. The criteria for the assessment of the relevance of potential conflict of interest are, in particular: the type and the number of decisions and actions to which potential conflict of interest (may) refer to, the probability of its actual realisation, the impact of conflict of interest to the capability of objective judgement to be made by a member of a supervisory board, and subjective characteristics of a person (especially, the character and past conduct of a person).

The circumstances, which create the presumption of dependence, are defined in the Appendix 3 to this Code. Presumptions are rebuttable.

- **Business decision:** is a decision in regard to which the law, Articles of Association or another legal document do not impose a specifically determined conduct but a Management Board (and in some cases a Supervisory Board) freely decides about one or more legally admissible possibilities.
- **SSH Asset Management Policy:** is the legal document regarding asset management which is stipulated by ZSDH-1 and adopted by the SSH Management Board upon a consent granted by the SSH Supervisory Board. It thoroughly determines the principles, procedures and criteria which are observed by SSH in the corporate governance of companies with State's capital asset.
- **Potential (possible) conflict of interest:** there is a potential (possible) conflict of interest when circumstances have arisen which may lead to the conflict between a private interest of a person when performing duties in a company and the interest of a company. The private interests are profits or non-material gains for the said person, his/her family members and for other individuals or legal entities or other entities with which the said person has or has had personal, business or political contacts or interests which are a result of political or national (non)affection or (ill)favour, including emotional attachments. The most frequent cases of potential conflict of interest are defined in the Appendix 3 to this Code.
- **Management:** is a term which is used in a generic sense for a management body in a company, regardless of its legal organizational structure.
- **Prevailing influence of SSH :** there is a prevailing influence when SSH has directly or indirectly, individually or jointly, the majority shareholding of the

subscribed capital, the majority of voting rights or the right to appoint or dismiss the majority of the members of the Management or the Supervisory Boards.

- **SSH:** is Slovenski državni holding, d.d., or with the English name, the Slovenian Sovereign Holding.
- **Slovenian Corporate Governance Code for Listed Companies:** is a Code which was adopted in its revised form on 27 October 2016, as a result of the cooperation between the Ljubljana Stock Exchange Inc, and the Slovene Directors' Association.
- **State Assets Management Strategy:** is the legal document regarding asset management which is adopted by the National Assembly of the Republic of Slovenia, pursuant to Article 29 of ZSDH-1. The currently applicable State Assets Management Strategy was adopted in the form of the Ordinance On State-Owned Capital Assets Management Strategy by the National Assembly of the Republic of Slovenia on 17 July 2015.
- **A public-interest entity** is a company with securities being traded on a regulated market or a credit institution as defined by the law regulating banking, or an insurance company as defined by the law regulating insurance business.
- **SSH Management Board:** is a management body in SSH.
- **ZDR-1:** is the Employment Relationship Act (Official Gazette RS, Nos. 21/13, 78/13 – corr., 47/15 – ZZSDT, 33/16 – PZ-F and 52/16).
- **ZGD-1:** is the Companies Act (Official Gazette RS, No. 42/2006), as amended.
- **ZGD-1I:** is the Act Amending Companies Act – ZGD-1I (Official Gazette of the RS, No. 55/15).
- **ZIntPK:** is the Integrity and Prevention of Corruption Act (Official Gazette RS, No. 69/11), as amended.
- **ZPPOGD:** is the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette RS, No. 21/2010).

- **ZSDH-1:** is the Slovenian Sovereign Holding Act (Official Gazette RS, No. 25/2014). (Official Gazette RS, No. 25/2014).

### **3. CORPORATE GOVERNANCE FRAMEWORK FOR SOEs**

- 3.1 The fundamental goal of a company with State's capital assets is to maximise the value of the company and to generate the highest possible returns for the owner, unless otherwise stipulated in the law or the Articles of Association. In addition to the fundamental goal, companies also pursue other goals which are defined by regulations or Articles of Association of an individual company. In order to ensure higher transparency in relation to the company goals, companies are obliged to make sure that all such goals are clearly defined in the company's documents on incorporation. When aims and objectives of a company are not explicitly defined in the Articles of Association, the activity is the most important but not the only element for defining the objectives of a company.**
- 3.1.1 State-owned enterprises must pursue as their own goals which are defined in legal documents regarding asset management stipulated for them by the State and SSH. Companies in which the State is not the only owner should pursue those goals which are defined in the legal documents regarding asset management to the fullest possible extent, taking into consideration the size of the State's shareholding and the compliance of these goals with company's objectives.**
- 3.2 The Management of a public limited company with State's capital assets, regardless of its ownership structure, and the Management of a large and medium-size public limited company and of a company with limited liability in which SSH holds a Prevailing Influence, together with a Supervisory Board, shall formulate and adopt the Management Policy of the company in which the principal guidelines regarding the management of the company are stipulated and other contents are defined, as regulated by the Slovenian Corporate Governance Code for Listed Companies in Chapter II by way of the definition for the term "Management Policy". The Management Policy shall be adopted for the future period and may be updated so as to make it always compliant with regulations, the company's Article of Association, the State Assets Management Strategy while reasonably applying the**

**recommendation 3.1.1 of this Code and current guidelines in corporate governance. The Management Policy shall include the date of the last update and shall be accessible on the public web site of a company**

**3.3 In relation to stakeholders, companies with State's capital assets must exercise their rights with due responsibility and fulfil the undertaken obligations in a manner which is compliant with the goals of a company and which facilitates its long-term benefits.**

3.3.1 For the relationship with representatives of individual stakeholders, the company must provide for comprehensive protection of business secrets and upkeep of good business practices.

3.3.2 In regard to actual decisions, a company must examine and adhere to the legitimate interests of all stakeholders when this is compliant with the common interest of the company (common interest of shareholders) in the long term. Information regarding decisions which directly influence an individual group of stakeholders must be communicated to this group by the company if such information does not have the nature of a business secret.

3.3.3 Within the scope of regular reporting, a company with State's capital assets also reports on the relationship with stakeholders.

**3.4 Companies with State's capital assets should include a Corporate Governance Statement in their business report. A company with State's capital assets which, in addition to this Code, also uses another Code shall issue a single Corporate Governance Statement but it shall include as many Statements of Compliance with the Code as is the number of the Codes used. In regard to public limited companies, the observance of an individual, different recommendation from the Slovenian Corporate Governance Code for Listed Companies shall be**

**deemed appropriate justification for the company not observing recommendations of this Code.**

- 3.4.1 The Corporate Governance Statement shall include at least the following:
- a reference to this Corporate Governance Code as a code of corporate governance which is used by a company as a code of reference, with the indication of data regarding the public accessibility of the text of the Code;
  - all relevant information regarding potential corporate governance instruments of the company which surpasses the requirements of this Code and ZGD-1 with an indication of where its governance practice is publicly accessible;
  - a clear and explicit declaration of compliance with the Code or Codes and/or data on the scope of deviations from individual recommendations. It is necessary to explain which recommendations of this Code are not observed by a company or which are not fully observed, the manner in which the company has deviated from recommendations of the Code and reasons for these deviations, and whether the company intends to follow the recommendation of the Code in the future and when it intends to do so;
  - the description of the corporate integrity system pursued in a company compliant with this Code;
  - all information which for companies with an obligation to be audited, are mandatory to be included in the Corporate Governance Statement, as stipulated by ZGD-1.
- 3.5 **The General Meeting shall be informed of the Annual Report of a company and of the income received by the members of management and supervisory bodies and shall adopt resolutions on the distribution of the profit for appropriation and a discharge to the management and supervisory bodies within the same item on the Agenda of the AGM but with separate resolutions. The General Meeting shall decide on the conferring of a discharge for the management and supervisory bodies with a separate resolution for each body.**

**3.6 The Management of a company, which is obliged to produce a Business Report under ZGD-1, in cooperation with a Supervisory Board shall formulate and adopt the Diversity Policy in a form of a special legal document , which shall be implemented in connection with the presence of members in management or supervisory bodies in regard to the aspects such as gender, age and profile. The Diversity Policy shall be published on the web site of a company, or other type of accessibility shall be provided for in regard to the latter for all company's shareholders.**

3.6.1 The Diversity Policy shall include the description of the Diversity Policy in connection with the presence of members in management and supervisory bodies in regard to aspects such as gender, age and profile, actual goals of the diversity policy, the method of its implementation and the results having been achieved by such Diversity Policy in the reporting period. The goal of the Diversity Policy is to achieve better efficiency of a Supervisory Board and the Management as a whole.

3.6.2 The Diversity Policy shall particularly be implemented by applying relevant procedure for the recruitment and selection of candidates for members of a Supervisory Board and the Management. It is important to use recruitment channels by way of which a wide selection of various candidates is enabled. Both, a Supervisory Board (or their committee) and majority shareholders shall strive for achieving goals of the Diversity Policy.

#### **4. RELATIONSHIP BETWEEN SHAREHOLDERS, SSH AND COMPANY WITH CAPITAL ASSETS OF STATE**

**4.1 Management and supervisory bodies of companies with State's capital assets are independent of SSH and of the State.**

4.1.1 The exercise of rights of a shareholder and the implementation of authorisations and fulfilment of responsibilities and duties of SSH in

accordance with the law, the Code and the adopted legal documents do not constitute an interference with the company's independence.

**4.2 A company with more than one shareholder shall provide for a corporate governance system which observes the principle of equal treatment of shareholders, including the access to company's information.**

4.2.1 The level and intensity of communication between SSH and individual companies with State's capital assets varies in regard to their legal form of organization, the public and their ownership structure.

4.2.2 The Supervisory Boards of companies with State's capital assets must strive for a practical and efficient communication with shareholders. At the General Meeting, the members of the Management and Members of Supervisory Board, particularly the Presidents of Supervisory Board Committees, should be available to answer all relevant questions raised by shareholders. They should be particularly well prepared to answer questions in regard to the company's strategy and its development, significant company's projects, the company's financial position, the procedure for the appointment and remuneration of members of the Management.

4.2.3 Public limited companies should communicate with shareholders in a manner defined in the company's Management Policy.

4.2.4 The communication in companies with State's capital assets shall be a continued process and should not only be limited to the General Meeting.

4.2.5 The communication between the management and supervisory bodies of companies with State's capital assets and SSH may be direct if these are companies whose only shareholder is the State or SSH. In other cases, the

direct communication should be limited mainly to cases envisaged by individual publicly published SSH recommendations and expectations.

- 4.2.6 The communication between the management and supervisory bodies and shareholders is dedicated particularly to the consideration of issues which are related to the attainment of goals, company's performance and expected results, information about its financial position and operations and the determination and/or consideration of strategic issues.

- 4.3 In regard to issues which refer to the exercise of membership rights arising from capital assets of the State in companies with capital assets of the State, the management and supervisory bodies should refrain from any communication with the representatives of ministries or the Government.**

## **5. POSITION OF COMPANIES WITH STATE CAPITAL ASSETS**

- 5.1 All companies are in an equal position with companies with State capital assets in their operation and engagement in the market.**

5.1.1 Companies with State capital assets must accept market conditions of competition in all fields (regulatory rules, access to financial resources and institutions, etc.).

5.1.2 Obligations and duties of a company with State capital assets with regard to utility services or other services in the public interest which are publicly attributed to the company by law or by other legal bases must be published publicly.

5.1.3 Costs with regard to obligations concerning the provision of non-economic goals must be published publicly and transparently so that the general public may be notified. If a company, in addition to providing non-economic goals, performs any other market activity, such market activities and non-

market activities must be presented separately from a financial point of view.

## 6. SUPERVISORY BOARD

**6.1 A Supervisory Board should perform its function of supervision over operations and management of the company in accordance with the law and Articles of Association. The Supervisory Board shall be responsible for its efficient organisation and jointly responsible for its appropriate composition. It shall also carry out the duty of providing consulting to the Management in a manner which shall not interfere with its independence. The Supervisory Board shall be responsible for the appointment and discharge of the President and the members of the Management at its sole discretion and in accordance with the interest of a company. The Supervisory Board of a large company should formally develop an efficient succession plan for members of the Management. In addition to cases stipulated by the law, the Supervisory Board should be responsible for making decisions on issuing consents for individual significant types of business transactions.**

6.1.1 With regard to the selection, nomination and determination of rights and obligations of a member of the Management, the Supervisory Board should take into account the recommendations of this Code as well as the Practical Guide for Supervisory Boards in Recruiting Members into Management Boards, while primarily taking into account legal rules which apply in this regard for an individual company. As regards the composition of the Management, the diversification of the membership should be considered, in particular the gender balance of this body.

6.1.2 In the appointment of members of the Management, the Supervisory Board members shall carry full personal responsibility and accountability for the professionalism and prudence of decisions, to the extent that they are not

and must not be bound by the instructions of any third person, not even SSH.

6.1.3 For the recruitment of candidates, companies should choose an approach or a combination of approaches which enable the Supervisory Board to arrive at the selection of the most suitable candidates. For the Supervisory Board, the following approaches are possible for the selection of candidates for the President and members of the Management:

a) Direct recruitment:

- personal invitation for the candidacy upon the proposal of members of the Supervisory Board or the Nomination Committee – internal candidates (succession) and external candidates;
- "head-hunting" – identification of suitable candidates on the labour market, information about the vacancy and motivating for the candidacy which is carried out with the assistance of external experts.

b) Public invitation to recruit: is a public publication of a vacancy of a member or a President of the Management in the relevant media. All candidates may apply who in their own opinion match conditions in the tender invitation.

c) A combination of a public invitation and direct recruitment: all approaches to recruitment and selection are carried out simultaneously.

6.1.4 It depends on the company itself, the industry, conditions in the market and eventual special conditions as to which of the approaches or their combination are more appropriate for a certain situation. The assistance of external (outside the company) or internal experts (inside the company) is possible for all methods of recruitment for the candidates of members or a president of the Management. All candidates, including those who are directly invited and internal candidates, are treated equally and they take part in the same processes up until the final selection.

6.1.5 Significant types of business transactions which are subject to a consent by the Supervisory Board as stipulated in the Articles of Association or by way of a Supervisory Board's Resolution, are particularly the following:

- the Strategy and the company's Strategic Plan,
- the company's Business and Financial Plan,
- acquisition and disposition of companies or closure or divestment of significant parts of companies or undertakings,
- purchase and sale and encumbrance of shares and shareholdings,
- purchase and sale and encumbrance of properties, unless the real-estate services form the part of the regular company's activity,
- opening and closing branch offices,
- large investment projects,
- lending and borrowing, unless lending and borrowing services form the regular company's activity,
- granting the procuration.

**6.2 In performing their duties, the Supervisory Board members are obliged to act in the best interest of a company with the diligence of fair and conscientious managers (in Slovenian: "*vesten in pošten gospodarstvenik*"), and to protect the business secrets of the company. They should perform their tasks ethically, fairly and responsibly.**

6.2.1 In making business decisions, for example, in regard to the issue of the consent for the Management to carry out a legal transaction, in regard to the adoption of the Supervisory Board's Rules of Procedure, they should reasonably take into account the Recommendation 7.2.3 of this Code, and should ensure that the same is applied by the Management.

**6.3 Supervisory Board members should be personally engaged in the work of the Supervisory Board, take part in the Supervisory Board sessions, become conversant with the Supervisory Board session material and formulate their own standpoints to all items on the agenda. If insufficient information is provided for individual items on the agenda, a Supervisory Board member should request additional information**

**and the postponement of decision-making until sufficient information has been provided.**

- 6.3.1 Supervisory Boards should receive such information from the Management which would enable an efficient implementation of supervision over company's operation and competent decision-making. Reports from the Management must be requested that are compliant with the principles of timeliness, suitability and credibility, clarity and regularity and comparability. In formulating their reporting requirements in regard to the Management, the Supervisory Boards should take into account Recommendations of the Slovenian Directors' Association for Reporting to Supervisory Board.
- 6.4 The Supervisory Board is composed in such a manner so as to provide for responsible supervision and decision-making for the benefit of a company. Regardless of the fact whether a company has adopted the Diversity Policy, the composition of the Supervisory Board should take into account the expertise, experience and skills of its members which should vary among the individual members of the Supervisory board, and be complementary (complementarity of knowledge and experience). The diverse composition of the Supervisory Board in regard to characteristics such as age, gender, international composition and gender balance of Supervisory Board's membership (heterogeneity of composition) should also be provided as far as possible.**
- 6.4.1 The Supervisory Board shall prepare the Competence Profile for Supervisory Board members from the aspect of an optimal size and composition of the Supervisory Board and publish it on the web site of a company. The sectoral composition envisaged by Article 21, Paragraph 2 of ZSDH-1 shall be taken into account.
- 6.5 Supervisory boards with Audit Committee must be composed in such a manner that provisions of ZGD-1 are observed in the formation of the Audit Committee according to which members of the Audit Committee**

**who are appointed from among the Supervisory Board members must be properly qualified for the field of operation of the audited entity and independent from the audited entity.**

**6.6 All members of a Supervisory Board should be independent. An exception from the above mentioned rule shall apply for the connection with minority shareholder. Specifically, as regards the representatives of equity holders, a Supervisory Board should not have more than half of its members be dependent on a shareholder. In decision-making, the Supervisory Board members must not give priority to their personal interest and take advantage of business opportunities of a company for their own benefit or for the benefit of a family member. Decisions of all Supervisory Board members must be independent.**

6.6.1 Upon his/her appointment, annually and upon each change, a member of the Supervisory Board shall sign the Statement of Independence the form of which shall form the Appendix 4 to this Code, and shall also be used by the representatives of employees who are members in the Supervisory Board. The Statement of Independence, completed and signed, shall be published on a public web site of a company. In the Statement of Independence referred to in Appendix 4 to this Code, a member of the Supervisory Board may demonstrate, that in spite of the existence of circumstances referred to in Appendix 3 to this Code, he/she is independent, by way of demonstrating that potential conflict of interest is not of long-term nature and that it is irrelevant. An independent member must immediately notify a Supervisory Board regarding the occurrence of facts which change his/her fulfilment of the independence criteria.

6.6.2 A Supervisory Board member shall carry out all precautionary measures to prevent a (potential) conflict of interest which is why he/she avoids circumstances which may lead to conflict of interest, particularly circumstances referred to in Appendix 3 to this Code. The Supervisory Board member shall disclose and clarify any (potential) conflict of interests. In case of any doubt whether a (potential) conflict of interest is given, this is decided upon by the Supervisory Board without a member about whom the (potential) conflict of interest may be given. Significant and not only

transitional character of a potential conflict of interest that cannot be eliminated, shall lead to the termination of the term of office which shall be a matter of concern of the entire Supervisory Board. A Supervisory Board member shall not take part in a discussion and shall abstain from voting in decision-making on a case which is subject of the conflict of interest. When conflict of interest in a certain case is of such nature that the interest of a company may only be efficiently secured by having a member of a Supervisory Board in whose regard the conflict of interest has been demonstrated, not being informed of the content of the case, then, by means of an explicit statement in writing or a statement upon his/her request which shall be included in the minutes of the Supervisory Board's meeting, such member of the Supervisory Board shall refrain in advance from receiving any material and any pieces of information in connection with the case for which the conflict of interest has been demonstrated, and shall not be present at the session during which the relevant case in question is dealt with.

- 6.7 If a General Meeting elects members of a Supervisory Board upon the proposal of the Supervisory Board, in its statement of reasons for the proposals of a resolution, in addition to information required by the law, for an individual candidate proposed, the Supervisory Board must also indicate at least the information regarding the membership in other management or supervisory bodies and the assessment of any potential conflict of interest, whereby the evaluation of any potential conflicts of interest of the candidate shall also take into account individual circumstances indicated in Appendix 3 to this Code. Equally, the Supervisory Board should disclose all information concerning the fact whether the proposed candidate is independent in terms of the definition under this Code and whether procedures defined within this Code have been taken into account by the Supervisory Board in the selection of the candidate.**

- 6.7.1 In the statement of reason for its (voting) proposal, the Supervisory Board shall also include the description of the Competence Profile of a Supervisory Board member and the information on the candidate which

enable the shareholders to assess how the candidate satisfies the characteristics of the specific profile.

- 6.7.2 Upon the formation of a Supervisory Board, the commencement of a mandate of new members of a Supervisory Board, or upon the appointment of individual committees of a Supervisory Board, a company shall ensure a thorough professional introduction to duties for members of the Supervisory Board, in accordance with the Supervisory Board's Rules of Procedure.

**6.8 The selection procedure for Supervisory Board members and the formation of the proposal for the GM resolution on the appointment of Supervisory Board members should be transparent and defined in advance.**

- 6.8.1 Public limited companies with State's capital assets and large non-public companies with State's capital assets with more than one shareholder, and in which SSH exercise less than  $\frac{3}{4}$  of all voting rights, should establish Nomination Commissions (Committees), permanent or temporary, as a special committee of the Supervisory Board. These should ensure adequate mechanisms regarding the selection and evaluation of candidates for membership of the Supervisory Board and overcome conflicts of interest which the Supervisory Board is faced with in the preparation of the proposal for the composition of the Supervisory Board. The Nomination Committee shall carry out selection procedures for candidates and propose to a Supervisory Board a list of candidates for their appointment at the General Meeting. In companies in which SSH exercises at least  $\frac{3}{4}$  of all voting rights, a Supervisory Board shall not form any special committees responsible for carrying out procedures for the recruitment and evaluation of candidates for Supervisory Board members, unless stipulated otherwise by special legislation. In such companies, a recruitment channel to be used by a Supervisory Board of a Company shall be the proposal for the appointment of candidates submitted to such Supervisory Board by SSH. Candidates whose appointment has been proposed in such manner, shall be evaluated by a Supervisory Board and those selected shall be included in the election proposal. In a single-

member companies, a Supervisory Board shall not formulate any election proposal for members of the Supervisory Board of a company.

- 6.8.2 In companies in which the State or SSH have, directly or indirectly, at least 1/3 shareholding in the share capital of the company, at least one third of external members should be included in the Nomination Committee upon the proposal of the majority shareholder or large shareholders, and at least one external expert who is selected by the Supervisory Board upon the proposal of SSH.
- 6.8.3 All members of the Nomination Committee appointed by the Supervisory Board must act in an independent manner observing confidentiality.
- 6.8.4 The Nomination Committee shall review and evaluate the existing composition of members of the Supervisory Board. The profiles for the required new candidates for members of Supervisory Board shall be determined by the Nomination Committee with regard to the company's business transactions and to the set development strategy, and with regard to the profile composition of members of a Supervisory Board whose mandates do not expire. In determining the requested profiles, the criteria stipulated in this Code, and the criteria stipulated in ZSDH-1 shall be taken into account by the Nomination Committee.
- 6.8.5 In the process for the preparation of the GM proposals for new Supervisory Board members, the Nomination Committee shall make a list of suitable candidates on the basis of a requested profile, and a proposal to the General Meeting for the appointment of candidates for Supervisory Board, in accordance with the provisions of this Code, and considering the criteria stipulated in the ZSDH-1.
- 6.8.6 The Nomination Committee shall mainly play the role of providing a professional support in formulating a proposal for a candidate of the Supervisory Board. The Nomination Committee's proposal shall not be binding upon the Supervisory Board, which must propose candidates at its own discretion, but the Supervisory Board should prudently examine the

Committee's proposal and disclose in the GM material whether the proposal has been taken into account upon the drawing up of the proposal for a vote.

- 6.8.7 If there is no Nomination Committee in a company, the Recommendations No. 6.8.3, 6.8.4 and 6.8.5 shall apply *mutatis mutandis* to the Supervisory Board.
- 6.8.8 Immediately after the publication of the convocation of the General Meeting which will vote for new Supervisory Board members upon the proposal of the Supervisory Board of a company with State capital assets, the President of the Supervisory Board of the company invites the candidates who have been proposed for the election by the Supervisory Board, to submit their application to the SSH Nomination Committee for their accreditation and nomination. The candidates may also be invited by the SSH Nomination Committee to submit their application for accreditation and nomination. This recommendation shall not apply when the proposal for candidates submitted by SSH is the only recruitment channel.
- 6.8.9 The Supervisory Board of a company with State's capital asset shall submit to SSH, upon the SSH's request, the developed profile(s) for Supervisory Board members. Profiles submitted in this manner shall be taken into consideration by SSH when developing the profiles in a procedure carried out in accordance with the SSH Asset Management Policy.
- 6.9 Remuneration for Supervisory Board members shall be composed of the payment for their services and attendance fees. The payment for the services shall be composed of the basic payment for the performance of the services and additional payment for special tasks or functions held by members. The payment for the performance of the services and attendance fees shall be determined by having regard to the size of the company and its financial situation.**

- 6.9.1 The recommended amounts for the basic payment for the services of a Supervisory Board member and attendance fees are laid down in Appendix 1 to this Code.
- 6.9.2 The GM resolution proposals in regard to the remuneration of Supervisory Board members shall be formed and submitted to the General Meeting in accordance with the model resolution which shall form Appendix 2 of this Code.
- 6.9.3 Supervisory Board members shall not be entitled to any privileges (bonuses). Tax regulation and the practice of tax authorities shall apply for the assessment of bonuses.
- 6.9.4 For the duration of the service, the Supervisory Board members shall be obliged to take up additional training in the fields which are in direct connection with the performance of the service in the Supervisory Board.
- 6.9.5 A company, whose operation is connected with higher risks for the occurrence of damage to the company, may conclude a directors and officers liability insurance contract (D&O insurance) while taking into account the stipulated policy excess.
- 6.9.6 Recommendations No. 6.9.1, 6.9.2 and 6.9.3 shall apply *mutatis mutandis* to payments for the service of members of the Management Board, whereby:
- the basic payment for carrying out the function of a member of the Management Board may be determined by the General Meeting in an amount that is up to 25% higher than recommended for such service by the Appendix 1 to this Code;
  - the basic payment for the service of members of the Management Board ,who simultaneously carry out the function of executive directors of the same company, shall be determined in the amount of from 25% to 70% of the basic payment for the service of members of the Management Board who do not simultaneously carry out the function of executive directors of the company, especially in relation to every

segregation of responsibilities and duties between executive directors and the Management Board. A member of a Management Board who simultaneously holds the function of an executive director of this company shall not be entitled to receive attendance fees for his/her attendance at sessions of the Management Board, however, he/she is entitled to receive attendance fees arising from his/her membership in Management Board's Committees, specifically, in the amount of 50% of the sum which applies for other members of the Management Board. In such case, regardless of how many times a member attended sessions, in an individual business year, a member is entitled to receive attendance fees until the total amount of attendance fees reaches 25 % of the basic payment for the performance of the services of a Management Board member at the annual level. A member of the Management Board who simultaneously holds the function of an executive director of this company is entitled to receive a supplement for carrying out the function of a member in a Management Board's Committee in the same amount as it applies for members of the Management Board not holding an executive function. Such member is only entitled to receive reimbursement of costs arising from carrying out the function in the Management Board or in its Committees only when he/she has not received any reimbursement of costs for the same event for his/her attendance in the capacity of an executive director of this company.

- 6.10 External members of Supervisory Board's commissions shall be paid for their service in the commission from the funds allocated for the services of the Supervisory Board. The GM Resolution on the amount of payments for Supervisory Board members shall not apply to them. The Supervisory Board shall adopt a Resolution on the amount of the payment for external members of Supervisory Board's commission and external experts. The payment should be defined in the amount which is usual for the service rendered in a certain professional field. The payment for external members of the Supervisory Board's commissions is composed of the payment for their participation at sessions, the payment for the performance of the services and the reimbursement of costs. The payment should be such that it ensures the engagement of the necessary top experts, in regard to the special**

characteristics and justification of an individual case and while considering the rational dealing with the company's funds and the eligibility of the cost.

**6.11** In addition to the statutory contents, the report of the Supervisory Board to the General Meeting should also include relevant information on the internal organisation of the Supervisory Board, on the composition of the Supervisory Board from the aspect of the independence of its members, on the (potential) conflict of interest and their settlement, and on procedures for the operation of the Supervisory Board including the indication of how much the self-assessment (i.e., the procedure for the evaluation of efficiency referred to in the Principle 6.12 of the Code) has contributed to changes.

**6.12** Supervisory Boards of companies with State's capital assets should carry out the evaluation procedure in regard to the efficiency of work of the Supervisory Board. Within the efficiency evaluation procedure, the Supervisory Board shall assess its current structure, functioning, potential conflicts of interest of individual members and operation of individual members and the Supervisory Board as a whole, including the cooperation with the Management of the company. During the assessment of its work, the Supervisory Board shall also assess the work of eventual Supervisory Board's commissions. The supervisory bodies of companies with State's capital assets shall evaluate the efficiency of the supervisory body in accordance with the Supervisory Board Efficiency Evaluation Guide, adopted by the Slovenian Director's Association.<sup>2</sup>

6.12.1 The Supervisory Board efficiency evaluation procedure should be carried out in accordance with recommendations for good practice in this field, and services rendered by an external expert should be used, when required. Shareholders should be informed on the implementation and the course of the Supervisory Board efficiency's evaluation procedure. On the basis of results obtained in the evaluation procedure, the Supervisory Board shall

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<sup>2</sup> [http://www.zdruzenje-ns.si/db/doc/upl/ZNS\\_PRIROCNIK\\_final.pdf](http://www.zdruzenje-ns.si/db/doc/upl/ZNS_PRIROCNIK_final.pdf).

formulate an action plan in order to improve its operation, adopt suitable further actions in due time and take into consideration the findings of the evaluation in its operation and in the formulation of the proposals for the General Meeting.

6.12.2 Prior to carrying out the evaluation of Supervisory Board's commissions, a report of the commission's operation in the preceding year is requested from the commissions by the Supervisory Board.

6.12.3 The evaluation of the Supervisory Board's composition may also be carried out by the Supervisory Board as a separate procedure, specifically, through the Nomination Commissions. The cooperation with an external expert is also recommended for the evaluation of the Supervisory Board's composition. The company with State's capital assets shall report on the implementation and the course of the procedure for the evaluation of the Supervisory Board's composition in the Annual Report.

**6.13 Supervisory Boards of companies with State's capital assets which, under ZGD-1, fulfil the criteria of large companies should appoint an Audit Committee, and other committees, when required. Supervisory Boards of other companies should establish committees in regard to their needs. The Audit Committee should hold responsibilities compliant with ZGD-1. At least one member of the Audit Committee should be an independent expert who is qualified in accounting or auditing. If the Personnel Committee is appointed, it should support the Supervisory Board in appointing, remunerating and dismissing members of the Management. If the Personnel Committee carries out tasks of the Nomination Committee, the recommendations regarding the Nomination Committee shall reasonably apply to the Personnel Committee. In this regard, the recommendations of this Code on the composition of the Nomination Committee shall apply to the Personnel Committee only when the Personnel Committee actually carries out the tasks of the Nomination Committee and not throughout its operation.**

- 6.13.1 Companies with State's capital assets which have organised an Audit Committee should take into consideration the Recommendations for Audit Committees.<sup>3</sup>
- 6.13.2 Sessions of the Audit Committee should be held at least once in the quarter time period but there should not be more than eight sessions per year; of this number, there should be not more than six regular (direct) sessions.
- 6.13.3 The Audit Committee should not decide on issues which fall under the responsibility of the Supervisory Board.
- 6.13.4 The Audit Committee shall adopt findings and conclusions on the material considered at the session within the same session which are officially registered in the minutes and the minutes shall be submitted to the Supervisory Board. If, at an individual session, the Audit Committee does not finish the consideration of the individual material in a manner that actual findings or conclusions could have been adopted, it must officially register in the minutes the reasons for the fact that the issue has not been concluded and list activities which must be carried out to conclude the matter in the shortest possible time period, and indicate the envisaged deadline for its conclusion.
- 6.13.5 A President of the Audit Committee shall receive assistance in administrative matters from the Supervisory Board's Secretary or any other personnel of a company who shall be appointed by the Management of the company.
- 6.13.6 The Supervisory Board should authorise the Audit Committee to investigate every activity within its duties and responsibilities and to request within that scope all information, expert clarification and the documents needed. At the

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<sup>3</sup> <http://www.zdruzenje-ns.si/stroka/revizijske-komisije-ns/>.

session, the Audit Commission shall consider its own material and material prepared by the Management, and by an internal or external auditor.

6.13.7 The Supervisory Board shall formulate or endorse the Commission's Rules of Procedure which clearly stipulate the Committee's purpose, duties, special tasks, time frame, methods of work, the participation of other persons at sessions, etc.

**6.14 As a rule, the Supervisory Board shall invite members of the Management to the Supervisory Board's sessions. If an individual item on the Agenda is such that the presence of the members of the Management is unreasonable or it might influence the independence of the Supervisory Board's work (decision-making on the appointment of the Supervisory Board's President, decision-making on the formulation of the proposal for the appointment of new Supervisory Board members or the dismissal of any of the Supervisory Board member, decision-making on the Management evaluation and its remuneration, Supervisory Board's self-assessment), the Supervisory Board shall make decisions without members of the Management being present.**

**6.15 The President of the Supervisory Board shall coordinate the work of the Supervisory Board, chair its sessions and represent it in relation to other stakeholders. In regard to the selection and the work of the Presidents of Supervisory Boards, the Guidelines for Selection and Recommendations for the work of Supervisory Board Chairmen shall be taken into account.<sup>4</sup> Each decision communicated by the President of the Supervisory Board to the Management or third persons shall be preliminary dealt with by the Supervisory Board and a relevant resolution in its regard shall be adopted.**

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<sup>4</sup> <http://www.zdruzenje-ns.si/stroka/vodenje-in-delo-ns/>.

- 6.15.1 A President of the Supervisory Board shall not hold the position of the President of the Audit Committee, and, as a rule, of neither of other Committees.
- 6.15.2 The President of the Supervisory Board shall be in regular contact with the Management, in particular with the President of the Management. He/she shall consult the Management Board on the most important issues of a company, such as the Strategy, the planning, the progress of transactions, the risk positions and the compliance of operations. The Management must inform the President of the Supervisory Board on all significant events. The President of the Supervisory Board must then inform the Supervisory Board accordingly and convene a Supervisory Session, when required.

## 7. THE MANAGEMENT

**7.1 The company and its transactions are managed by the Management. With its work, knowledge and experience, the Management Board shall ensure an optimum management, and risk assessment and management for the pursuit of the company's long-term successful performance in the attainment of the company's goals and the implementation of its strategy. The Management is organised so that an efficient performance of its tasks is facilitated. Its optimum performance is achieved by employing suitable directors and engaging other human and financial resources. By undertaking an exemplary role, the Management promotes and within the framework of its duties provides for corporate culture that encourages employees' ethical conduct and their commitment to compliance in regard to company's operations, compliance and ethical conduct.**

**7.2 The consideration for the suitable scope of information provided to the Supervisory Board shall be a common task of the Management and the Supervisory Board.**

7.2.1 The Management should brief the Supervisory Board regularly, promptly and coherently on all matters relevant for the company's strategy, planning, the progress of transactions, risks and risk management. On the other hand, the Supervisory Board should ensure that the Management delivers to it relevant pieces of information. In regard to the reporting by management bodies to supervisory bodies, the management and supervisory bodies of companies with State's capital assets shall apply the Recommendations for Reporting to Supervisory Bodies adopted by the Slovenian Directors' Association.<sup>5</sup>

7.2.2 An open discussion between the Management and the Supervisory Board is needed, as well within both bodies. It is of key importance that all

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<sup>5</sup> [http://www.zdruzenje-ns.si/db/doc/upl/priporocila\\_za\\_porocanje\\_ns\\_\\_\\_25.10.2011.pdf](http://www.zdruzenje-ns.si/db/doc/upl/priporocila_za_porocanje_ns___25.10.2011.pdf).

members of the management and supervisory bodies observe the obligation to protect business secrets of the company.

- 7.2.3 A special consideration should be dedicated to preventing the occurrence of any damages to the company. Business decisions should be based on suitable pieces of information and on suitable assessment of risks, while the conduct should be explicitly oriented towards the interest of the company, and no conflict of interest must arise between the decision-makers and the company; decisions must be made in good faith. If any damage has been incurred to the company as a result of non-prudent conduct on the part of the members of management or supervisory bodies, it should be indemnified.

**7.3 The members of the Management are obliged to act in the best interest of a company. In decision-making, members of the Management must not give any priority to their personal interest and must not take advantage of company's business opportunities for their own benefit or for the benefit of a family member.**

- 7.3.1 A member of the Management shall disclose any (potential) conflict of interest to the Supervisory Board and to the remaining members of the Management and provide all the relevant information on the subject matter. In case of any doubt whether a (potential) conflict of interest is given in regard to an individual member of the Management, this is decided upon by the Supervisory Board. A member of the Management in whose regard a conflict of interest has been given shall not take part in a discussion and shall abstain from voting in decision-making on a case subject to the conflict of interest.

- 7.3.2 A member of the Management should obtain a consent by the Supervisory Board for the assumption of any function in Supervisory Boards of companies outside the Group.

**7.4 At least in large companies, the culture of talent recognition and of personnel knowledge and skill development should not be present only**

at the second level but deeper in an organisation. The career development plan of an individual employee should define the direction of his/her career and include the definition of critical competences which are necessary for the existing and future success of an organisation. The Management is responsible for motivating employees, for enhancing the feeling of responsibility among the employees and for strengthening the desired behaviour. The remuneration system shall be based on knowledge, performance, education and the complexity of work.

## **8. TRANSPARENCY OF OPERATIONS AND REPORTING**

**8.1 The external reporting of companies with State's capital assets must be timely, accurate, consistent and transparent and, with the exception of small companies, compliant with this Chapter of the Code. Reporting of companies considered as large companies and which are organised as public limited companies should be transparent and detailed to the same extent as it applies to public companies.**

8.1.1 In accordance with ZGD -1, large and medium-size companies with State's capital assets should indicate in their annual reports the true picture regarding the development of the company's business activities, current condition and achievements, in accordance with the legislation and established practice. In addition to statutorily stipulated financial and non-financial disclosures, this shall include:

- disclosure of significant risks and risk management system, including the description of a system of internal control;
- company's activities in regard to research and development;
- reporting about the company's corporate governance presented in the Corporate Governance Statement in which any potential deviations from the provisions of this Code and from any other reference codes shall be explained,

- reporting on all significant events and circumstances which might have a significant impact on the company's business position and on owners/investors;
- reporting about the sustainable development of a company or a statement on non-financial operations (as a part of the Business Report) which comprises the following:
  - a report and a short analysis on the questions concerning sustainable development which are important for a company (especially in regard to environmental, social and personnel-related affairs),
  - description of company's policies in regard to the above mentioned (environmental, social and personnel-related) affairs,
  - a report on relationships with the main stakeholders of a company,
  - a report about risks and opportunities which the company deals with within the framework of sustainable development, in particular regarding non-financial risks and opportunities which are necessary for the understanding of its development, business performance and the position of the company,
  - adaptation to the requirements (policies) for sustainable development and how policies and adaptations have influenced achievements in the operation of the company and its current position and its position in the future,
  - a report about achievements and goals which are founded on selected non-financial performance indicators.

8.1.2 Reports must be understandable, they must refer to important issues; they must be reliable, they must enable a comparison between the set goals and those of previous periods and represent a current and true view of the condition. Reporting must adhere to the principle of competitive neutrality which, in some cases, may influence the degree of disclosed details in the report.

**8.2 A company shall report on the membership composition of the Management and its Supervisory Board in its Annual Report, specifically, in the Corporate Governance Statement, in accordance with Appendix 5 of the Code.**

- 8.3** In the Annual Report (in the Appendix to Financial Statements), a company should disclose clearly and specifically income received and other rights held by an individual member of management or supervisory bodies, specifically, structured by types of income received and by types of other rights held, in accordance with Appendix 6 of the Code. The controlling company in the Group should disclose the data referred to in the preceding sentence for all companies in the Group in the Consolidated Annual Report. The disclosure should include income from employment received by members of the Supervisory Board who represent employees. The reporting should disclose income received by external members of Committees.
- 8.4** Similarly in the Annual Report, a company should disclose data on the operation of supervisory bodies and their Committees which should include the participation of individual members of supervisory bodies at individual sessions. The disclosure shall also include costs for the operation of the Supervisory Board such as: costs for legal opinions, translation costs, travel expenses, costs for additional training, fees for special experts, etc.,
- 8.5** Before the beginning of a business year, large and medium-sized companies shall develop a financial calendar which shall include dates envisaged for the publication of significant announcements regarding a company (GM of shareholders, dates for the dividend pay-outs, annual and interim reports) for that business year. The financial calendar shall be published and accessible to the public on web site of a company.

## **9. AUDIT AND INTERNAL CONTROL SYSTEM**

- 9.1** A company with State's capital assets, whose Annual Report must be reviewed by an auditor in accordance with ZGD-1, shall carry out an auditor selection process which will enable the appointment of an audit

**firm to provide an independent and impartial audit of the company's financial statements in accordance with the professional and ethical principles of audit as well as of other auditing rules.**

9.1.1 A company shall change an audit firm and its key auditing partner at least once every ten years, when not stipulated otherwise for a certain category of companies by the legislation. When an audit firm is changed for a short period of time, an Audit Committee, or when such committee is not appointed, a Supervisory Board, must provide justification for not renewing the audit engagement. An audit firm that has been changed cannot retake the obligatory audit engagement for at least four subsequent years, while a key auditing partner that has been changed is prohibited from retaking such engagement for at least three subsequent years following the termination of the engagement. The proposal for the appointment of an external auditor for a three-year period shall be made to the General Meeting. When an Audit Committee does not propose the audit engagement with former external auditor to be renewed, the Audit Committee provides to the Supervisory Board at least two new alternative appointments.

**9.2 The Management should set up an efficient risk management system. When required, the Management should ensure hedging against key risks.**

9.2.1 The large companies should, and, to the greatest extent, also other companies should:

- set up a suitable organisation and establish communication and provide for the suitable qualification of employees for quality risk management;
- appoint a coordinator of activities related to risk management who is responsible for determining and coordinating the necessary activities and reporting on risks;
- set up and regularly update the list of recognised risks, present and potential, and determine the method of notification in regard to the detected risks;
- regularly assess risks and classify them according to their significance;

- determine the reactions to risks and responsible persons for their realization, time periods and reports to verify their realisation;
- determine efficient internal controls, responsible persons for their implementation and the method for their monitoring and supervision;
- in Annual Reports, disclose significant risks and methods of their management, including the description of the internal control system;
- the Management should regularly and promptly inform the Supervisory Board on all significant risks and methods for their management, and at least once a year on the risk management system.

9.2.2 It is expected from the Supervisory Board and the Audit Committee that they will:

- be informed of the risk management system in a company, and to verify its suitability and improvements. Where an organised risk management system is not put in place, it shall request its establishment and the timetable for its introduction, and monitor the implementation of the planned activities;
- be informed of the internal control system and verify its suitability and improvements and in this respect shall mainly rely on the findings and recommendations of the internal audit department.

9.2.3 The large companies with State's capital assets should set up internal audit activity and perform internal audits with employees in their own internal audit department. The medium-sized companies should carry out their internal audit activity with external service providers, except if a permanent engagement of an internal auditor is required as a result of the risks assessed. The internal audits should be carried out in accordance with the adopted internal audit annual and multi-annual plans of internal audit activity. When significant risks are detected, the small companies should carry out internal audit in all fields with the assistance of external service providers.

- 9.2.4 Internal audit should be carried out in accordance with international standards of professional conduct in internal auditing and other rules from the Hierarchy of Rules for Internal Auditing.
- 9.2.5 The independent functioning of internal auditors should be provided for. If a head of the internal audit department is employed by way of a permanent employment agreement and carries out the work of the head of internal audit based on a mandate, his/her mandate is independent from the mandate of the company's bodies or the members of the company's bodies.
- 9.2.6 A suitable number and qualification of internal auditors should be provided for (and/or the hiring of the necessary external service providers), in regard to the complexity and the risk of operations.
- 9.2.7 Recommendations given by internal auditors should be implemented within the set time periods.
- 9.2.8 The internal assessments regarding the quality of the internal audit activity should be carried out annually. An external assessment of the quality of the internal audit activity should be carried out at least once in every five years.
- 9.2.9 The internal audit unit is responsible by way of its function (in terms of the content) and shall report to an Audit Committee of a Supervisory Board or to the Supervisory Board of a company, and in terms of the administration, to the Management of the company.
- 9.2.10 It is expected from the Supervisory Board and the Audit Committee that they will:
- ensure that the company has set up a suitable internal audit activity and that it makes an assessment whether it is needed in a medium-sized and small company. The assessment regarding the necessity for the internal audit activity shall be carried out at least once a year, and upon significantly

changed circumstances, and modified conditions of the company's operation, or upon significantly increased operation risk levels;

- approve the budget for the operation of the internal audit;
- in companies with an established internal audit activity (with their own department or external service providers):
  - take a stand in regard to the organisational position of the internal audit and other conditions for its independent operation, and in regard to authorisations and responsibilities of internal auditors;
  - grant consent to the appointment of, dismissal from office of and income received by the head of the internal audit unit;
  - grant consent to the corporate legal document by way of which the purpose, the significance and the duties of the internal audit unit are regulated;
  - when internal auditing services are carried out by external providers, grant consent to the conclusion of an agreement to be agreed by a company with the external provider of services, its amendments of termination by the company;
  - give consent to an annual or multi annual internal audit plan of work which is designed on risks;
  - discuss the Internal Audit Annual Report,
  - directly communicate with the head of the internal audit;
  - verify and provide for an independent operation of the internal audit;
  - monitor the operation of the internal audit, regularly take note on periodic (interim) internal audit reports and of significant findings and recommendations given by internal auditors,
  - monitor the implementation of recommendations in the set time periods;
  - take note of internal quality assessments and monitor the implementation of improvements regarding the internal audit operation;
  - make an assessment as to every how many years are required to suitably ensure an external quality assessment of the internal control activity;
  - take note of findings and recommendations of the external quality assessment of the internal audit activity and monitor the implementation of these recommendations;

- carry out relevant enquiries with the Management Board of a company and the head of internal audit and determine whether there are any inappropriate limitations in regard to the scope of work or resources.

**9.3 A company should ensure all conditions to enable independent work of the highest standard for the internal audit whose main task should be the provision of objective and relevant assurances and consultations in regard to the management of the organisation, to risk management and to internal controls and control procedures, with the aim of contributing to their improvement.**

9.3.1 In non-public companies whose sole owner is the State or SSH, SSH should be informed twice a year about the identified risks, on the proposals for measures to eliminate risks and on the implementation of measures.

## **10. ADOPTION OF CODE OF ETHICS AND CORPORATE INTEGRITY**

**10.1 A company with State's capital assets should adopt and introduce in practice the Code of Ethics in which the principles of ethics and ethical rules are defined regarding the behaviour and conduct of the company's management and all employees. The Code of Ethics should apply to the entire activity of the company and should take into consideration the specific characteristics of its activity.**

10.1.1 The company's Code of Ethics should include at least:

- Principal company values
- Areas of responsibility:
  - A responsible attitude from the management bodies to a company, its employees and employees' representatives;
    - exemplary role model on the part of the company's management personnel,
    - a responsible attitude to all employees and to employees' representatives,

- observance of commitments given in relation to employees (collective agreements, other commitments),
- strict observance of trade union rights and the status of employees' and trade union's representatives,
- striving for additional training of employees,
- stimulating and motivating employees,
- A responsible attitude on the part of employees towards a company:
  - avoiding employees' conflicts of interest between their work in the company and their personal affairs or affairs of their relatives,
  - employees' attitude towards company's assets, a responsible management of company's assets,
  - protection of business secrets and other confidential information of the company,
  - operation in accordance with general interests of the company
- A responsible attitude towards clients, buyers, suppliers and partners;
- A responsible attitude towards company's shareholders:
  - Functioning of a company in the direction of increasing added value for owners;
  - Notifying owners on significant events in the operation of the company;
  - A prudent use of company's assets.
- A responsible attitude of a company towards the wider society:
  - Adherence to legislation and internal legal documents of a company, particularly from the field of protection of competition and rules regarding securities trading;
  - Prohibition of corrupt actions and unjustified provision or receipt of gifts;
  - Having correct regard for officials;
  - The respect for human rights, both in regard to the recruitment and in relation to employees;
  - The protection of the environment and social responsibility;
  - Assistance to local communities and humanitarian activities of the company.
- A responsible attitude of the company towards the media:

- A correct regard for the media.
  - Information of the public on significant events in the operations of the company.
- Implementation of the Code
- communication – individual measures for the dissemination of the content of the Code of Ethics;
  - internal measures – the four-eye principle, risk management, violation reporting, education and training;
  - control and sanctions – verifying the credibility, internal audit, sanctions.

10.1.2 The Supervisory Board shall be informed of the Code of Ethics of a company.

10.1.3 A company shall set up a suitable method of informing employees with the purpose and content of the Code of Ethics, the system for the disclosure of information in regard to violations of the Code of Ethics and sanctions in case of its violations. The Code of Ethics should be permanently published on the company's web site.

**10.2 The companies with State's capital assets, by taking into account the size of the company and the degree of violations regarding corporate integrity in the company (detected or alleged), should establish the corporate integrity system with as much as possible elements as defined by the Slovenian Corporate Integrity Guidelines.<sup>6</sup> SSH supports the solution that, particularly in large companies, the supervision over the corporate integrity as an independent and autonomous function be entrusted with a suitably educated and qualified Corporate Integrity Officer who, for the purpose of ensuring free operation, will be provided with suitably qualified and paid professional assistance, suitable supplies and authorization. The latter will also include an autonomous right to reporting, firstly to the management bodies and afterwards also**

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<sup>6</sup> [http://www.korporativna-integriteta.si/Smernice/Smernice\(SSKI\).aspx](http://www.korporativna-integriteta.si/Smernice/Smernice(SSKI).aspx).

**to supervisory bodies in a company, as well as to other internal and external supervisory bodies.**

10.2.1 The companies with State's capital assets shall describe the corporate integrity system pursued by a company in the Corporate Governance Statement.

10.2.2 In regard to irregularities and wrongdoings, large and medium-size companies shall establish a system of internal warning/whistle-blower tools and whistle-blower protection mechanisms. A relevant and efficient response mechanisms for handling reports on wrongdoings should be established, together with the report traceability system, which should include those reports that cannot be dealt with in terms of their substance due to their general nature or inappropriateness. of their substance. The system shall include at least a substantive reply to a person reporting a wrongdoing, the keeping of the report register, periodic reporting to a Supervisory Board on such reports and on response to such reports, and measures for eliminating and potential sanctioning of wrongdoings.

## **11. CODE ENTRY INTO FORCE AND APPLICATION**

This Code was adopted by the SSH Management Board on 17 December 2014, and the SSH Supervisory Board provided its consent to the Code at the session held on 19 December 2014.

This Code and its relevant amendments shall enter into force on the date of the issue of relevant consent granted by the SSH Supervisory Board and shall apply from the date of its public publication on the SSH's web site.

Slovenian Sovereign Holding shall reasonably observe this Code during its operation.

Ljubljana, 17 May 2017

SSH Management Board

Lidija Glavina  
President of the Management Board

## APPENDIX 1: RECOMMENDED REMUNERATION AMOUNTS FOR THE PERFORMANCE OF SERVICES AND ATTENDANCE FEES

Attendance fees for the President and members of the Supervisory Board are:

Company size	Attendance fee - member	Attendance fee - President
Micro companies	€75 gross	€75 gross
Small companies	€150 gross	€150 gross
Medium sized companies	€200 gross	€200 gross
Large companies	€275 gross	€275 gross

The basic payment for the performance of services of a Supervisory Board member amounts to:

Company size	Basic payment for service performance
Micro companies	from €3,000 to €3,500 gross per annum
Small companies – poor financial condition	from €3,500 to €4,200 gross per annum
Small companies – good financial condition	from €4,200 to €5,200 gross per annum
Medium sized companies – poor financial condition	from €5,200 to €6,200 gross per annum
Medium sized companies – good financial condition	from €6,200 to €8,200 gross per annum
Medium sized companies – good financial condition (with one criteria for large companies)	from €8,200 to €10,200 gross per annum
Large companies – poor financial condition	from €10,300 to €11,000 gross per annum
Large companies – good financial condition	from €11,300 to €13,000 gross per annum

Large companies – good financial condition (their securities are traded on regulated market, or banks)	from €13,000 to €15,000 gross per annum
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Appendix 1 shall also apply for determining payments for members of the Management Board in public limited companies with one-tier management system, whereby, in accordance with Recommendation 6.9.6 of the Code, the following special features shall apply:

- the basic payment for carrying out the function of a member of the Management Board may be determined by the General Meeting in an amount that is up to 25 % higher than recommended for such service by the Appendix 1 to this Code;
- the basic payment for the service of members of the Management Board ,who simultaneously carry out the function of executive directors of the same company, shall be determined in the amount of from 25 % to 70 % of the basic payment for the service of members of the Management Board who do not simultaneously carry out the function of executive directors of the company, especially in relation to every segregation of responsibilities and duties between executive directors and the Management Board. A member of a Management Board who simultaneously holds the function of an executive director of this company shall not be entitled to receive attendance fees for his/her attendance at sessions of the Management Board, however, he/she is entitled to receive attendance fees arising from his/her membership in Management Board's Committees, specifically, in the amount of 50% of the sum which applies for other members of the Management Board. In such case, regardless of how many times a member attended sessions, in an individual business year, a member is entitled to receive attendance fees until the total amount of attendance fees reaches 25 % of the basic payment for the performance of the services of a Management Board member at the annual level. A member of the Management Board who simultaneously holds the function of an executive director of this company is entitled to receive a supplement for carrying out the function of a member in a Management Board's Committee in the same amount as it applies for members of the Management Board not holding an executive function. Such member is only entitled to receive reimbursement of costs arising from carrying out the function in the Management Board or in its Committees only when he/she has not received any reimbursement of costs for the same event for his/her attendance in the capacity of an executive director of this company.

## **APPENDIX 2: GENERAL MEETING RESOLUTION SAMPLE - SUPERVISORY BOARD MEMBERS REMUNERATION**

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1. The Supervisory Board members shall receive the attendance fee for their participation at a session which amounts to EUR \_\_\_\_\_ gross per an individual member. The members of a Supervisory Board's commission receive the attendance fee for their participation at a session of the commission which, per an individual member, amounts to 80% of the attendance fee for the participation at a session of the Supervisory Board. The attendance fee for a meeting by correspondence shall amount to 80% of the regular attendance fee. Regardless of the above mentioned, that is, regardless of the number of sessions in which he/she participates, in an individual business year, an individual Supervisory Board member shall be entitled to receive the payment of attendance fees up to a total amount of attendance fees that reaches 50% of the basic payment for the performance of the services of a Supervisory Board member at the annual level. Regardless of the above mentioned, that is, regardless of the number of sessions of the Supervisory Board and commissions in which he/she participates, in an individual business year, an individual Supervisory Board member, who is a member of a Supervisory Board commission or commissions, shall be entitled to receive the payment of attendance fees related to his/her participation at the sessions of the Supervisory Board and commissions up to the total amount of attendance fees that reaches 75% of the basic payment for the performance of the services of a Supervisory Board member at the annual level.

2. In addition to attendance fees, the Supervisory Board members shall receive a basic payment for their services in the amount of EUR \_\_\_\_\_ gross per year per an individual member. The President of the Supervisory Board shall also be entitled to receive an additional payment in the amount of 50% of the basic payment for the performance of

the services of the Supervisory Board member, while the Vice President/Deputy of the Supervisory Board President, shall be entitled to receive the additional payment in the amount of 10% of the basic payment for the performance of the services of the Supervisory Board member.

The members of the Supervisory Board's commission shall receive the additional payment for the performance of services which amounts to 25% of the basic payment for the performance of services of the Supervisory Board member. The President of a commission shall be entitled to receive the additional payment for the performance of the services in the amount of 37.5% of the basic payment for the performance of services of the Supervisory Board member. Regardless of the above mentioned, that is, regardless of the number of sessions in which he/she is a member or a President, in an individual business year, an individual member of a Supervisory Board's commission shall be entitled to receive additional payments up to a total amount of such additional payments that reaches 50% of the basic payment for the performance of the services of a Supervisory Board member at the annual level. If the mandate of an individual Supervisory Board member is shorter than the business year, the individual member of a Supervisory Board's commission, irrespective of the above mentioned, that is, regardless of the number of commissions in which he/she is a member or a President, shall be entitled to receive additional payments in an individual business year up to a total amount of such payments that reaches the value of 50% of the basic payment for the performance of the services of the individual Supervisory Board member for the duration of the time for which his/her mandated lasted in the relevant business year.

3. The Supervisory Board members and members of the Supervisory Board's commission shall receive the basic payment and the additional payment for the performance of the services in the proportional monthly payments to which they are entitled until they carry out the function. The monthly payment shall amount to one twelfth of the above mentioned annual sums.

4. The limitation of the amount of the total payments for attendance fees or additional payments for a Supervisory Board member must not in any way influence his/her obligation regarding active participation at all Supervisory Board sessions and commissions' sessions in which he/she is a member, and his/her statutorily stipulated responsibility.

5. The Supervisory Board members shall be entitled to receive the reimbursement of travel and accommodation costs incurred in relation the their services in the Supervisory Board, specifically, up to the amount stipulated in regulations regulating the reimbursement of work-related costs and other income which is not included in the tax base (provisions which apply for the transportation during business trips and accommodation during business trips). The amount attributable to a Supervisory Board member under the quoted regulation

shall be made gross so that the net payment reimburses the actual travel costs. The distance between destinations as calculated at the AMZS web site is taken into account for the determination of the mileage. The accommodation costs may only be refunded if the distance of the permanent or temporary residence of a Supervisory Board member or a member of a Supervisory Board commission from the location of the work of the body amounts to a minimum of 100 kilometres, if the member of the Supervisory Board could not return to their place of residence because of the lack of any scheduled public transport, or for other objective reasons.

6. This Resolution shall enter into force and apply from the day of its adoption at the General Meeting. By way of this Resolution, the Resolution No. \_\_\_\_\_ adopted by the General Meeting on \_\_\_\_\_ (date) is revoked.

**PAYMENTS TO MEMBERS OF MANAGEMENT BOARD:** In regard to the payment to members of a Management Board, the same form of a resolution shall be used *mutatis mutandis* as the form used for Supervisory Board members, taking into account the following adjustments

- instead of terms "a member/president/vice-president/ deputy president of a Supervisory Board", "a member/president of a Supervisory Board's Committee" and the term "a Supervisory Board", the following terms shall be used: "a member/president/vice-president/deputy president of a Management Board«, »a member/president of a Management Board's Committee" and "a Management Board".
- In Item 1 of the resolution form, the following text: "Regardless of the above mentioned, that is, regardless of the number of sessions in which he/she participates, in an individual business year, an individual Supervisory Board member shall be entitled to receive the payment of attendance fees of up to a total amount of attendance fees that reaches 50% of the basic payment for the performance of the services of a Supervisory Board member at the annual level. Regardless of the above mentioned, that is, regardless of the number of sessions of the Supervisory Board and commissions in which he/she participates, in an individual business year, an individual Supervisory Board member, who is a member of a Supervisory Board commission or commissions, shall be entitled to receive the payment of attendance fees related to his/her participation at the sessions of the Supervisory Board and commissions up to the total amount of attendance fees that reaches 75% of the basic payment for the performance of the services of a Supervisory Board member at the annual level." shall be **replaced with the following text:** "Regardless of the above mentioned, that is, regardless of the number of sessions in which he/she participates, in an individual business year, an

individual Management Board member shall be entitled to receive the payment of attendance fees of up to a total amount of attendance fees that reaches 50% of the basic payment for the performance of the services of a Management Board member at the annual level without an Increase. Regardless of the above mentioned, that is, regardless of the number of sessions of a Management Board and commissions in which he/she participates, in an individual business year, an individual Management Board member, who is a member of a Management Board commission or commissions, shall be entitled to receive the payment of attendance fees related to his/her participation at the sessions of the Supervisory Board and commissions up to the total amount of attendance fees that reaches 75% of the basic payment for the performance of the services of a Management Board member at the annual level without an Increase.

- In Item 2 of the resolution form, the sentence which reads as follows: "In addition to attendance fees, the Supervisory Board members shall receive a basic payment for their services in the amount of EUR \_\_\_\_\_ gross per year per an individual member." shall be **replaced with the following sentence:** "In addition to attendance fees, Management Board members shall receive a basic payment for their services in the amount of EUR \_\_\_\_\_ gross per year per an individual member, increased by \_\_\_\_\_%. (in this Resolution, the abbreviated term "**the Increase**" shall be used for the said increase of basic payment).".
- When a Management Board is composed of members who simultaneously hold the role of executive directors in the same company, a new item 6 is added to a Resolution which shall read as follows: "6. The basic payment for a member of the Management Board for carrying out the function and for simultaneously holding the function of an executive director of this company, shall amount to EUR \_\_\_\_\_ gross per year and the first sentence of Item 2 of this Resolution shall not apply in this case. A member of the Management Board, who simultaneously holds the function of an executive director of this company, for his attendance at sessions of Management Board, shall not be entitled to receive attendance fees referred to in Item 1 of this Resolution, however, he/she is entitled to receive attendance fees for any membership in the Management Board's committees, specifically, in the amount of 50% of the sum payable to the remaining members of the Management Board. In such case, regardless of how many times a member attended sessions, in an individual business year, a member shall be entitled to receive attendance fees until the total amount of attendance fees reaches 25 % of the basic payment for the performance of the services of a Management Board member at the annual level. A member of the Management Board, who simultaneously holds the function of an executive

director of this company, shall be entitled to receive a supplement for carrying out the function of a member in a Management Board's Committee in the same amount as it applies to members of the Management Board not holding an executive function. In accordance with Item 5 of this Resolution, such member shall be entitled to receive reimbursement of costs arising from carrying out the function in the Management Board or in its Committees only when he/she has not received any reimbursement of costs for the same event for his/her attendance in the capacity of an executive director of this company."

In such case, Item 6 shall be renumbered to become a new Item 7 of the Resolution.

### **APPENDIX 3: POTENTIAL CONFLICT OF INTEREST - PRESUMPTIONS OF DEPENDENCE**

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**Cases of potential conflict of interest which create a presumption of dependence of a Supervisory Board member are:**

- a) A person is an executive director or a member of a Management Board or of a subsidiary and has held such position for the last three years.
- b) A person is employed in the company or has been employed in the company for the last three years, except when (having been) elected to a Supervisory Board within the scope of employee representative system required by the law and he/she does not (has not held) a managerial function.
- c) A person receives significant additional income from a company or a subsidiary, except for the payment for carrying out the function of a president, a deputy president and a member in a Supervisory Board and of a member in committees.
- d) A person is a majority shareholder or a representative of majority shareholder.
- e) During the last year, a person has or has had important business contacts with a company or its subsidiary, directly or as a partner, shareholder, director or a manager of an entity with such relationship. Business contacts include the position of a supplier of goods or services (including financial, legal, consulting or advisory services), the position of an important client and the position of an organisation receiving significant financial contribution from the company or its Group.
- f) A person is or has been in the last three years a partner or an employee of the current or former external auditor of a company or of a company related to the external auditor.
- g) A person is an executive director or a member of the Management Board of another company in which a Supervisory Board member is an executive director or a member of the Management Board, or which, through cooperation in other companies or bodies, is

otherwise related to executive directors or members of the Management Board of the company.

h) A person has held the position in the same Supervisory Board for more than three terms of office (or for more than 12 years when the Articles of Association of a company stipulated the term of office to last less than four years).

i) A person is a close family member of members of the Management Board or persons who hold the positions stated in items from a) to g).

j) A person is a member of the extended Management of a related company.

k) A person has taken part in the drawing up of the content for the proposal of the company's Annual Report.

## APPENDIX 4: STATEMENT OF INDEPENDANCE

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### Statement of Independence of a Member of Supervisory Board/Supervisory Board's Committee of a company

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In accordance with Recommendation 6.6.1 of the Corporate Governance Code for SOEs, adopted in May 2017 (hereinafter referred to as: "the Code") and taking into account the definition of dependence or independence referred to in the Code, I, the undersigned \_\_\_\_\_ shall hereby declare my (in)dependence, specifically in regard to the existence of circumstances referred to in Appendix 3 of the Code and in regard to the existence of any other circumstances in connection with my function of a member of the Supervisory Board/Supervisory Board's Committee of the company:

\_\_\_\_\_.

**Please tick whether the statement is true or false:**

a) I do not carry out the function of an executive director or a member of the Management Board/the Management of the company and I have not carried out such function for the last three years.

TRUE STATEMENT

FALSE STATEMENT

b) I am not employed in a company and I have not hold such position for the last three years, except for my election into the Supervisory Board within the scope of the employee representation system as required by the law, and I am not a manager.

TRUE STATEMENT

FALSE STATEMENT

c) I do not receive any significant additional income from a company or a subsidiary, except for the payment for carrying out the function of a president/ member of the Supervisory Board or a member/president of the Supervisory Board's Committee.

TRUE STATEMENT

FALSE STATEMENT

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<sup>7</sup> This Statement also applies *mutatis mutandis* to Management Board members.

d) I am not a majority shareholder/company member and I do not represent the majority shareholder/company members.

TRUE STATEMENT

FALSE STATEMENT

e) During the last year, I have not had any important business contacts with a company or its subsidiary, neither directly nor as a partner, shareholder, director or a manager of an entity with such relationship. Business contacts include the position of a supplier of goods or services (including financial, legal, consulting or advisory services), the position of an important client and the position of an organisation receiving significant financial contribution from the company or its Group.

TRUE STATEMENT

FALSE STATEMENT

f) I am not and for the last three years have not been a partner or an employee of the current or former external auditor of a company or of a company related to the external auditor.

TRUE STATEMENT

FALSE STATEMENT

g) I am not an executive director or a member of the Management Board/the Management of another company in which a Supervisory Board member is an executive director or a member of the Management Board/the Management of the company. Likewise, I am not otherwise related to executive directors or members of the Management Board /the Management, through cooperation in other companies or bodies.

TRUE STATEMENT

FALSE STATEMENT

h) I have not held the position in the Supervisory Board for more than three terms of office (or for more than 12 years when the Articles of Association of a company stipulates that the term of office should last less than four years).

TRUE STATEMENT

FALSE STATEMENT

i) I am not a close family member of members of the Management Board /the Management or persons who hold the positions stated in items from a) to h).

TRUE STATEMENT

FALSE STATEMENT

j) There are no other circumstances which would result in being in a position of dependence such as this position is defined in the Code.<sup>8</sup>

TRUE STATEMENT

FALSE STATEMENT

**Please explain when your answer to item i) has been "FALSE STATEMENT".**

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The Recommendation 6.6.1. of the Code recommends that, in the Statement of Independence referred to in Appendix 4 to this Code, a member of the Supervisory Board may demonstrate, that in spite of the existence of circumstances referred to in Appendix 3 to this Code, he/she is independent, by way of demonstrating that potential conflict of interest is not of long-term nature and that it is irrelevant.

**Considering the demonstrated potential for conflict of interest, I hereby declare myself to be:**

<sup>8</sup> **Dependency of a candidate or a member of a supervisory board of a company with State's capital assets:**

is given when the following dependency elements are simultaneously satisfied:

1. there is a potential for conflict of interest,
2. potential conflict of interest arises from personal, business or any other relation with a company, the Management Board of a company or any other person/entity or a stakeholder who, as a rule, has contradictory interest,
3. potential conflict of interest is of a lasting (and not only transitional) character, and
4. potential conflict of interest is relevant. The criteria for the assessment of the relevance of potential conflict of interest are, in particular: the type and the number of decisions and actions to which it (may) refer to, the probability of its actual realisation, the impact of conflict of interest to the capability of objective judgement to be made by a member of a supervisory board, and subjective characteristics of a person (especially, the character and past conduct of a person).

**Potential (possible) conflict of interest:** there is a potential (possible) conflict of interest when circumstances have arisen which may lead to the conflict between a private interest of a person when performing duties in a company and the interest of a company. The private interests are profits or non-material gains for the said person, his/her family members and for other individuals or legal entities or other entities with which the said person has or has had personal, business or political contacts or interests which are a result of political or national (non)affection or (ill)favour, including emotional attachments. The most frequent cases of potential conflict of interest are defined in the Appendix 3 to this Code.



b) a dependent member of Supervisory Board/Supervisory Board Committee.

**Potential special legal basis on (in)dependence (for example, special law, company's Articles of Association):**

On the basis of \_\_\_\_\_ (*please state the relevant legal document*) I consider myself to be:

*Please, tick as appropriate.*

a) an independent member of Supervisory Board /Supervisory Board's Committee

b) a dependent member of Supervisory Board/Supervisory Board Committee.

By way of my signature I hereby allow the executed statement to be published on the web site of a company.

Date: \_\_\_\_\_

Signature \_\_\_\_\_

## APPENDIX 5: COMPOSITION OF MANAGEMENT AND SUPERVISORY BOARD IN FINANCIAL YEAR \_\_\_\_\_

### 5.1 Composition of Management in financial year \_\_\_\_\_

Name and Surname:	Position held (president, member)	Area of work covered within the Management Board	First appointment to the position	Conclusion of the position /term of office	Gender	Citizenship	Year of birth:	Qualification	Professional profile	Membership in supervisory bodies in companies not related to the company.

### 5.2 Composition of Supervisory Board and Committees in financial year \_\_\_\_\_

Name and Surname:	Position held (president, deputy, member)	First appointment to the position	Conclusion of the position/ term of office	the company's capital structure,	Attendance at SB's session in regard to the total number of SB's session (for example 5/7)	Gender	Citizenship	Year of birth:	Qualification	Professional profile	Independence under Article 23 of the Code (YES / NO)	Existence of conflict of interest, in the	Membership in supervisory bodies in other
	Membership in committees (audit, nominal, income committee, etc.)			President /Member	Attendance at sessions of SB's Committees in regard to the total number of SB's session								

External member in committees (audit, nominal, income committee, etc.)										
Name and Surname:	Committee:	Attendance at sessions of SB's Committees in regard to the total number of SB's session (for example 5/7)	Gender	Citizenship	Qualification	Year of birth:	Professional profile	Membership in supervisory bodies in companies not related to the company.		


## APPENDIX 6: INCOME OF MEMBERS OF MANAGEMENT AND SUPERVISORY BOARD IN FINANCIAL YEAR \_\_\_\_

### 6.1 Composition and income of members of the Management in financial year

Name and Surname:	Position held (president, member)	Fixed income -gross (1)	Variable income - gross			Deferred income (3)	Severance pay (4)	Bonuses (5)	"Draw-back" (6)	Total gross(1+2+3+4+5-6)	Total net
			on the basis of quantity criteria:	on the basis of quality criteria:	Total (2)						

### 6.2 Composition and income of members of the Management in financial year

Name and Surname:	Position held (president deputy,, member), external member of a Committee)	Payment for the performance of services - gross per year (1)	Attendance fees for SB and committees - gross per year(2)	Total gross (1+2)	Total net*	Travel expenses

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\* The amount transferred by a company to the bank account of an individual as the payment after the prepayment of income taxes which is not taken into account in potential subsequent balancing payments of personal income taxes.