



**SLOVENSKI DRŽAVNI HOLDING, d. d.**

# SLOVENIAN SOVEREIGN HOLDING ASSET MANAGEMENT POLICY

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Ljubljana, December 2016

The SSH Asset Management Policy (hereinafter referred to as: the "Asset Management Policy") was adopted by SSH on 19 December 2014, and the first amendments and additions on 14 December 2016.

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## TERMS AND DEFINITIONS

**Accreditation:** is a decision of the 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 bodies of SOEs.

**Legal documents regarding asset management:** are the applicable State Assets Management Strategy and the applicable Annual Assets Management Plan, adopted in accordance with Chapter 3 of ZSDH-1.

**State-owned enterprise or a company with capital assets of the State:** is a company in which capital assets are directly held by SSH or the Republic of Slovenia, and which is managed by SSH.

**Family members:** are persons as defined in Article 2 of ZSDH-1.

**BAMC:** is Bad Asset Management Company.

**KAD:** is Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d., or with the English corporate name: Pension Fund Management.

**Capital assets:** are equity securities under the act regulating the financial instruments market, or shareholdings or other equity stakes in individual companies in accordance with the act regulating companies. In reference to capital assets, the abbreviated term "assets" is used unless it is clear from the context that other assets are (also) implied.

**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.

**Capital assets of KAD:** are capital assets owned by KAD.

**Competences:** are knowledge, personal characteristics, abilities, motivation, self-esteem and values which are intertwined into a whole and an individual knows how to, is willing to and is able to apply them in a given situation.

**Annual Asset Management Plan:** is the legal document regarding asset management which is adopted by the SSH Management Board on the basis of the adopted Strategy. The Plan determines detailed goals to be achieved by SSH in the management of individual assets, together with measures and policies for attaining these goals.

**Conflict of interests:** there is a conflict of interest when circumstances have arisen in which a 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 Asset Management Policy 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*.

**Independence of a candidate or a member of a Supervisory Board of a company with State's capital assets and independence of a member of the Nomination Committee:** a person who is not dependant under this Asset Management Policy is independent.

**Nomination:** is the decision by the Nomination Committee which is based on the 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.

**Dependency of member of Nomination Committee:** under this Asset Management Policy, the dependency of a member of a Supervisory Board shall apply *mutatis mutandis* to the dependency of a member of the Nomination Committee. A member of the Nomination Committee who is employed at SSH shall not be deemed dependent only on the basis of the fact that he/she is employed at SSH.

**Dependency of a candidate or a member of a Supervisory Board of a company with capital assets of the State:** is given when the following dependency elements are simultaneously satisfied:

1. there is a potential conflict of interest between private interest of a candidate or a member of the Supervisory Board of a company with capital assets of the state and interest of the company,
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 may be, in particular: the type and the number of decisions and actions to which it (may) refer to, the probability of their actual realisation and the subjective

characteristics of a person (especially, the character and past conduct of a person).

The circumstances, which create the presumption of dependency, are defined by SSH in the form entitled "Statement on Independence" which is attached to the application for nomination procedure and is published on the SSH's website. Presumptions are rebuttable.

**Important assets:** are assets whose development function should be kept within the Republic of Slovenia (i.e., in order to realize strategic goals in regard to which the level of their strategic significance is lower than in case of strategic assets).

**Portfolio assets:** are assets by means of which the Republic of Slovenia strives to attain solely economic goals.

**Potential conflict of interest:** there is a conflict of interest when circumstances have arisen in which a private interest of a person may influence 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.

**Prevailing influence of SSH:** there is a prevailing influence when SSH holds 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.

**Acquisition of assets:** means the acquisition of assets for the ownership of the Republic of Slovenia or SSH, against payment or free of charge. Assets are acquired by establishing companies, by purchasing assets, by recapitalising companies or by executing any other legal transaction by way of which the ownership of the asset is transferred to the Republic of Slovenia or SSH.

**Disposition of assets:** means the encumbrance, sale, swap or any other legal transaction on the basis of which an asset owned by SSH or the Republic of Slovenia is transferred to another legal entity or an individual.

**RS:** is the Republic of Slovenia

**State Assets Management Strategy or Strategy:** is the legal document regarding asset management which is adopted by the National Assembly of the Republic of Slovenia upon the proposal by the Government 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 Assets Management Strategy (Official Gazette RS, No. 53/2015) by the National Assembly of the Republic of Slovenia on 17 July 2015.

**Strategic assets:** are assets with which the Republic of Slovenia, in addition to economic goals, also attains strategic goals.

**Capital asset manager:** is a person employed at SSH who carries out asset management tasks in relation to individual capital asset.

**SSH:** is Slovenski državni holding, d.d., or with the English corporate name, the Slovenian Sovereign Holding, whose establishment, position, rights and obligations are regulated by ZSDH-1.

**ZDIJZ:** is the Public Information Access Act (Official Gazette RS, No. 24/2003 et seq.)

**ZGD-1:** is the Companies Act (Official Gazette RS, No. 42/2006 et seq.).

**ZIntPK:** is the Integrity and Prevention of Corruption Act (Official Gazette RS, No. 45/10 et. seq.).

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

**ZTFI:** is the Financial Instruments Market Act (Official Gazette RS, No. 108/10 et seq.).



# PART I: GENERAL FRAMEWORK OF ASSET MANAGEMENT POLICY

## 1. INTRODUCTION

The Asset Management Policy of Slovenian Sovereign Holding (hereinafter referred to as: the “Asset Management Policy”) is a legal document which includes principles, procedures and criteria applied by SSH in the performance of its duties laid down by ZSDH-1

The Asset Management Policy is divided into two parts, a general part which includes the fundamental framework of the SSH’ s operation, together with some fundamental guidelines for SSH in performing its duties, and a special section. The special section of the Asset Management Policy is drawn up in the form of articles and it stipulates rules of conduct in individual situations, specifically, in candidacy procedures, in procedures related to the acquisition and disposition of the State’s capital assets, and in some other cases. Both parts of the Asset Management Policy are binding for SSH.

The purpose of the Asset Management Policy is to provide for transparency and traceability of decision made by SSH. This particularly applies to the recruitment processes for members of SOEs supervisory bodies, for procedures for disposal of state assets and also for the setting of control mechanisms in regard to recruitment and hiring of external providers of services.

The Asset Management Policy must be read in connection with the relevant legislation, other legal documents regarding asset management as laid down by ZSDH-1, and some other documents which, when combined, form the protocol of SSH’s corporate management. The relevant legal documents regarding SSH’s corporate management are particularly the following documents:

- ZSDH-1,
- ZGD-1,
- ZIntPK,
- ZTFI,
- Articles of Association of Slovenian Sovereign Holding,
- Annual Report of Slovenian Sovereign Holding,
- State Assets Management Strategy,

- Annual Asset Management Plan,
- Corporate Governance Code for SOEs,<sup>1</sup>
- Rules on Supervisory Board Member Selection: Conditions, Criteria, Procedures and Evaluation for Determining Suitability and Selecting Potential Candidates for Members of Supervisory Bodies of Companies with State's Capital Assets,
- Platform of Slovenian Sovereign Holding for Voting on General Meetings,
- Slovenian Sovereign Holding Recommendations and Expectations.<sup>2</sup>

## **2. SLOVENIAN SOVEREIGN HOLDING**

### **SSH Establishment**

Slovenian Sovereign Holding was established on 26 April 2014 by way of the enforcement of ZSDH-1 according to which Slovenska odškodninska družba was transformed into SSH. SSH started to use the new corporate name on 11 June 2014 when the Articles of Association of SSH was recorded in the Court Business Register, together with the registration of the change of the company name.

### **SSH Status**

Slovenian Sovereign Holding holds the status of public limited company with a two-tier management system. It has four bodies: the General Meeting, the Management Board, the Supervisory Board and the Economic and Social Expert Committee (abbreviated as: "ESEC") . The founder and sole shareholder of SSH is the Republic of Slovenia. The powers and duties held by the SSH General Meeting are carried out by the Government of the Republic of Slovenia. The SSH Supervisory Board consists of five members who are all appointed by the National Assembly of the Republic of Slovenia as proposed by the Government of the Republic of Slovenia. The SSH Management Board consists of three members. The President and two members are appointed by the SSH Supervisory Board. The Expert Committee for Economic and Social Affairs is a seven-member consultation body of the SSH's Management Board. Its members are appointed by the Slovenia's representative trade unions and confederations who are members of the Economic and Social Council. Their appointment is approved by the SSH Management Board.

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<sup>1</sup> Published on SSH's website: <http://www.sdh.si/>.

<sup>2</sup> Published on SSH's website: <http://www.sdh.si/>.

Slovenian Sovereign Holding is a public company in the sense of ZTFI since bonds issued by SSH (SOS3 symbol) are listed on the regular market. As a result, SSH is obliged to disclose certain regulated information, in accordance with ZTFI.

At the time of the adoption of the revised Asset Management Policy, SSH is the controlling company to the following controlled companies with which it forms the SSH Group: PS ZA AVTO, d. o. o., Ljubljana, DEKORATIVNA, d.o.o., Ljubljana - in liquidation, ELEKTROOPTIKA, d. d., GIO, d. o. o., Ljubljana – in liquidation, and PALOMA, d.d., Sladki vrh.

### **Purpose of SSH Establishment**

SSH was established with the purpose of providing a concerted, transparent, professional management of the capital assets of the State separated from the daily politics. SSH continues to carry out powers, responsibilities, rights and obligations that used to be managed by SOD (settlement of liabilities due to beneficiaries under several laws). For this purpose, the Company issues bonds and other securities and manages and disposes of securities and other assets.

### **SSH Objectives**

The fundamental objectives pursued by SSH in state asset management are the increasing of the value of assets, the provision of the highest possible yield to the owner (economic objectives) and the attainment of strategic objectives regarding the assets which are defined as strategic or important by way of asset management related documents. In addition to fundamental objectives, other asset management objectives are also determined in the legal documents regarding asset management.

For attaining its objectives, SSH will advocate the improvement of corporate governance in SOEs, and the establishment of such ownership structure which will ensure efficient management, competitiveness and successful development of companies in the long term. SSH will strive to be an example of a responsible and diligent asset manager for other shareholders and stakeholders.

A very important part of the activities performed by SSH is directed towards the establishment of adequate corporate governance related expectations towards companies with capital assets of the State, and the verification of the companies' realization of set expectations. The lowest expected level of corporate governance is at least the same as envisaged by the law and the Corporate Governance Code for SOEs. In accordance with the law, SSH has adopted criteria for measuring the

performance of companies with capital assets of the State which have been specified for individual companies in the Annual Asset Management Plan. The above mentioned documents include SSH's expectations from companies with capital assets of the State as regards their operations. Some special expectations are communicated to SOEs by means of SSH Recommendations and Expectations. Those enterprises whose shares are subject to sale are expected to provide full cooperation during the sale process, in accordance with the law.

The objective of SSH is also to successfully conclude denationalisation proceedings and to ensure a reliable settlement of obligations to statutory beneficiaries.

### **Main Areas of Operation of SSH**

The operation of SSH comprises several areas:

- the management of capital assets in direct or indirect ownership of the Republic of Slovenia which includes the acquisition and disposition of capital assets and the exercise of rights of a shareholder. SSH manages its capital assets in a responsible manner and in line with good practice in corporate governance. On its own behalf and for the account of RS, and on its own behalf and for its own account, the Company enforces corporation rights arising from individual equity investments held by the Republic of Slovenia.

This also include the management of SSH asset portfolio intended for the provision of the Company's current liquidity,

- denationalisation: SSH has been established for settling liabilities due to beneficiaries under Zden, Cooperatives Act and other regulations governing the denationalisation of property. For the performance of these tasks, SSH participates in denationalisation proceedings and in those procedures for the determination of compensation for liable entities according to which property has been restored to denationalisation beneficiaries in kind. In these procedures, the compensation amount attributable to beneficiaries on the basis of the above mentioned laws is consistently and accurately determined; in addition, SSH regularly enforces final decisions issued in proceedings regulating denationalisation of property by issuing SOS2E bonds,

- settlement of liabilities arising from compensation: on behalf of and for the account of RS, SSH performs duties stipulated by special laws also regulating the method of the financing of these duties. SSH enforces final decisions on the determination of compensation for confiscated property pursuant to the abrogation of the penalty of confiscation of property (ZIOOZP), it issues and enforces decisions on the

compensations to war and post-war violence victims (ZSPOZ), and enforces written settlements and final decisions to beneficiaries for the reimbursement of investments made into the public telecommunications network (ZVVJTO).

### **SSH Values**

Excellence, integrity, meritocracy, respect, trust, expertise.

## **3. PRINCIPLES OF CAPITAL ASSET MANAGEMENT**

SSH observes principles which, in terms of their content, are laid down and defined by ZSDH-1. They are the following principles for the management of the State's capital assets:

- the principle of responsibility and due care,
- the principle of independence,
- the principle of transparency,
- the principle of economy.

## **4. CODE OF REFERENCE**

As a code of reference, SSH uses Corporate Governance Code for SOEs which was adopted by SSH on 19 December 2014 and revised for the first time in March 2016.

## **5. GROUPS OF STAKEHOLDERS AND COMMUNICATION AND COOPERATION STRATEGY**

### **5.1 Shareholder**

The sole shareholder of SSH is the Republic of Slovenia. Decisions falling under the authority of the SSH General Meeting are adopted by the Government of the Republic of Slovenia in the form of GM Resolutions. An exception is the appointment of the members of the SSH Supervisory Board who are appointed by the National Assembly of the Republic of Slovenia upon a proposal given by the Government of the Republic of Slovenia.

Due to state ownership and various roles played by state authorities, SSH's communication with its sole shareholder is a specific one. The communication rules are

mostly regulated by ZSDH-1. The state communicates its expectations towards SSH in regard to capital asset management by the adequate content of the Asset Management Strategy. Potential additional communication between state authorities and SSH is conducted in a manner compliant with Article 7 of ZSDH-1. In accordance with Article 41, Paragraph 3 of ZSDH-1, the SSH Supervisory Board's sessions may also be attended by the ministers responsible for finance and the economy and the President of the parliamentary Commission for Public Finance Control who each receive an invitation, all materials for each session, and minutes of the Supervisory Board sessions.

In addition to the above mentioned communication channels, a shareholder may become informed of documents and activities of SSH through the following:

- publications on the SSH public web site in accordance with Article 64 of ZSDH-1,
- the Annual Report to the National Assembly of the Republic of Slovenia in line with Article 67 of ZSDH-1,
- a quarterly report to the Government of the Republic of Slovenia, a courtesy copy of which is also submitted to the Commission for Public Finance Control of the National Assembly of the Republic of Slovenia,
- notices on SEOnet system,
- SSH Management Board's press releases,
- participation of SSH representatives in conferences organised at home and abroad.

## **5.2 Regulatory and State Authorities**

A responsible organisational unit within SSH ensures that SSH observes relevant legislation during its operations. Article 83 of ZSDH-1 regulates some exceptions in regard to take-overs and mergers.

## **5.3 Members of Supervisory Bodies of Companies with Capital Assets of the State**

SSH duties related to the recruitment of members of Supervisory Boards of companies with State's capital assets are one of the most important duties and authorities of SSH. SSH will communicate with members of Supervisory Boards of the above mentioned companies in a manner which will respect the independence of the Supervisory Board members. Expression of potential proposals, viewpoints or opinions on the part of SSH does not represent a non-permitted pressure upon the members of Supervisory Boards. The purpose of the expression of proposals, viewpoints and opinions on the

part of SSH is that the members of Supervisory Boards of companies with State's capital assets, based on various viewpoints and opinions, adopt the best solution according to their judgement, while taking into account the goals of the company and the company's position. SSH will also pursue the improvement of the quality of corporate governance of companies with State's capital assets by organising educational events for members of Supervisory Boards of companies with State's capital assets.

#### **5.4 Management Boards of Companies with Capital Assets of the State**

As and when required, by taking into account the scope of corporate rights, the ownership structure and the SSH documents, SSH will communicate with Management Boards of companies with capital assets of the State in a manner so as to observe their independence and autonomy. The purpose of expressing proposals, viewpoints and opinions on the part of SSH is that Management Boards of companies with capital assets of the Ste, based on various viewpoints and opinions, adopt the best solution at their discretion, by taking into account the goals of the company and the situation of the company.

#### **5.5 SSH Employees**

The performance and efficiency of SSH is founded on the professionalism, motivation and integrity of its employees. SSH is committed to excellence of work performed, investing in knowledge and rewarding successful work performance. The organisational culture should be based on mutual trust and respect and responsible work.

The company communicates with its employees through meetings, annual interviews, internet, e-mails, and meetings with the Employee Council.

#### **5.6 Citizens and Media**

SSH operations are transparent as far as possible. Citizens and the media may monitor the work and follow the results of SSH through SSH's public announcements on the company's web site and on the SEOnet system or through the Management Board's press releases. SSH communicates with the media in an active and responsible manner as expected from the manager of a significant shareholding of the State assets. SSH is bound by the law regulating the access to information of a public character.

## **6. POLICY REGARDING CONNECTIONS BETWEEN SSH AND COMPANIES WITH STATE CAPITAL ASSETS**

The corporate name of Slovenian Sovereign Holding (SSH) contains the term "holding". Considering its actual position, there are not many elements of a holding company attributed to SSH as, in terms of the content, SSH is the manager of capital assets of the State. SSH does not form a Group of companies of a holding company together with companies in which the State holds the majority shareholding or the majority share of voting rights.

In certain companies with capital assets of the State, SSH holds the prevailing influence in the sense of ZSDH-1. The fact regarding the "prevailing influence" has legal significance in connection with several provisions of ZSDH-1, specifically:

- under Article 21, Paragraph 3, indent 4 of ZSDH-1;
- under Article 39, Paragraph 1, indent 7 of ZSDH-1;
- under Article 46, Paragraph 4 of ZSDH-1;
- under Article 54, Paragraph 1, indent 1 of ZSDH-1;
- under Article 54, Paragraph 1, indent 4 of ZSDH-1;
- under Article 55, Paragraphs 1 and 5 of ZSDH-1;
- under Article 59, Paragraphs 2, 3, 9 and 10 of ZSDH-1;
- under Article 60, Paragraphs 3 and 9 of ZSDH-1;
- under Article 62, Paragraph 1 of ZSDH-1;
- under Article 64, Paragraph 2 of ZSDH-1;
- under Article 71, Paragraph 1 of ZSDH-1;
- under Article 90 of ZSDH-1.

## **7. COMMITMENT FOR DETERMINING CONFLICT OF INTEREST AND IMPARTIALITY OF MEMBERS OF SUPERVISORY AND MANAGEMENT BOARDS OF SSH**

Members of SSH Management and Supervisory Boards must act exclusively in the interest of the Republic of Slovenia and SSH. A member of the Management or Supervisory Boards who has been prevented from the execution of his/her duties for any reasons, particularly due to pressures against his/her autonomous or independent decision-making or due to passivity and lack of action by the remaining members of the Management or Supervisory Boards, must inform members of the body in which he/she



operates of this fact in a documented manner, in accordance with Article 57, Paragraph 1 of ZSDH-1.

Members of Management and Supervisory Boards of SSH are not bound to respect rules of any state authorities or third parties. When performing their duties, they have to act independently and impartially.

### **SSH Supervisory Board**

Members of the SSH Supervisory Board must inform the Supervisory Board of any conflict of interest which has arisen or might arise in the implementation or in relation to the implementation of their function. In addition, each Supervisory Board member must inform the Supervisory Board of his/her potential membership in Supervisory Boards or management bodies of other companies. In case of any potential conflict of interest, a member of SSH Supervisory Board shall act in accordance with recommendations referred to in the Corporate Governance Code for SOEs.

During his/her work, an individual member of the Supervisory Board is not bound by opinions or instructions of those who elected or appointed him/her and assumes full personal responsibility for the performance of his/her function. All members of SSH Supervisory Board shall hold the same rights and obligations. Each member of SSH Supervisory Board is obliged to use knowledge, skills and experience on the basis of which he/she has been appointed to the function of a member of SSH Supervisory Board.

### **SSH Management Board**

Members of the Management Board must inform the Supervisory Board of any conflict of interest which has arisen or might arise in the implementation of or in relation to the implementation of their function. In case of any potential conflict of interest, a member of SSH Management Board shall act in accordance with recommendations referred to in the Corporate Governance Code for SOEs.

## **8. COMMITMENT BY SUPERVISORY BOARD FOR EVALUATING ITS OWN EFFICIENCY**

In accordance with the Board Evaluation Manual adopted by the Slovenian Directors' Association, the SSH Supervisory Board will evaluate its own performance and efficiency and present results in the Report for General Meeting, specifically, the extent

to which the self-assessment which has been performed has contributed to the changes in the functioning of the Supervisory Board.

Within the efficiency evaluation procedure, the Supervisory Board shall assess its current structure, operation, potential and actual conflicts of interest of individual members and operation of individual members and the Supervisory Board as a whole, including the cooperation with the Management Board of a company. During the assessment of its work, the Supervisory Board shall also assess the work of eventual Supervisory Board's commissions.

#### **9. SYSTEM FOR THE SEPARATION OF RESPONSIBILITY AND POWER BETWEEN MEMBERS OF SSH MANAGEMENT AND SUPERVISORY BOARDS**

The company is run by the SSH Management Board, while its work is overseen by the SSH Supervisory Board. The Management and Supervisory Boards work closely together for the benefit of SSH and the Republic of Slovenia. The Management Board may only carry out individual transactions with the consent of the SSH Supervisory Board when so stipulated by ZSDH-1 or the SSH Articles of Association, while the requirement for the consent of SSH Supervisory Board cannot be determined by the SSH Supervisory Board itself

ZSDH-1 and the SSH Articles of Association, together with the Rules of Procedure of the Management and Supervisory Boards stipulate the separation of responsibilities and duties between the Management Board and the Supervisory Board and the method of their cooperation. The Rules of Procedure of the Management Board also stipulate the separation of duties/areas of work between the Management Board members.

All rules regulating relationships among the bodies in SSH fully follow the Slovenian legislation and good practice also in regard to the conflict of interest.

#### **10. PROTECTION OF EMPLOYEES' INTEREST**

Through Employee Councils, employees may cooperate with their employer in the realization of their common goals and the interest of the work and capital. ZSDH-1 explicitly stipulates that the provisions of the act regulating the participation of employees in the management do not apply for the SSH Supervisory Board.

SSH promotes and enables the education and training of its employees. Educational programmes and training are available in various forms which include both internal training and external formal forms of education and study. Education and training activities are organized in various professional areas, particularly in the fields of corporate governance, leadership and personal development, the use of modern information technology and the learning of foreign languages. All employees should have the possibilities for additional training while taking into account the needs of the work process.

The aim is to create a positive atmosphere among the employees and provide for well-being at the work post. Any conduct which might damage the dignity and integrity of employees is prohibited and actions are taken in cases of violations. Adequate measures are taken to protect the employees against any harassment and other repetitive or systematic negative action worthy of reprimand and humiliating conduct or behaviour against employees at the work post or in relation to the work post.

SSH provides its employees with equal opportunities, regardless of gender, race, colour, age, medical condition or disability, religious, political and other belief, membership of a trade union, national or social origin, family status, wealth, sexual orientation or other personal circumstances.

#### **11. SSH-SUPPORTED REMUNERATION POLICY FOR MANAGEMENT AND SUPERVISORY BOARDS OF COMPANIES WITH CAPITAL ASSET OF THE STATE**

At General Meetings of companies, SSH will give support to such remuneration policy as shall be in line with the SSH Recommendations and Expectations.

## **PART II: SPECIAL SECTION OF ASSET MANAGEMENT POLICY**

### **12.RECORDING AND DISCLOSURE OF DECISIONS MADE AT GENERAL MEETINGS OF COMPANIES AND RESOLUTIONS MADE BY FOUNDER**

#### Article 1

(Voting instruction and Voting Report)

A person authorised by SSH shall vote at a General Meeting of a company with capital assets of the State in accordance with written voting instructions signed by two members of SSH Management Board.

Each person authorised by SSH for the participation and voting at a general meeting of a company with State's capital assets must prepare and submit to the SSH Management Board a voting report. The report must define the authorised person's voting in regard to each resolution proposal, which resolution was adopted and how many votes the resolution received. When in exceptional circumstances, the authorised person deviates from instructions on voting, an explanation must be provided in the report.

#### Article 2

(Keeping of Voting Reports)

SSH shall provide for the keeping of reports from all general meetings and of founder's resolutions.

#### Article 3

(Public disclosure of SSH activity at AGMs)

SSH shall publicly disclose its operations at each General Meeting. Disclosures must be publicly published on the SSH's web site two days after the general meeting, or two days after the authorised person may provide full material, considering the circumstances. The disclosures must explicitly state the company, the time when the

General Meeting has been held, the details about the agenda and whether SSH has voted on resolution proposals and how. A statement must be attached to each disclosure, in which it is declared whether the SSH activity at a General Meeting was in line with the legal documents regarding asset management and SSH's internal corporate documents and what have been the reasons for any potential deviations.

By the 15th day within a month, for a previous month, on its public web site, SSH shall produce and publish a list of general meetings of SOEs which have been organised in that month and which have not been attended by SSH, also giving the reason for SSH's non-attendance.

### **13. DIVIDEND POLICY GUIDELINES**

#### Article 4 (Distribution of Profit for Appropriation)

SSH shall individually consider proposals by companies with State's capital assets in regard to the use of profit for appropriation. SSH shall make a stand regarding the proposals taking into consideration several various factors: the adopted dividend policy of an individual company, the development plans of a company and the intensity of the investment activity, the amount of retained profits from a previous year, the tax aspect, the required capital adequacy, the situation in the industry in which the company operates, the mitigating of the effect of the financial crisis and other factors and the Annual Asset Management Plan.

#### Article 5 (Transfer of Remaining Part of Profit for Appropriation)

SSH will strive to have the remaining profit for appropriation unappropriated unless substantiated reasons have been provided by the Management Board of an individual company, namely, that other revenue reserves shall be increased with the remaining profit for appropriation, or when stipulated by the law that the profit for appropriation shall not be paid out to shareholders, or when a special agreement exists between shareholders of an individual company.

### **14. RECRUITMENT AND ENGAGEMENT OF EXTERNAL SERVICE PROVIDERS**

## Article 6 (Recruitment)

When a work process within an individual internal organisational unit cannot be efficiently carried out with currently employed staff within this unit, or when longer-lasting or a permanent increase in the workload is expected in an individual unit which cannot be carried out with currently employed staff, a head of an organisational unit shall propose to the SSH Management Board to recruit an additional or several additional employees to an internal organisational unit. The decision may be taken by the SSH Management Board without a special proposal by a head of an internal organisational unit, when it is assessed by the SSH Management Board that the grounds have been given for it.

When SSH recruits new employees, a vacancy must be publicly published except in cases stipulated by the law. In the case of public invitation to apply for a job vacancy, the SSH Management Board shall appoint a three-member Committee for opening and reviewing job applications and a three-member Committee for carrying out the selection procedure of candidates who have applied for the job.

The duties of the Committee for opening and reviewing job applications shall be to review and record job applications submitted, to verify the timeliness and the completeness of applications, to verify the satisfaction of formal requirements and criteria and to eliminate applications which have not been submitted in time or in full or from which it is clear that a candidate does not satisfy the formal requirements and criteria

The duties of the Committee for carrying out the selection procedure of candidates who have applied for the job are: to review and record applications which have not been eliminated, to prepare questions for interviews with candidates, to carry out interviews with candidates and to propose to the SSH Management Board a short-list of candidates for the job.

In case when several candidates for the job satisfy all requirements and criteria, interviews with candidates shall be carried out. A formal note shall be taken of any interview. The same or comparable questions shall be made to candidates in regard to the area of work to be covered by the intended employment in a manner that answers by candidates can be adequately scored. Upon the proposal by the Committee for carrying out the selection procedure of candidates who have applied for the job, the SSH Management Board may either decide to select a candidate or decide to carry out

an additional interview with short-listed candidates who have been scored the highest amount of points after the first interview.

In regard to the appointment of the Compliance Manager, and in accordance with ZSDH-1, in regard to the appointment of the Internal Auditor and in accordance with ZGD-1, the SSH Management Board must obtain a prior consent granted by the SSH Supervisory Board.

In regard to other issues regarding recruitment, the law regulating employment relationships shall apply, together with the SSH's internal rules, i.e. Rules on Employment Relationships.

Article 6a  
(Engaging External Service Providers)

Considering the subject of the (public) procurement and the value of the procurement, SSH shall outsource services following the procedure as stipulated by the applicable law which regulated public procurement, and/or following the procedure stipulated by SSH's internal legal documents which regulate the procurement of goods and services.

In its Chapter 17 (Section 7), the Asset Management Policy includes special provisions in regard to financial and other advisors in the managing of processes of sale, acquisition or other transfer of assets or other financial instruments, in which regard it is about services that represent an exception under the applicable law regulating public procurement, or the value of the service does not exceed the value laid down by this law.

## **15. NOMINATION COMMITTEE AND CANDIDACY PROCEDURES**

### **15.1 NOMINATION COMMITTEE**

Article 7  
(Position and Duties of Nomination Committee)

The Nomination Committee is a mandatory consultation body of the SSH Management Board whose members are appointed by the SSH Management Board for the period of

four years, pursuant to Article 48 of ZSDH-1 and in accordance with this Asset Management Policy (hereinafter referred to as: the “Nomination Committee”).

As an exception, upon the application by the Republic of Slovenia, the Nomination Committee may assess the suitability of candidates for the Supervisory Board of a state-owned enterprise that is not managed by SSH. The assessment of the suitability of a candidate shall be carried out pursuant to a special law or on the basis of a special agreement concluded by and between SSH and the Republic of Slovenia in which mutual relations (i.e., rights and obligations and responsibilities) and rules for assessing the suitability of a candidate are regulated in detail.

The duty of the Nomination Committee is to carry out candidacy procedures.

The Nomination Committee is autonomous and must act impartially in executing its work

The SSH Management Board concludes an agreement on the performance of a duty of a member of the Nomination Committee with external members of the Nomination Committee which binds an individual member of the Nomination Committee to respect the adopted legal documents regulating the area of work of the Nomination Committee, and regulates the remuneration for his/her services. The contract binds the members of the Nomination Committee to act independently, impartially, professionally and exclusively for the benefit and interest of SSH and the Republic of Slovenia. The SSH Management Board may dismiss a member of the Nomination Committee when it is determined that he/she no longer meets the appointment requirements and criteria, when he/she is incompetent in carrying out his/her duties, when he/she fails to carry out his/her duties in a professional or prudent manner, or when he/she severely violates his/her obligations. A decision on the dismissal and its arguments are published on the SSH public web site.

Within the candidacy procedure, when assessing the meeting of requirements and criteria on the part of an individual candidate, the Nomination Committee takes into account statements and supporting documents submitted by a potential candidate, statements and an impression of a potential candidate obtained during the interview when carried out, and other facts and evidence which are generally known or which have been determined by the Nomination Committee based on publicly accessible data. A formal note is made by the Nomination Committee on taking into consideration generally known facts and facts on the basis of publicly accessible data, or the note is included in the Nomination Report. Generally known facts and supporting documents



shall be collected by the Nomination Committee or the SSH's expert staff on the basis of a consent by a candidate which has been submitted on a form which shall form Appendix to the accreditation application.

#### Article 8 (Composition of Nomination Committee)

The Nomination Committee consists of three members.

The composition of the Nomination Committee must be such that all members of the Nomination Committee together cover at least the following areas: corporate governance, HR management and operations of supervisory boards.

One member of the Nomination Committee may be appointed from among the SSH employees. Other members are external members of the Nomination Committee.

#### Article 9 (Requirements and Criteria for a Member of Nomination Committee)

A member of the Nomination Committee must be an expert at least in one of the below stated fields:

- corporate governance,
- HR management or
- operations of supervisory boards.

A member of the Nomination Committee must not be a person who is:

- a member of the bodies of a political party,
- a member of the SSH Management Board or a member of the SSH Supervisory Board,
- employed in a company with State's capital assets.

A member of the Nomination Committee must also satisfy all of the following criteria:

- holds at least an university degree;
- as a rule, has at least 6 years of experience in the professional field for which he/she has been appointed into the Nomination Committee, or was a member of the supervisory board of a medium-size or large company for 6 years if he/she is a member of the Nomination Committee who is an expert in the field of operations of Supervisory Boards;

- is characterised for personal integrity;
- his/her expertise is supported by successful performance and reputation from the professional field for which he/she has been appointed into the Nomination Committee (for example, in an organisation or an organisational unit managed by a candidate, or outside this organisation, his/her work is perceived as professional; published scientific expert articles in domestic and foreign professional publications);
- is very well familiar with duties and competences of a Supervisory Board as a body and the rights and obligations as well as the position of an individual member of the Supervisory Board;
- is independent.

#### Article 10

##### (Appointment Procedure for a Member of Nomination Committee)

The appointment procedure for a member of the Nomination Committee must be objective and transparent. The provisions of the previous Chapter of this Asset Management Policy shall apply *mutatis mutandis* in regard to the appointment procedure. In addition to requirements and criteria from the preceding Article, the invitation to apply for the vacancy may lay down additional requirements and criteria.

The SSH Management Board publishes a report on the appointment procedure for members of Nomination Committee on the SSH public web site.

SSH verifies once a year if members of the Nomination Committee continue to satisfy the appointment requirements and criteria.

#### Article 11

##### (Binding Nature of Nomination Proposal by Nomination Committee for SSH Management Board)

The SSH Management Board is bound to observe the nomination by the Nomination Committee, or when it exceptionally acts in accordance with Article 48, Paragraph 5 of ZSDH-1 and Section 15.3 of this Chapter of the Asset Management Policy

## **15.2 CANDIDACY PROCEDURE**

## 15.2.1 Generally on Candidacy Procedure

### Article 12

#### (Term and Structure of Candidacy Procedure)

The candidacy procedure is a collective term for actions carried out by the Nomination Committee for submitting to the SSH Management Board a suitable proposal (nomination) of candidates for Supervisory Board Members of SOEs; it always includes the following procedures:

1. the recruitment procedure,
2. the accreditation procedure and
3. the nomination procedure.

The Nomination Committee is assisted in the implementation of individual actions within the candidacy procedure by experts employed in SSH and authorised by the SSH Management Board.

### Article 13

#### (Goals of Candidacy Procedure)

Goals of Candidacy Procedure are:

- providing the compliance of candidates for Supervisory Board members of companies with State's capital asset with requisite requirements and criteria and selecting the most suitable candidates,
- providing a uniform, organised, objective and transparent candidacy procedure which ensures the traceability of actions and decisions taken in an individual phase of the candidacy procedure;
- improving the efficiency of Supervisory Boards of companies with State's capital assets;
- indirectly improving the management and operations of SOEs and provide for a responsible conduct on the part of companies with State's capital assets;
- formulating and implementing systemic solutions regarding corporate governance in line with the OECD principles.

## Article 14

### (Rules on Supervisory Board Member Selection)

Conditions, criteria for evaluating, determining the suitability and selection of potential candidates for members of supervisory bodies of companies with State's capital assets are laid down in ZGD-1 and ZSDH-1 and are regulated in detail in the Rules on Supervisory Board Member Selection. These Rules regulate in detail some issues in regard to the candidacy procedure.

#### **15.2.2 Recruitment procedure**

## Article 15

### (Recruitment Procedure)

The recruitment procedure is a transitional procedure in relation to the nomination procedure and is based on the following:

- regulated recruitment channels,
- regulated protocols and
- uniform application forms.

## Article 16

### (Recruitment Channels)

According to the criteria of their purpose, the recruitment channels are divided into general and special recruitment channels.

General recruitment channels are not connected with personnel needs in relation to the Supervisory Board of an individual company but they are intended to attract candidates into the accreditation system (registration in the database of accredited potential candidates for members of Supervisory Boards of companies with State's capital assets).

Special recruitment channels are linked to any personnel need for a Supervisory Board of an individual company. Special recruitment channels are used if, according to the assessment of the Nomination Committee or the SSH Management Board, this is beneficial for the goal(s) of the candidacy procedure. The accreditation is mandatory also in cases when special recruitment channels are used whereby a decision on

accreditation may be adopted inside the nomination procedure. Upon a request by a candidate, a candidate who has been invited to take part in the candidacy procedure on the basis of special recruitment channels, and then accredited, is not registered in the Database of potential accredited candidates. In this case the decision on accreditation shall only include a statement that a potential candidate satisfies the accreditation requirements and criteria (1st evaluation phase).

#### Article 17 (General Recruitment Channels)

General Recruitment Channels are as follows:

- an open public invitation for accreditation published on SSH public web site (this is a general public invitation without any time limit and it is regulated in the Rules on Supervisory Board Member Selection);
- a general public invitation for accreditation through printed or internet media at the national or international level (a special protocol: it is decided by the Nomination Committee; the responsibility for its implementation is held by the SSH Management Board).

#### Article 18 (Special Recruitment Channels)

Special Recruitment Channels are as follows:

- public invitation published on SSH public web site with tailor-made specific profile requirements;
- an advertisement with tailor-made specific profile requirements;
- candidates invited by members of SSH Management Board (on a standardised forms);
- candidates proposed by the Supervisory Board of an individual company or by another shareholder in the convocation of the General Meeting.

Article 19  
(Submission of Applications)

Potential candidates submit their application by post or to a special e-mail address of the Nomination Committee which is publicly published on the SSH public web site.

The application must be standardised. It is such when it contains at least data, supporting documents, appendices as determined in Appendix I of the Rules on Supervisory Board Member Selection.

Article 20  
(Protocols and Forms)

Upon an individual decision for a public invitation, (it may also be upon an invitation and in cooperation with the Nomination Committee) the SSH Management Board formulates the methodology and determines the content, requirements and time periods of the public invitation for the recruitment of potential candidates. It may also determine the additional content of the application and the appendices to the application (in addition to the standardised content).

**15.2.3 Accreditation Procedure**

Article 21  
(Accreditation Procedure)

The accreditation procedure is intended for establishing whether potential candidates satisfy statutory requirements for Supervisory Board members and general accreditation criteria (the 1st evaluation phase) and for recording potential candidates who satisfy such requirements and criteria in the database for potential accredited candidates which is used by the Nomination Committee and the SSH Management Board as a general source for selecting potential candidates for the nomination procedure.

The accreditation procedure is a transitional procedure in relation to the nomination procedure and is based on the following:

- the applications submitted by potential candidates;
- regulated protocols and

- uniform application forms.

The accreditation procedure is concluded with the accreditation or with a refusal of accreditation.

The Nomination Committee may give accreditation to a potential candidate when, according to the data and documentation (supporting documents) available to the Nomination Committee in the accreditation procedure (taking into consideration the last Paragraph of Article 7 of this Asset Management Policy), the said candidate satisfies the statutory requirements for a Supervisory Board member, as well as criteria as regulated in the Rules on Supervisory Board Member Selection (the 1st evaluation phase).

Within the framework of SSH and in accordance with statutory standards regarding the protection of personal data, potential candidates which have been given the accreditation are registered in the database of potential accredited candidates for Supervisory Board members of companies with State's capital assets. SSH also keeps a list of persons whose accreditation has been refused or revoked.

When it is subsequently established that a potential candidate does not fulfil statutory requirements or general criteria for the accreditation (the 1st evaluation phase), the accreditation is revoked.

A potential candidate is informed about accreditation, the refusal of accreditation or of the revocation of the accreditation.

The applications submitted by potential candidates are verified and the relevant control of their satisfaction of requirements and criteria in the first evaluation phase is made by persons employed at SSH who hold at least a university degree (the old programme) or a Bologna process master's degree (the new programme) and at least 2 years of adequate work experience. A person who examines the submitted application must prepare a short written report on the actions performed and the proposal of a resolution by the Nomination Committee on the accreditation or on the refusal of the accreditation. When a person who has submitted an application fails to satisfy any of requirements or criteria, this is stated in the report. The report may be prepared as a collection report for several applications received in a certain period which is not more than one month. Reports are produced by filling out a relevant form. The overview of applications and the control of the satisfaction of requirements and criteria in the first evaluation phase may also be carried out by the Nomination Committee itself.

## 15.2.4 Nomination procedure

### Article 22

#### (Nomination Procedure and Complementing Nomination Procedure)

The nomination procedure is initiated when the need arises to make a proposal on or to vote about a member of the Supervisory Board of an actual company. The actual need is expressed by the SSH Management Board upon a standard form (the commissioning of the nomination procedure). On this form, the SSH Management Board defines the profile required and it may also propose to classify a potential candidate who match that profile in the candidacy procedure (special recruitment channel) and state the time period for the execution of the order which generally should not be shorter than 10 business days. The required profile is defined by the SSH Management Board by the description of the role and the expertise and experience which are necessary for the performing of the function of a Supervisory Board member of an individual company. In this case, the profile developed by the Supervisory Board of a company with State's capital assets, or by its Nomination Committee is mostly taken into account when such profile is submitted to the SSH Management Board. The SSH Management Board must strive to obtain the profile developed by the Supervisory Board of an individual company in due time, as well as to take into consideration the requirement that the Supervisory Board must have a heterogeneous (for example, age, gender, international element) and complementary composition, so that it is composed of members who are mutually complemented in terms of their professional knowledge and competences in order to obtain a Supervisory Board which, as a whole, possesses experts from the following areas: finance, corporate governance, the company's core business and other professional areas which are necessary for having an efficient Supervisory Board according to the activity, the size of operations and other characteristics of the company (for example, controlling, legal issues and HR). The profile is generally developed for each position in a supervisory board separately.

The nomination of members of a Supervisory Board is conducted in three standardised channels which match the three potential approaches:

- a regular replacement procedure, considering the course of the mandate (usual and planned replacements, a procedure which is usually initiated 3 to 6 months prior to the expiry of the mandate);
- an intervention replacement procedure, considering emergency circumstances (the procedure is a result of extraordinary circumstances such as a resignation or a death of a member of the Supervisory or Management boards, and an



- unplanned replacement of members of the Supervisory or Management boards due to incompetence, Supervisory Board member's poor work results, the loss of trust or conflict of interest of a Supervisory Board member);
- a procedure in a company with State's capital assets which is in a partial ownership of SSH and/or the Republic of Slovenia (the procedure includes companies with a partial state ownership where the rights of other shareholders must be observed; in these procedures, the Nomination Committee must particularly take into account profiles developed by a Supervisory Board of an actual company, or its Nomination Committee).

The SSH Management Board may request the nomination procedure to be complemented by commissioning to the Nomination Committee another order with a proposal of potential candidates, who mainly match the target profile, to be classified in the candidacy procedure. It must be clear from this additional order that it is an additional order and the date of the additional order must be provided.

#### Article 23

##### (Purpose of Nomination Procedure)

The purpose of the nomination procedure is to appoint a candidate who satisfies statutory requirements and criteria and who is suitable, or rather, the most suitable considering special features and needs of a company as demonstrated by the target profile of the sought-for candidates.

#### Article 24

##### (Criteria for Evaluation and Determining Suitability)

The criteria for evaluating and determining the suitability of a candidate are, in one part, criteria which refer to certain relevant circumstances and position in connection with a potential candidate that are identifiable (for example, independence, lack of potential conflict of interest, availability in terms of time); secondly, competences which are based on provable elements of the assessment (for example, relevant knowledge, understanding of rights and obligations of a member of a Supervisory Board), and

thirdly, they include soft characteristics and skills which are harder to determine and are subject to evaluation (for example, personal integrity, business ethics, reputation, efficiency in regard to communication skills and to team work) and which the Nomination Committee determines on the basis of the motivation letter, of the general knowledge of a candidate's characteristics and of competences, and by way of a structured interview. A profile for a specific vacancy in a Supervisory Board serves as one of the main criteria for evaluating and determining the suitability of a candidate. In any case, even when not explicitly defined in the invitation to apply for a vacancy or within the SSH's internal legal documents, in the nomination procedure and according to the rules of the discipline, the Nomination Committee may also assess other competences of a potential candidate which are usually assessed in such staff-related procedures (for example, capability to cooperate with others, character, motivation, values, capability of critical judgement and problem solving).

#### Article 25 (Actions in Nomination Procedure)

Nomination procedure covers:

- determining the optimum target profile for a member(s) of a Supervisory Board of an actual company;
- selecting potential candidates for the nomination procedure;
- candidates selected for the nomination procedure are invited to supplement their application in line with requirements verified in the nomination procedure;
- supplementing the application by a potential candidate and submitting a consent by the potential candidate for the nomination;
- verifying whether potential candidates satisfy stipulated requirements and, on this basis, excluding candidates failing to satisfy them;
- as a rule, implementing a structured interview with a candidate;
- evaluating and determining the suitability of a candidate and selecting a candidate in regard to the profile and other criteria;
- producing a report with an explanatory note.

#### Article 26 (Development of Profile and Selection of Potential Candidates for Nomination Procedure)

Prior to the assessment who of the potential accredited candidates for a Supervisory Board member of a company is selected for the nomination procedure, the Nomination

Committee verifies whether a profile, which has been prepared by the SSH Management Board for a certain vacancy in a Supervisory Board, has been defined in an optimum manner in regard to the guidelines for the profile definition as referred to in Article 22 of this Asset Management Policy, and in regard to other rules of the discipline. When this profile is adequate, the Nomination Committee continues the nomination procedure, however, in case the profile is not adequate or must be supplemented, the Nomination Committee communicates this fact to the SSH Management Board, together with proposals for amendments and modifications of a profile. This decision on the final profile is made by the SSH Management Board.

On the basis of the profile and reasons stated by a candidate in the motivational letter as to why a candidate desires to carry out the function of a member of a Supervisory Board, the Nomination Committee carries out a preliminary selection from among the potential candidates who have been accredited, on the basis of which it selects the potential accredited candidates for the nomination procedure (the 2nd evaluation phase). When potential candidates who have been appointed for the candidacy procedure by the SSH Management Board satisfy requirements from the first evaluation phase, they are always selected for the nomination procedure.

#### Article 26 (a)

(Decision by Nomination Committee on Selection of Accredited Candidates for Nomination Procedure)

The Nomination Committee must state grounds for its decision on the selection of previously accredited candidates for the nomination procedure.

#### Article 27

(Invitation to Supplement Application)

When an application submitted by a potential candidate in the recruitment procedure, does not contain all data and supporting documents which are necessary for determining the satisfaction of statutory and other requirements for evaluating and determining the suitability of a potential candidate in regard to the profile and other criteria, as regulated by the Rules on Supervisory Board Member Selection, a potential candidate is invited to supplement his/her application.

## Article 28

### (Interview with Potential Candidates)

As a rule, the Nomination Committee carries out a structured interview with a potential candidate.

The interview is exceptionally not carried out, particularly in the following cases:

- when, considering the SSH's voting power at a General Meeting, it is unlikely that a candidate, in whose favour SSH will vote, might be approved, or
- when not more than 6 months have passed from the last interview with a candidate and the nomination procedure refers to the same company or the company carrying out the same type of the activity and the candidate has been assessed as suitable in such a procedure, and
- in case referred to in Article 30, Paragraph 3 of this Asset Management Policy.

In the case referred to in the last indent of the previous paragraph, a member of the Nomination Committee or SSH's expert staff must verify (orally or in writing) with a candidate whether there are any potential changes in regard to the satisfaction of requirements that may change in time, such as for example: potential conflict of interest, independence, any convictions.

## Article 29

### (Exclusion, Evaluation, Determining Suitability and Selection)

The Nomination Committee verifies whether a potential candidate satisfies statutory and other requirements and criteria for a Supervisory Board member as stipulated in Rules on Supervisory Board Member Selection, and excludes all potential candidates who fail to satisfy requirements and assesses and determines the suitability of a potential candidate in regard to the satisfaction of regulated criteria, and considering the profile and, when required, also makes a selection of potential candidates on this basis (the 3rd evaluation phase). Suitable candidates are those candidates who mainly match the targeted profile and satisfy all statutory and other requirements and regulated criteria for a member of a Supervisory Board (3rd evaluation phase).

As a rule, the number of nominated candidates must be higher than proposed by SSH at the General Meeting of an individual company, but the Nomination Committee must not nominate more than three potential candidates for an individual vacant function for a Supervisory Board member.

The selection within the meaning of Paragraph 1 of this Article means that the Nomination Committee nominates only those potential candidates who satisfy all statutory and other requirements and criteria and who are, in regard to the criteria regarding expertise and experience, and considering the target profile, the most suitable (due to limitation referred to in Paragraph 2 of this Article, those candidates are selected who are the most suitable in regard to the ranking).

### Article 30 (Nomination Report and Possible Assessment )

The Nomination Committee develops a report on the nomination procedure, together with an explanatory note, and submits it to the SSH Management Board. The separate assessment of each candidate must be clear in the explanatory note, and in the case of a selection, a definition of key characteristic(s) which differentiate the most suitable candidate(s) from others must be given.

The Nomination Committee may assess candidates as suitable or unsuitable.

In a case when an unsuitable candidate satisfy a requirement or a criteria due to which he/she has initially been assessed as unsuitable for a specific Supervisory Board, upon the request by the SSH Management Board, the Nomination Committed may assess such candidate without carrying out an interview when not more than 6 months have passed from the last assessment of this candidate.

When more potential candidates are nominated, the SSH Management Board freely (while taking into consideration limitations defined in Paragraph 5 of this Article) selects candidates, specifically, so many as there are vacant posts in an individual Supervisory Board of a company with State's capital assets. In exceptional circumstances when justified by the case, the SSH Management Board may select several candidates for an individual vacant post (subsidiary linking of candidates within a voting proposal – auxiliary voting proposal).

When there are several vacant posts in a Supervisory Board which will be voted upon at the General Meeting, the SSH Management Board is bound to observe the developed profiles. This means that potential candidates, who have been nominated by the Nomination Committee for an individual vacant post of a Supervisory Board

member, must not be selected by the Management Board for another vacant post of a Supervisory Board member.

In making decision on the selection of candidates, members of SSH Management Board must take into consideration provisions of ZGD-1, ZSDH-1 and recommendations of Code of Corporate Governance for SOEs in regard to the disclosure, prevention and settlement of any potential conflict of interest.

SSH informs a candidate whether he/she has been nominated.

#### Article 31 (Voting on Candidates)

SSH may propose candidates and/or votes for candidates who have been proposed by Supervisory Boards of companies or other shareholders or stakeholders only when the candidacy procedure has been carried out in line with this Asset Management Policy, unless it is a procedure in accordance with Section 15.3 of this Chapter, or when the total proportion of shares held by SSH, the Republic of Slovenia and KAD in a company with State's capital assets is less than 5%

### **15.3 CANDIDATE SELECTION BASED ON INDEPENDENT DECISION BY SSH MANAGEMENT BOARD**

#### Article 32 (Extraordinary Candidacy Procedure)

The SSH Management Board may exceptionally, under conditions stipulated in Article 48, Paragraph 5 of ZSDH-1, and laid down in detail in this Asset Management Policy, also providing for the mandatory procedure for the conduct in such cases (extraordinary candidacy procedure), at the General Meeting of an individual company, vote for a candidate and propose to elect or appoint a candidate who has not been accredited or nominated by the Nomination Committee.

The extraordinary candidacy procedure always includes the following procedures:

- the extraordinary recruitment procedure, and
- the evaluation procedure.

### Article 33

#### (Conditions for Carrying out Extraordinary Candidacy Procedure)

The extraordinary candidacy procedure may be carried out when:

- under the reasoned assessment of the SSH Management Board, the nominated candidates are not the most suitable, or it is assessed, that more suitable candidates could be found, or
- this is justified by special circumstances of the case (for example, the (regular) candidacy procedure cannot be implemented in due time owing to the absence of members of the Nomination Committee, during the process of the sale of assets and immediately prior to the transfer of the controlling stake to a buyer).

### Article 34

#### (Extraordinary Recruitment Procedure)

The extraordinary recruitment procedure is a transitional procedure in relation to the evaluation procedure.

### Article 35

#### (Extraordinary Recruitment Channel)

The extraordinary recruitment channel is an invitation by the SSH Management Board to a potential candidate to participate in the candidacy procedure. The invitation may be oral or in writing. When the invitation is oral, an official note is made as to when, how and where the invitation has been expressed.

In any case, an official note must be developed which has to make clear whether the SSH Management Board or an authorised person has made a decision on inviting a certain person upon its own initiative or upon the initiative of another person. In this case, the initiator is stated. In case when the decision has been made upon an authorised person's own initiative, it must state how the said person knows a candidate. It is also recorded in the official note, which of the conditions for the extraordinary candidacy procedure have been invoked, and a short explanation regarding the fulfilment of the condition must be given. The reasons why that particular person has been invited into the recruitment procedure are also recorded in the official note.

In line with its decision, the SSH Management Board may invite into the candidacy procedure a potential candidate accredited by the Nomination Committee or another potential candidate when this is justified considering the circumstances.

### Article 36 (Evaluation Procedure)

A potential candidate in the extraordinary candidacy procedure must submit an application with all of the data and appendices which are required in the (regular) candidacy procedure (a standardised application).

Instead of the SSH Management Board, individual actions in the evaluation procedure may be carried out by persons employed in SSH and who have at least a university degree or who hold a Bologna process master's degree and at least 5 years of adequate work experience. Each action must be carried out by at least two such persons and a report on the implementation of actions must be written

The evaluation procedure includes:

- determining the optimum target profile for a member(s) of a Supervisory Board of an actual company;
- when required, submitting an invitation to a potential candidate to supplement the application in regard to special requirements which are verified in the evaluation procedure;
- supplementing the application by a potential candidate and submitting a consent by the potential candidate for performing the evaluation;
- verifying whether potential candidates satisfy stipulated requirements and excluding candidates failing to satisfying them;
- as a rule, carrying out a structured interview with a candidate;
- evaluating, determining the suitability and selecting candidates in regard to the stipulated target profile and other criteria;
- producing a report with an explanatory note.



The rules which apply for nomination procedure shall apply *mutatis mutandis* in regard to the evaluation procedure. In the evaluation procedure it is (again) verified whether a potential candidate satisfies statutory and other requirements for a Supervisory Board member as stipulated in Rules on Supervisory Board Member Selection. All potential candidates who fail to satisfy requirements are excluded and the suitability of a potential candidate is assessed and determined in regard to the satisfaction of regulated criteria, and considering the target profile (the 3rd evaluation phase).

The evaluation report shall also include a general positive or a general negative assessment of a potential candidate. When there are more candidates for a vacancy of a member of a Supervisory Board, the report also includes a proposal regarding their final selection. It must also be explained what makes potential candidates who are being proposed for the selection on the basis of the extraordinary candidacy procedure more suitable than potential candidates who have been nominated, when this has been the reason for the extraordinary candidacy procedure.

## **16. DISMISSAL OF SUPERVISORY BOARD MEMBER**

### Article 37

#### (Public Disclosure of Reason for Dismissal)

SSH shall propose and/or vote for an early dismissal of a Supervisory Board member at the General Meeting when there is a substantive reason for such a dismissal (for example, failing to meet business plan and failing to meet expectations referred to in the Annual Asset Management Plan due to grounds attributed to the Supervisory Board, lack of use or unjustified and unexplained significant deviations from the Corporate Governance Code for SOEs, SSH Recommendations and Expectations and other guidelines and standpoints by SSH, the owner's loss of trust); the reason is also publicly disclosed by SSH within the scope of disclosures referred to in Article 3 of this Management Policy. This Article also applies *mutatis mutandis* to founder's resolutions.

## **17. PROCEDURES FOR ACQUISITION AND DISPOSITION OF CAPITAL ASSETS**

The Chapter No. 17 of this Asset Management Policy includes the following sections and sub-sections:

- 17.1 General provisions
- 17.2 Disposition of capital assets
- 17.3 Methods of sale of capital assets

- 17.4 Communication on disposition of capital assets
- 17.5 Sale process
  - 17.5.1 Sale of majority capital assets
  - 17.5.2 Sale of minority capital assets
  - 17.5.3 Special provisions in regard to sale process of capital assets
- 17.6 Managing sale process
- 17.7 Special provisions in regard to engaging financial institutions and other advisors
- 17.8 Acquisition of capital assets
  - 17.8.1 Process for acquisition of capital assets
- 17.9 Acquisition of financial liabilities
- 17.10 Encumbrance of capital assets

## **17.1 General provisions**

### Article 38 (Content of this Chapter)

By way of this Chapter of the Asset Management Policy, SSH stipulates detailed rules regarding procedures for the acquisition and disposition of capital assets in the ownership of the Republic of Slovenia and SSH and more detailed rules regarding the sale process related to capital assets of KAD, in accordance with ZSDH-1.

This Chapter of Asset Management Policy also regulates the acquisition and disposition of financial liabilities.

The provisions of this Asset Management Policy shall not apply for the sale of shares which are traded on the regulated securities market in the Republic of Slovenia when these are transactions for the balancing of the liquidity within the scope of the SSH's Financial Management, and the transaction is carried out as a one-time or multiple-time direct order through an authorised stock exchange broker in accordance with applicable regulations. In this case the SSH Management Board, upon a proposal by a department responsible for Treasury adopts a Decision on the transfer of capital assets or its part to the SSH's portfolio of liquid assets. In accordance with the provisions of an internal SSH Rules of Procedures which regulate the investment policy of the SSH's portfolio of SSH liquid assets, and in accordance with applicable rules on securities trading, the responsible department carries out the sale process.

Article 38(a)  
(Use of language)

In procedures for the acquisition and disposition of capital assets, contracts are concluded in Slovenian. When it is about legal relations with international element, a contract must be concluded in Slovenian, and in addition, it may also be concluded in a foreign language.

In procedures for the acquisition and disposition of capital assets, the provision of the preceding paragraph of this Article shall apply only for those contracts which have direct economic effects for SSH or for the Republic of Slovenia.

## **17.2 Disposition of capital assets**

Article 39  
(General)

SSH shall dispose of capital assets in accordance with the Strategy and the SSH Annual Asset Management Plan.

SSH is not bound by any consents or restrictions in the disposition of assets unless stipulated otherwise by ZSDH-1 or the SSH Articles of Association. Provisions of the law regulating public finances shall not apply to the disposition of assets of the Republic of Slovenia which are managed by SSH.

Article 40  
(Minimum Shareholding in Individual Companies)

SSH must not dispose of capital assets in such a manner that the total shareholding of assets by SSH, the Republic of Slovenia and their related entities would fall below the minimum level, specifically:

- in regard to capital assets which are determined as strategic assets in the Asset Management Strategy, the minimum shareholding is 50% plus one vote;
- in regard to shares which are determined as important assets in the Asset Management Strategy, the minimum shareholding is 25% plus one vote.

SSH may freely dispose of portfolio assets.

Shareholdings which do not attain the minimum stock holding in accordance with Paragraph 1 of this Article must not be encumbered with a lien or any other rights in rem, neither can any agreements or transaction be made, which may result in the obligation to dispose of these shareholdings or equitable interest by third parties on these shareholdings-

Minimum shareholdings laid down in this Article are calculated as a ratio between shares and voting rights of the Republic of Slovenia, SSH and of their related persons, and total shares with voting rights in a company in which the Republic of Slovenia, SSH and their related persons hold a shareholding in accordance with the act regulating companies and the legal documents of individual companies, When an agency whose operation is stipulated by the law regulating the financial instruments market, deprives RS and SSH of voting rights, this does not influence the minimum shareholdings stipulated in this Article. The register on shareholdings in assets held by SSH and the Republic of Slovenia is kept by the SSH's internal organisational unit responsible for financial asset management.

#### Article 41 (Consent by Supervisory Board)

The SSH Management Board is obliged to obtain a prior consent from the SSH Supervisory Board for:

- the disposition and acquisition of capital assets for SSH and the Republic of Slovenia which exceeds Euro 5 (five) million of the audited book-keeping value in regard to the issuer's book which is determined on the basis of the ownership stake held by SSH and/or RS in the company's share capital. The term of "audited book value" refers to the last audited value of equity of a particular company; and
- the conclusion of contracts on advisory services such as contracts for services rendered by legal and financial advisors, for the due diligence of and valuation of a company in processes for the disposition of capital assets when the estimated contractual value for advisory services exceeds the amount stipulated in each applicable SSH Articles of Association, and for which a consent by the SSH Supervisory Board is required

The agreement on acquiring and disposing of assets referred to in the preceding Article may be concluded under conditions precedent, i.e., that the consent by the SSH Supervisory Board is provided to essential elements of a contract.

Article 42  
(Goals of Disposition)

The primary goal for the disposition of capital assets is the attainment of the maximum proceeds of the sale, and in case of swaps, the attainment of the value in accordance with Article 44, Paragraph 2 of this Asset Management Policy.

In regard to the sale of important and strategic assets, strategic and important goals for the management of individual asset, as laid down in the legal documents regarding asset management, must be taken into account. Within the scope of rules of the European law on state aid, the following goals are also observed as goals for the disposition of assets: attaining macroeconomic goals of the State, particularly attaining permanent and stable economic growth, improving the quality and capacity of public services, and ensuring more successful and competitive economic system in the State, further existence and development of companies, new investment opportunities, entering new markets and preserving and increasing posts in domestic economy.

Detailed goals in regard to the disposition of individual capital assets are stipulated in broad terms in the State Assets Management Strategy and defined in actual terms in Annual Assets Management Plan.

Article 43  
(Disposition of Capital Assets of KAD)

In the case of the sale process of capital assets held by SSH or the Republic of Slovenia, this procedure is integrated with the process of the sale of capital assets held by KAD in the same company. The process, on behalf and for the account of KAD, is managed by SSH at its own discretion and with the diligence of a prudent and fair businessman (in Slovenian: "*vesten in pošten gospodarstvenik*").

Relationships between SSH and KAD in regard to the management of an individual sale process referred to in the preceding paragraph shall be regulated by a special contract by and between SSH and KAD. The basic principles and basic premises of this Asset Management Policy apply in this process.

Article 44  
(Capital Assets Disposition Methods)

SSH may dispose of capital assets against the payment except in a case stipulated in Article 61 of this Asset Management Policy.

A swap shall mean a legal transaction against payment on the basis of which shares or shareholdings in the ownership of SSH and the Republic of Slovenia are swapped for shares or shareholdings in the ownership of other legal or natural persons. The swap legal transactions may be concluded by SSH only under condition that the value of assets is not decreased in this manner and that the quality of assets is improved (for example, when a portfolio asset is swapped for a strategic asset). The swap legal transactions are generally concluded for capital assets for which it is not possible to obtain monetary payment equivalent in the value, and/or the asset management costs are reduced as a result of such transactions. A swap agreement shall be concluded as a direct agreement.

Provisions of this Asset Management Policy which refer to the sale or acquisition of capital assets apply *mutatis mutandis* for the swap legal transactions.

The provisions of this Asset Management Policy shall also apply *mutatis mutandis* to procedures for the enforcement of put options when it is determined that, while considering the sale costs, no higher price would be attained in the market. These are cases when SSH and/or RS act as the beneficiary of an option and the legal transaction arises on the basis of the unilaterally defined entitlement on the part of SSH and/or RS, and procedures regarding concluding and establishing put options where SSH and/or RS act as the grantor of an option and the legal transaction arises on the basis of a unilateral expression of will of the counterpart contracting party, whereby SSH and/or RS has been the owner of shares and shareholding in individual companies prior to the conclusion of agreements on the establishment of put option entitlements.

The provisions of this Asset Management Policy apply *mutatis mutandis* to the sale of blocks of shares as defined by the rules of the regulated financial securities market in accordance with methods of sale referred to in Article 45, Paragraph 1 of this Asset Management Policy.

Article 44(a)  
(Decrease in Stake due to Capital Increase)

When feasible under circumstances and when in the interest of SSH and/or RS (particularly in the case of seeking for an investor who is to acquire a greater, controlling stake and the majority shareholding in a company in which SSH and RS, individually or together, hold a majority shareholding), the process for the capital increase of a company is run by SSH in collaboration with a company with State's capital assets which is subject to capital increase. In such case, the provisions of this Asset Management Policy on the process for the sale of capital assets apply *mutatis mutandis* to the process for the capital increase in a company. When the process for the capital increase in a company is run by a company with State's capital assets, SSH strives to be included by such company in the process to the greatest possible extent (by being informed on the progress of the process and by coordinating certain significant aspects of the process with SSH), considering the circumstances.

In the case of an increase in share capital by contributions which is planned by the Management Board or the management of a company in which RS and/or SSH hold strategic or important assets, SSH must strive for and do everything necessary for the ownership stake held by RS and/or SSH not to be decreased under the minimum shareholding as stipulated by ZSDH-1 for an individual type of assets.

### **17.3 Methods of sale of capital assets**

Article 45  
(Methods of Sale)

Capital assets must be sold on the basis of one of these methods or their combinations:

- public offering is implemented as a public invitation addressed to an indefinite or identifiable circle of persons to purchase shares upon terms and conditions published in advance and which includes all material elements of a contract, or
- a public auction which is implemented as a public sale under terms and conditions of sale published in advance whereby the purchase agreement is concluded with a bidder who fulfils the conditions and offers the highest price above the call price, an

- competitive tendering which is implemented as an invitation addressed to an indefinite or identifiable circle of persons to submit an offer to purchase certain assets under the published conditions, or
- the offering of securities to the public in accordance with the law governing the financial instruments market.

In case of competitive tendering, negotiations may be performed to improve financial conditions of sale, in accordance with published conditions.

Capital assets may be sold or swapped on the basis of a direct contract:

- when a financial advisor has been selected for the sale of a capital asset, in accordance with international practice;
- in case of a capital asset swap when the total value of assets is thus not decreased, or the quality of asset is improved or when a portfolio asset is swapped for a strategic asset;
- when debt security or share is traded on a regulated or open market in accordance with the law regulating the financial instruments market, the trading rules of this market, except for the sale of block of shares as defined by the rules of the regulated financial instruments market which must be carried out according to the one of public methods referred to in Paragraph 1 of this Article;
- when public offer which is submitted in accordance with the law governing take-overs is accepted;
- in case of the sale on the basis of a put option, when it is determined that, while considering sale costs, a higher price would not be attained;
- in the sale of assets held by RS to companies which are in 100% direct ownership of RS when it is assessed that effects for RS will be maximised by such sale;
- in the exercise of the pre-emption right of a beneficiary of capital asset after one of the methods referred to in Paragraph 1 of this Article has been implemented.

#### **17.4 Communication on Disposition of Capital Assets**

Article 46  
(Information of Public)



Public offering and competitive tendering shall be published in a daily newspaper which is issued in the territory of the entire Republic of Slovenia, on the SSH website and in foreign public media in accordance with the guidelines of the European Commission when this is proposed by the Group for Managing the Process or this is decided by the SSH Management Board.

Persons who are presumed to potentially express interest for the purchase of capital assets may also be informed directly.

Only announcements on important contracts concluded in regard to the acquisition and disposition of capital assets are generally published on SSH's public web site and on the web site of the Ljubljana Stock Exchange (SEOnet), in line with ZTFI in regard to regulated information and internal Reporting Instructions.

Data from the contracts concluded for advisory and other copyright or intellectual services are published within the process for the acquisition and disposition of capital assets, in line with the provisions of ZDIJZ

#### Article 47 (Information on Changes of Significant Shareholdings)

When SSH, in the capacity of a shareholder or of a manager of State's capital assets, individually or collectively, achieves or exceeds 5-, 10-, 15-, 20-, 25- percentage, 1/3, 50 or 75 percentage share of all voting rights in a public company, or if SSH's shareholding or the RS's shareholding managed by SSH or by them together decreases under an individual threshold of significant shareholding, in accordance with ZTFI and the Decision on Information on Significant Shareholdings (Official Gazette RS, No. 206/2007, et seq.) and internal Reporting Instructions, SSH is obliged to simultaneously inform (using P-DEL form) the issuer of the security and the Securities Market Agency (hereinafter referred to as: "ATVP"), specifically, as soon as possible, but not later than on the fourth trading day after SSH has found out for the acquisition or disposition of shares, or for the possibility to exercise voting rights, or when SSH might have found out about that, regardless of the fact of when the legal effects arising from the acquisition or the disposition of shares or the possibilities for the exercise of the voting rights have arisen.

In regard to reporting in accordance with the preceding paragraph of this Article, SSH shall separately present changes of the significant shareholding for SSH and for shareholding of the State and managed by SSH.

The moment of the acquisition or disposition of shares is deemed to be the date of concluding the contract on the basis of which SSH has acquired or disposed of shares or share options on the basis of which any of the thresholds of significant shareholding has been attained, exceeded or decreased below the individual threshold. When a legally valid rescission of the contract is reached, SSH is obliged to inform the issuer and the Securities Market Agency about this fact within the same period of time and in the same manner as referred to in Paragraph 1 of this Article.

The obligation referred to in Paragraph 1 of this Article arises in changes regarding the significant shareholding which result from one of the following facts:

- on the basis of legal transaction for the disposition of shares or on the basis of other legal transactions which result in the change of the proportion of voting rights, and
- on the basis of corporate actions by the public company or on the basis of other legal facts referred to in Article 126 of ZTFI.

#### Article 48 (Notification of Employees and Employee Representatives)

As a rule, within the period of not more than 10 business days prior to the public publication of an Invitation for Expression of Interest (or prior to any other equivalent action of the same content), SSH informs the management of a company whose shares and shareholdings are subject to the sale in the amount of at least 10% of the intended sale, and the said management is then obliged to accordingly inform employees and the Employee Council of the said fact.

Upon the disposition and acquisition of capital assets (that is, upon the signing of agreements on disposition or acquisition), the SSH Management Board shall inform the management of a company whose capital assets are subject to the disposition or acquisition that the Purchase and Sale Agreement has been executed, specifically, for the management to provide for timely information to employees and representatives of the Employee Council, in accordance with ZSDH-1.

Article 49  
(Other Internal Information on Disposition of Capital Assets)

A manager of an individual financial asset is obliged to inform the internal organisation unit of SSH responsible for treasury on the envisaged monetary transfers arising from the procedures regarding the disposition of capital assets.

**17.5 Sale process**

Article 50  
(General)

SSH shall determine the process for sale of capital assets by primarily taking into account the goals defined in provision of Article 42 of this Asset Management Policy

The processes for sale of capital assets differ in regard to the capital assets held in a company by SSH, the Republic of Slovenia and KAD, and in regard to the value of an individual capital asset as defined in Article 51 of this Asset Management Policy.

When capital assets are owned by several legal and/or natural persons, the joint sale process may be implemented in order to attain better results in the disposition of capital assets (hereinafter referred to as: the “Joint Sale”). In such case, the sale process must not be contrary to basic principles and premises of this Asset Management Policy.

**17.5.1 Sale of Majority Capital Assets**

Article 51  
(Term of Majority Capital Assets)

The term “majority capital assets” refers to capital assets in regard to which the number of shares held by SSH and/or the Republic of Slovenia and/or KAD, which are subject to a disposition, exceeds a 50% shareholding in the share capital of a company, or 50% of the voting rights in this company.

In the case of a Joint Sale, the majority capital assets are also deemed to be that capital assets where the share of voting rights attributable to SSH and/or the Republic of Slovenia and/or KAD, which are subject to a disposition, does not individually exceed 50 % while simultaneously together with shareholdings of other sellers represents more than a 50% shareholding in the share capital of a company, or more

than 50% of the voting rights in this company, and, simultaneously, the value of capital assets held by SSH and/or the Republic of Slovenia, which are subject to the sale, exceeds EUR 5 million.

The process of sale of minority capital assets follows the procedure as applied to the sale of majority capital assets when capital assets held by SSH and/or the Republic of Slovenia and/or KAD, which are subject to a disposition, independently or collectively with other sellers, represent at least a 25% shareholding in the share capital of the company, or at least 25% of the voting rights in this company, and, simultaneously, the value of capital assets held by SSH and/or the Republic of Slovenia and/or KAD, which are subject to the disposition, exceeds EUR 20 million.

The value of capital assets held by SSH and/or the Republic of Slovenia and/or KAD as referred to in Paragraphs 2 and 3 of this Article represents:

- in regard to non-marketable capital assets, the book value of these assets which has been determined on the basis of the shareholdings, which are subject to a disposition, and are held by SSH and/or the Republic of Slovenia and/or KAD in the share capital of the company and audited or non-audited (if audited is not available) book value of the company's equity as of the last day of the year prior to the commencement of the sale process (i.e., 31 December). and
- in regard to marketable capital assets, the market value of capital assets as determined with the average closing price per share in the final quarter calculated from the last day of the month prior to the commencement of the sale process.

In cases referred to in Paragraphs 2 and 3 of this Article, the management of the sale process under the criteria applying to the sale of the majority capital assets shall be subject to consent of the sellers who, jointly, together with SSH, manage the process of the sale of the capital assets as arising from this Asset Management Policy.

#### Article 52 (Actions in Sale Process)

The process for the sale of majority capital assets is composed of preparatory (preliminary) actions which may be:

- the obtaining of the necessary consents by SSH bodies and other institutions in accordance with the law and SSH Articles of Associations;

- the conclusion of an agreement with sellers with whom SSH manages the process for the sale of capital assets;
- the conclusion of an agreement between SSH (and other sellers in cases of the Joint Sale) and the company in which the capital assets are being sold;
- the procedure for the selection advisors (financial, legal advisors and similar);
- the implementation of due diligence of a company in which capital assets are being sold;
- the implementation of a valuation by an independent external accredited appraiser in business valuations;
- market research and determination of a long list of investors;
- development of a capital asset disposition strategy (while taking into account the method stipulated in Article 46);
- development of Non-Disclosure Agreement (“NDA”);
- development of a Teaser (a document submitted to potential investors);
- development of other documentation related to the sale.

Activities of the sale process may be:

- collection of expressions of interest;
- after the signing of the NDA by the interested parties, the submission of the Information Memorandum, together with the first Process Letter;
- a presentation of the company in which capital assets are being sold on the part of its management;
- the opening of the virtual data room (“VDR”) in which detailed business, legal and financial information of the company are kept;
- development of the draft of the capital asset disposal agreement;
- development of counter-offers, development of answers to proposals, development of negotiation premises;
- collection and evaluation of non-binding and binding offers;
- negotiations with potential investors and harmonisation of a Purchase and Sale Agreement;
- execution of the contract and realisation of contractual provisions (payment of the purchase price, transfer of shares, etc.).

#### Article 53 (Due Diligence)

As a rule, due diligence shall be carried out in the case of the sale of majority capital assets.

Due diligence is the investigation of economic, financial, legal and/or technical situation in a company in which capital assets held by SSH and/or the Republic of Slovenia and/or KAD are being sold, in accordance with the rules of the discipline.

Due diligence is generally carried out by an external expert institution upon the order of the seller, or sellers in case of the Joint Sale.

In the case of the sale process by way of initial public offering, a due diligence is not carried out since all significant information on a company are disclosed in detail in an IPO Prospectus which is approved by the Securities Market Agency. In case of further stock exchange sale of remaining shares of a company for which an IPO has been implemented, a repeated due diligence shall not be carried out.

When a company does not permit the implementation of due diligence and fails to carry it out by itself, SSH may, for the purpose of making business decisions in the sale process, use public and other available information on capital assets on sale. SSH acts in the same manner also when other sellers, in case of the Joint Sale, fail to agree on the implementation of due diligence.

#### Article 54 (Valuation)

The valuation within the sale process of majority capital assets is carried out by an independent external accredited appraiser in business valuations who either holds a licence issued by the Slovene Institute of Auditors or a licence by the American Society of Appraisers or any other relevant licence recognised by the EU and which ensures that the valuation will be carried out under International Valuation Standards (IVS).

The process for the selection of the external accredited appraiser in business valuations is managed by the organisational unit of SSH responsible for financial management.

The valuation date regarding the value of capital assets should not be more than 12 months, in regard to the date of the conclusion of a Purchase and Sale Agreement.

When the valuation date regarding the value of capital assets is more than 2 months but not more than 24 months, the internal valuation of capital assets may be performed. When significant deviations in the operation of a company being appraised

are determined, and, consequently, the internal valuation significantly deviates from the last valuation by external authorised appraiser, a new independent external valuation by an authorised appraiser of company's value is commissioned. When an original valuation has been negative and it is determined that the operations has not significantly improved or it has deteriorated and as a result, the internal valuation remains negative, a new independent external valuation by an authorised appraiser of company's value is not required.

## **17.5.2 Sale of minority capital assets**

### Article 55 (Term of Minority Capital Assets)

The minority capital assets are those assets in which the shareholding or the number of shares in the ownership of SSH and/or the Republic of Slovenia and/or KAD, which form the subject of the capital assets disposal, do not exceed a 50% shareholding in the share capital of the company, or do not exceed 50% of voting rights in this company, and capital assets which fail to meet conditions referred to in Article 51, Paragraphs 2 and 3, in connection with Paragraph 5 of this Asset Management Policy.

### Article 56 (Phases of Procedure)

The process for the sale of minority capital assets is composed of preparatory (preliminary) actions which may be:

Activities of the sale process are mainly:

- obtaining necessary consents by the SSH bodies;
- collecting offers under the selected method of sale;
- reviewing offers and their assessment;
- negotiating with potential buyers of capital assets;
- harmonising an agreement;
- executing a contract and realising contractual provisions (payment of the purchase price, transfer of shares, etc.).

### Article 57 (Valuation)

The internal valuation of the value of capital assets, in accordance with SSH rules on instructions regarding internal valuation of capital assets, is carried out by the organisational unit of SSH responsible for financial management, when, according to the last audited balance sheet of a company, the last book-value of capital assets held by SSH and/or RS and/or KAD does not exceed EUR 4 million. In this case the audited book-value refers to the value of shareholdings held by SSH and/or RS and/or KAD in the share capital of a company which is subject to a disposition in regard to the last audited value of equity of this company.

The appraisal by an independent external accredited appraiser is carried out in all cases except in a case referred to in the preceding paragraph. An independent external accredited appraiser in business valuations either holds a licence issued by the Slovene Institute of Auditors or a licence by the American Society of Appraisers or any other relevant licence recognised by the EU and which ensures that the valuation will be carried out under International Valuation Standards (IVS),

When a company in which capital assets are being sold does not submit any data needed for the implementation of the valuation, then public and other available information on the capital assets being sold may be used in the sale process to implement the valuation.

The valuation date regarding the value of capital assets should not be more than 12 months, in regard to the date of the conclusion of a Purchase and Sale Agreement.

When the valuation date regarding the value of capital assets which has been produced by an external authorised appraiser is more than 12 months but not more than 24 months, the provisions of the last paragraph of Article 54 of this Asset Management Policy shall apply *mutatis mutandis*.

### **17.5.3 Special Provisions in Regard to Sale Process of Capital Assets**

#### Article 58 (Sale Below the Minimum Appraised Value)

Capital assets must not be sold below the minimum appraised value determined in the capital assets valuation report which is made either by an authorised appraiser of



companies or the internal organisational unit of SSH responsible for financial management.

Irrespective of the preceding paragraph, in a case when in sale process capital assets cannot be sold at a minimum appraised value referred to in the preceding paragraph, in the continuation of sale activities, the capital asset may be sold below the minimum appraised value determined in the valuation report for substantive reasons (for example, the position of capital assets in the market, a threat of bankruptcy, requirements arising from the fulfilment of statutory obligations of a company of which capital assets are being sold, etc.). The proposal for the above mentioned discount and its amount may be given by a Capital Asset Manager of the Group for Managing the Process, however, the amount of the discount shall always be decided upon by the SSH Management Board.

Article 59  
(Published Invitations Result in No Offers)

In case of a sale of capital assets when SSH in the period of nine months publishes a public invitation to submit and offer for certain capital assets twice and no offer is submitted to any of the published invitations, only those provisions or Sections of this Asset Management Policy shall apply which refer to the implementation of the valuation, to the proposal for the sale and to the conclusion of the sale agreement, unless decided otherwise by the SSH Management Board.

In the case referred to in the preceding Paragraph, in a period of not more than three months from the expiry of a deadline to submit an offer as it derives from the last of the published invitations, a direct contract may be concluded in accordance with Article 45, Paragraph 3 of this Asset Management Policy.

Article 60  
(Sale Process for the Smallest Capital Assets)

The sale of the smallest capital assets held by SSH and the Republic of Slovenia is conducted either on the basis of a direct contract in line with Article 45, Paragraph 3, indent 3 or on the basis of one of methods referred to in Article 45, Paragraph 1 of this Asset Management Policy.

The smallest capital assets held by SSH and the Republic of Slovenia shall be deemed to be:

- shares which are traded on a regulated securities market with the total value of the shareholding held by SSH and/or the Republic of Slovenia not exceeding EUR 25,000;
- shares or shareholdings which are not traded on the regulated securities market with a value not exceeding EUR 25,000.

The value of capital assets as it arises in Paragraph 2 of this Article shall be determined pursuant to Article 51, Paragraph 4 of this Asset Management Policy.

The internal organisational unit of SSH responsible for treasury shall carry out an internal valuation of the value of the smallest capital assets under indent 2 of Paragraph 2 of this Article, in accordance with the SSH Instructions regarding internal valuation of capital assets and the best professional practice.

The proposal for the sale of the smallest capital assets must be approved by the SSH Management Board and it is developed by the Group for Managing the Process in line with Article 63 of this Asset Management Policy, upon the proposal of a capital asset manager.

#### Article 61 (Free of Charge Sale)

Capital assets held by the Republic of Slovenia and/or SSH may exceptionally be sold free of charge in a case when its value is assessed as being below or equal to zero. A proposal which is developed by a Capital Asset Manager includes an assessment of direct and indirect benefits of a free of charge disposition of capital assets.

#### Article 61a (Entry of New Offeror in Process)

When, during any phase of the process for the sale of capital assets, SSH receives a serious expression of interest by any new potential offeror to enter the sale process, and/or such an offer, as a rule, the entry of a new potential offeror shall be allowed and the offer shall be taken into consideration when equal treatment of all potential offerors can be allowed.

SSH treats an offeror as a serious offeror when such offeror submits with his offer additional supporting documents which comply with the phase of the sale process (for

example, letters by banks during the phase of non-binding offers, bank guarantees during the phase of binding offers).

## **17.6 Managing Process for Sale of Capital Assets**

### Article 62 (Group for Managing Process)

The process for the sale of capital assets shall be managed and coordinated by the Group for Managing Process for the sale of capital assets (hereinafter referred to as: the “Group for Managing Sale Process”) which is composed of at least one employee from the department responsible for the sale of capital assets, and, as a rule, one employee from an internal organisational unit responsible for legal affairs. The number of members in the Group for Managing Sale Process shall be subject to the complexity of the sale process and the value of assets on sale. When required, the members of the Management Board are also appointed to the Group for Managing Sale Process. In extraordinary cases when the Group for Managing Sale Process has not been appointed, the tasks in relation to the sale process shall be carried out by a Capital Asset Manager.

In case of the Joint Sale, in addition to SSH employees, the Group for Managing Sale Process shall also be composed of representatives of other holders of capital assets.

Members of the Group for Managing Sale Process shall be appointed by the SSH Management Board by way of a resolution.

### Article 63 (Duties of the Group for Managing Sale Process)

In relation to the process of the sale of capital assets, the Group for Managing Sale Process shall be generally expected to carry out the following duties:

- manage and coordinate the process for sale of an individual capital asset,
- manage and supervise the work carried out by service providers and advisors,
- manage and supervise the preparations for due diligence and valuation of capital assets when in the case of the Joint Sale, it is commissioned by sellers together with SSH,
- provide an opinion on engaging an external advisor,
- formulate a proposal of a list for the selection of advisors,

- prepare the draft of the text of the invitation for public invitation to offer, the draft of the text for the invitation for a public auction,
- in case of the sale process with competitive tendering, prepare a proposal for the implementation of a one-phase or two-phase tendering procedure,
- participate in negotiations with selected offerors or buyers,
- prepare a draft of a contract for the sale of capital assets,
- prepare, review and approve all other proposals of documents in relation to the sale process.

When an advisor is authorised by SSH for the management of the sale process in accordance with Section 17.7 of this Asset Management Policy, the implementation of individual duties referred to in the preceding paragraph are transferred to the said advisor. The Group for Managing Sale Process must supervise the course of the process in a case of advisor assisted process management and take a stand to the proposals by the advisor for the implementation of individual significant actions.

Every member of the Group shall be obliged to examine and take a stand in regard to all documents related to the process for the sale of capital assets.

#### Article 64 (Sale Process Folder)

A Capital Asset Manager, together with other members of the Group for Managing Sale Process, shall document the management of the process for the sale of capital assets in a sale process folder.

The content of the sale process folder shall be determined by the SSH internal rules which regulate the documentation of business events related to the sale of capital assets and the content of the sale process folder.

#### Article 65 (Sale Activities Report)

The Group for Managing Sale Process shall regularly inform the head of the department responsible for the sale of capital assets on sale activities, and it shall prepare a report on sale activities for the SSH Management Board at least once a month.

The Group for Managing Sale Process shall promptly inform a member of the SSH Management Board responsible for the sale of capital assets on open issues, unless the said person has already been included in the Group for Managing Sale Process.

Article 66  
(Role of SSH Management Board)

In relation to the process for the sale of capital assets, the SSH Management Board shall approve more significant sale related documents and/or actions, upon the proposal of the Group for Managing Sale Process, and in particular as follows:

- the text of the agreement among the sellers with whom SSH manages the Joint Sale of capital assets;
- the text of the agreement between SSH (and other sellers in case of the Joint Sale) and a company in which capital assets are being sold;
- proposal for performing a direct sale of capital assets;
- the content of the public invitation to tender;
- the text of the invitation to the public auction;
- the invitation for the submission of offers by advisors in the sale processes, together with a list of recipients of the invitation;
- the text of Non-Disclosure Agreements (“NDA”);
- the text of a Process Letter;
- the text of a counter-offer;
- a proposal of an answer to offerors, the acceptance or the refusal of the offer;
- the text of the letter accepting the takeover offer;
- the text of a Purchase and Sale Agreement;
- the proposal for the sale or purchase of capital assets, and
- other more significant documents in the sale process and the proposal for the implementation of other significant activities to be pursued during the sale process.

Article 67  
(Conflict of interests)

In connection with conflict of interest, upon their appointment into the Group for Managing Sale Process, the members of the Group for Managing Sale Process shall be obliged to act in accordance with Chapter 6, Section 2 of ZSDH-1.

Article 68  
(Trade Secret)

In regard to the data about the course of the sale process and data on a company which is subject to sale, the members of the Group for Managing Sale Process shall be obliged to act in accordance with the law and SSH's internal regulations, and particularly in accordance with Article 56 of ZSDH-1, Articles 39 and 40 of ZGD-1 and SSH Rules on Protection of Trade Secret.

Article 69  
(Insider Information)

In regard to confidential data which have the characteristic of insider information, the provisions of ZTFI, of the implementing regulations and of the SSH internal rules regulating the protection of insider information, shall apply.

Article 70  
(Proposal for the Sale of Capital Assets)

A Capital Asset Manager, in cooperation with other members of the Group for Managing Sale Process, shall develop a proposal for the sale of capital assets which shall be submitted to the SSH Management Board for its approval.

The proposal for the sale of assets shall be generally developed after all significant elements of the Purchase and Sale Agreement are known.

The proposal for the sale of assets must include all elements as determined in the SSH internal rules regulating documents of business events related to the sale of capital assets and the content of the sale process folder, and in particular the following:

- the description of the sale process;
- performance results of the company whose capital assets are being sold;
- the ownership structure of the company whose capital assets are being sold;
- a summary of the valuation of capital assets stating the minimum and the maximum appraised value of capital assets;
- a review of offers;
- estimated costs of the sale process;

- information on the implementation of due diligence of a company in which capital assets are being sold;
- significant elements of the Sale and Purchase Agreement when, during the discussion of a proposal, these are known;
- the justification of the proposal for the sale.

In accordance with Article 41, the SSH Supervisory Board shall provide its consent on the basis of the Proposal for Sale.

Article 71  
(Conclusion of Sale and Purchase Agreement)

A Sale and Purchase Agreement, a contract on other disposition of capital assets or purchase or on any other acquisition of capital assets shall be concluded by the SSH Management Board.

Article 72  
(Obligation to Observe Non-Financial Commitments in Sale Processes)

SSH will strive to include in a Sale and Purchase Agreements on the sale of State's Capital Asset those non-financial commitments which are admissible from the aspect of rules on state aid and suitable in light of the circumstances of a case and in light of capital assets which are subject to sale.

SSH will strive to also include in a Sale and Purchase Agreements a provision that once a year, a buyer informs SSH in writing on the satisfaction of non-financial commitments agreed in a Sale and Purchase Agreement. The first reporting by a buyer shall be due not later than one year after the completion of a transaction.

The above mentioned provisions shall not apply to the sale of the smallest capital assets as defined in Article 60 of this Asset Management Policy.

Article 73  
(Obligation to Apply Anti-Corruption Clause)

In all contracts related to the acquisition and disposition of capital assets which are concluded with other contracting parties, while taking into consideration the individual case, SSH must include as a mandatory element the anti-corruption clause which has at least the content referred to in Article 73, Paragraph 1 of ZSDH-1.

Article 74  
(Identifying Ownership of Buyers)

In the process for the sale of capital assets, applying the diligence and prudence of a fair businessman and considering special characteristics of an individual sale process, SSH will strive to identify the ownership structure of a buyer.

In the processes for the sale of majority capital assets, in Process Letters, SSH will request from potential investors to present, among other matters, their ownership structure as an essential element of their offer, and in case of a dispersed ownership structure, to submit relevant documentation on the basis of which it will be possible to identify all those owners of a buyer whose direct or indirect stake in the potential new owner of assets exceeds 10%.

Article 75  
(Administrator of Agreements)

In regard to the administration of Sale and Purchase Agreements, the internal rules apply that regulate the appointment of administrators and the performance of administration over contracts.

Article 76  
(Process Termination)

The process of the sale of capital assets is terminated:

- with a transfer of capital assets, which are the subject of an individual legal transaction, to a buyer;
- when, on the basis of a reasoned proposal, the SSH Management adopts a decision that the process of the sale of capital assets shall be halted, without executing the sale, or
- for other reasons in accordance with regulations:

**17.7 Special Provisions in regard to Engaging Financial Institutions and Other Advisors**

Article 77  
(Reasons for Engaging Advisors)



In the processes for the disposition and acquisition of capital assets, SSH may engage a financial institution, a lawyer, an appraiser and other experts in individual areas of expertise (hereinafter referred to as: the "External Advisor") in the following cases:

- 1 when it is about the disposition or acquisition of capital assets with the scope and complexity which exceeds the capacity of the SSH's staff and the engagement of the External Advisor is necessary for the good quality of the implementation of a transaction and such practice is common on the market;
- 2 when it is about the performance of due diligence, valuation, restructuring of a company and similar activities for which specialist knowledge are required which cannot be provided for by SSH and its own employees;
- 3 in a case when legal opinions are to be obtained for the processes of disposition or acquisition of capital assets for which highly specialised expert knowledge is required which cannot be ensured from within SSH.

In making a decision on engaging the External Expert, SSH must pursue the principle of transparency and economic efficiency.

Prior to engaging a foreign expert, SSH must clearly define measurable goals, tasks and expectations in connection with specific advisory services and time periods within which the External Expert must render the agreed-upon advisory services.

#### Article 78 (Procedure for Selection of Advisors)

A proposal to initiate the procedure for the selection of an advisor to the SSH Management Board shall be submitted by the group responsible for carrying out certain transaction (hereinafter referred to as: the "Group for Carrying out Transaction") or the head of the internal organisational unit (hereinafter referred to as: the "Head") which is responsible for carrying out the transaction. A proposal must include as follows:

- a proposal of the invitation to submit offers;
- a list of recipients of the invitation, and
- a proposal regarding the criteria for the process of selection of advisor.

The Group for Carrying out Transaction or the Head shall formulate a proposal with a list of recipients of the invitation so that they are comparable by experience which are required for rendering advisory services.

The proposal of the invitation to submit offers in which the scope of work to be performed is defined in detail, considering an individual case, shall particularly include as follows:

- the clause on the prohibition of the existence of the conflict of interest in accordance with the law regulating integrity and prevention of corruption,
- criteria on the basis of which the selection of the best offeror will be made (such as for example, the consultancy hourly rate, the total price for services offered, the planned total number of hours for rendering the service, the experience and the composition of advisory team),
- time periods for rendering advisory services.

The Group for Carrying out Transaction or the Head submits the description of offers submitted, together with minutes in which the evaluation of an individual offer is provided, to the SSH Management Board which shall make a final decision on the selection of an advisor by way of a resolution.

SSH shall conclude a contract with an advisor in which the tasks of an advisor and his/her payment shall be determined in detail.

In cases when it is so stipulated by the SSH Articles of Association, prior to executing the contract with a selected advisor, the SSH Management Board shall obtain the consent by the SSH Supervisory Board.

Article 79  
(Publication of Essential Elements of Advisory Agreement)

Not later than in 5 days following the execution of the agreement, SSH shall publish essential elements of an advisory agreement executed with an advisor on its web site.

## **17.8 Acquisition of Capital Assets**

Article 80  
(Method of Acquisition)

The acquisition of capital asset owned by SSH and/or RS shall be carried out against payment and free of charge.

SSH is obliged to carry out the process for the acquisition of capital assets when such acquisition of capital assets is envisaged by the Assets Management Strategy and by the Annual Asset Management Plan and SSH has the necessary financial funds for the acquisition or these have been allocated in the State's budget.

SSH may carry out the process for the acquisition of capital assets also in case when the acquisition has initially not been envisaged by the Assets Management Strategy and SSH considers the acquisition of certain capital assets owned by SSH and/or RS to be reasonable and in the interest of SSH or RS, taking into account the principle of prudent and fair businessman, and SSH has the necessary financial fund for the acquisition or these are on disposal in the State's budget. In this case, SSH carries out the process for the acquisition of capital assets on the basis of Annual Asset Management Plan.

A written initiative for the acquisition of certain capital assets owned by RS may also be submitted by RS or the Ministry of Finance, however, SSH is not bound by such an initiative.

#### Article 81

SSH may acquire capital assets on its own behalf and on behalf and for the account of RS by establishing, acquiring or recapitalising companies.

#### **17.8.1 Process for Acquisition of Capital Assets**

#### Article 82

The launch of the process for the acquisition of capital assets starts when the acquisition and the method of acquisition of certain capital assets owned by SSH or by RS are envisaged in the Annual Asset Management Plan in a year for which the acquisition is planned by the Assets Management Strategy or in a year in which the acquisition has been assessed by SSH as being reasonable.

Prior to the launch of the process for the acquisition of capital assets owned by RS, the Ministry of Finance must first confirm in writing that sufficient financial funds are available in the budget for the acquisition of capital assets or that these will be made available to SSH not later than by the moment of the completion of the transaction.

Article 83  
(Reasonable Application of Provisions)

Provisions of this Asset Management Policy which refer to the disposition, the running of the process for the sale of capital assets, the carrying out of valuation, a proposal for the sale and the execution of the Sale and Purchase Agreement shall apply *mutatis mutandis* for the acquisition of capital assets.

When SSH acquires assets on behalf and for the account of RS, the provisions of this Section of the Asset Management Policy shall apply to the acquisition.

Article 84  
(Due Diligence)

Due diligence of a company, in which SSH is acquiring capital assets against the payment, is generally carried out prior to the acquisition of capital assets.

Due diligence is the investigation of the economic, financial, legal and organizational condition of a company, in which SSH is acquiring capital assets, in accordance with rules of the discipline.

When required in regard to the circumstances of the case, in addition to financial, legal and organizational condition of the company, other investigations may also be carried out (tax, ecological, technical and similar reviews).

Due diligence of a company shall not be carried out prior to the acquisition of capital assets only in exceptional cases when so decided by the SSH Management Board, and when justified grounds for such decision are given (for example, acquisitions of assets of smaller value, acquisitions of shares of public limited companies or of companies which are already owned by SSH or RS, and in similar cases). The principle of economy is mainly taken into account by SSH in making a decision on the justification or lack of justification for carrying out due diligence.

As a rule, due diligence is carried out by an external professional institution which is selected by the SSH Management Board according to the procedure described in Article 78 of this Asset Management Policy.

This Article shall not apply in the case of free of charge acquisition of capital assets owned by SSH or by RS.

Article 85  
(Obligation to Submit Takeover Bid or Notification on Concentration)

Prior to the acquisition of capital assets, SSH must verify whether the acquisition of capital assets may result in the occurrence of the obligation to submit a takeover bid under the law which regulates takeovers and whether prior to the acquisition of capital assets it is necessary to make a notification about concentration under the law which regulated the prevention of the restriction of competition.

Article 86  
(Valuation)

The valuation of capital assets is not carried out in exceptional cases when so decided by the SSH Management Board prior to the acquisition of capital assets and when there are justified grounds for that.

Article 87  
(Decision on Acquisition of Capital Assets)

After the completion of the process for the acquisition of capital assets, SSH shall make a final decision on the acquisition of capital assets owned by SSH and/or RS when it is assessed that the acquisition is reasonable in accordance with the standard of a prudent and fair businessman which particularly includes the estimation on the return on investment, the assessment on risks and on purchase price.

Article 88  
(Free of Charge Acquisition)

Capital assets may be acquired free of charge except when substantial costs might be incurred by such acquisition, or when the ownership of such capital assets might lead to disproportional obligations for SSH or RS in regard to the benefits of the free of charge acquisition.

Article 89  
(Special Characteristics of Acquisitions on Basis of Notification by BAMC)

When, pursuant to provisions of the law which regulated measured by RS for strengthening the stability of banks, BAMC notifies SSH on the planned sale of its stake in a company which is defined as strategic or important by way of the Asset

Management Strategy and on terms of sale, SSH may acquire assets from BAMC on the basis of purchase against payment or on the basis of swapping the RS's stake in a company in which shareholder's entitlements are exercised by SSH.

As a rule, SSH acquires the stake referred to in the preceding paragraph when the value of the existing assets of SSH and/or RS in this company are increased, and/or when the attainment of strategic and/or important goals, as defined by the Asset Management Strategy for an individual strategic or important asset, is enhanced in this manner, taking into consideration the economic objectives of asset management.

SSH informs BAMC on its principled stand on the existence or on the lack of existence of the interest for such purchase in the period of 14 days.

## **17.9 Acquisition of Financial Liabilities**

### Article 90

#### (Conditions for Acquiring Financial Liabilities)

SSH may acquire financial liabilities on its own behalf and for its own account under the following conditions:

- that it is about the acquisition of financial liabilities within the scope of insolvency proceedings which have been initiated against a target company or out of insolvency proceedings when the acquisition of financial liabilities is a measure to realise a successful restructuring of a company or a group or a measure to safeguard the position of SSH or RS as an owner or a creditor,
- that the aim of acquiring financial liabilities is the financial restructuring of a target company or a group and/or preservation and/or improvement of position of SSH and/or RS as the existing owner or creditor in the target company,
- that SSH, partly or fully, converts financial liabilities into capital assets in a target company unless the restructuring plan has envisaged or requires another approach (for example, partial or full sale of financial liabilities, rescheduling of the payment of financial liabilities, the conclusion of an agreement on the payment of financial liabilities with a debtor with an option of a partial debt forgiveness),
- that the necessary funds for the acquisition of financial liabilities are provided for so that SSH liquidity is not at risk due to such acquisition of financial liabilities.

#### Article 91

For each acquisition of financial liabilities of a target company in the total value of more than EUR 5 million, a prior consent must be granted by SSH Supervisory Board.

#### Article 92

The provisions of this Asset Management Policy which apply to the process for acquiring capital assets shall apply *mutatis mutandis* to the process for acquiring financial liabilities.

### **17.10 Encumbrance of Capital Assets**

#### Article 93

(Consent by SSH Supervisory Board)

In accordance with Article 47, Paragraph 1 of ZSDH-1, and Article 11 of SSH Articles of Association, in addition to the cases laid down in Article 41 of this Asset Management Policy, the SSH Management Board shall need a consent by the Supervisory Board for legal transactions from the field of warranties/ guaranties granted to third persons – irrespective of the nominal value of any individual transaction,

#### Article 94

(Encumbrance with Lien and Other Rights in Rem)

Shareholdings which fail to attain minimum stake in accordance with Article 40 of this Asset Management Policy should not be encumbered with a lien and other rights nor should any agreements or transactions be concluded in their regard which may result in an obligation to dispose of these shareholdings, or ownership entitlements by third persons for these shareholdings.

## **18.PROCESSES FOR RESTRUCTURING COMPANIES WITH CAPITAL ASSETS OF STATE**

### **18.1 General provisions**

#### Article 95

The restructuring of a company with capital assets of the State may be of business nature or of financial nature or a combination of both.

The restructuring may be carried out within the scope of insolvency proceedings or out-of-court.

The aim of restructuring is to preserve a viable economic activity that is capable of long-term survival in a competitive market, of the attainment of long-term return on investment for shareholders, creditors and other stakeholders of a company and the Slovenian economy as a whole.

A company with capital assets of the State shall carry out all actions which are usual and necessary for a successful implementation of restructuring.<sup>3</sup>

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<sup>3</sup> Usual/possible key activities and processes carried out within the process for out-of-court restructuring (not all of them are urgent and are not necessarily to be implemented under the order set below) are:

1. the conclusion of a Standstill Agreement which enables further steps and decisions to be taken on the basis of full and true information;
2. due diligence of company's operations by an independent expert which may be of segmental (legal, financial, organisational, etc.) or comprehensive nature, or an independent business review which ensures the provision of a reliable review of current situation in a company, reasons for the position given and possibly also the provision of analysis of options for returning company's competitiveness, identification of viable undertakings, key measures envisaged for restructuring and the feasibility of restructuring;
3. the appointment of a holder of procuration, a Chief Restructuring Officer, changes to a Supervisory Board, intensified reporting;
4. verifying options and activities for obtaining state aid or other financial schemes for companies under restructuring; verifying the willingness of stakeholders to take part in restructuring;
5. Financial and Business Restructuring Plan which must be comprehensive, transparent and feasible, including all measures, projections of financial statements for 3 to 5 years, and the plan for the settlement of liabilities;
6. valuation of company's assets, liabilities and collateral of creditors;
7. the analysis of economic viability with an estimate on economic performance of a company in the



SSH in the role of a prudent and active shareholder participates in the restructuring of companies with capital assets of the State, specifically, with all the necessary and beneficial measures, particularly with the aim to attain the objectives of the management of capital assets of the State as defined in the Asset Management Strategy and the Annual Asset Management Plan.

## 18.2 Managing Restructuring Process

### Article 96

Subject to a specific restructuring case and considering the role of RS or SSH in the restructuring process, the process for restructuring a company with capital assets of the State is monitored, supervised, coordinated and managed by Capital Asset Manager in a company which is being restructured.

For the needs of monitoring, supervising, coordinating and managing restructuring process, even in case of an individual activity or a process within the out-of-court restructuring process, and when required within the process of restructuring which is carried out within the scope of insolvency proceedings, upon a proposal by a director responsible for asset management, by an assistant to the Management Board for asset management and restructuring or by a responsible SSH Management Board Member, a group for managing the restructuring process (hereinafter referred to as: the

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- future and the probability of the realisation of business plan and its sufficient capacity to generate return on investment, to repay creditors and to provide for the development of a debtor;
8. the demonstration of bankruptcy proceedings of a company;
  9. the provision of the necessary liquidity for the operations of a company during its restructuring (for example, the sale of assets not used in core business, bridge loans; often, the above mentioned activities are feasible after the creditor's collateral becomes consolidated, and a new loan is granted the super senior status, etc.);
  10. executing the Non-Disclosure Agreement; debtor's obtaining of the necessary consents by creditors for the disclosure of data;
  11. executing Master Restructuring Agreement;
  12. taking part in the transfer of the agreement from the existing creditor to a new creditor (consent), the transfer of financial liabilities may be carried out as an assignment of claims for which the consent by a debtor is not necessary, unless the *pactum de non cedendo* has been reached;
  13. capital increase which may be carried out as a conversion of claims into the equity of a company.
  14. exit (an entry of a strategic partner, the sale of ownership stake).

"Restructuring Group") may be appointed by the SSH Management Board by way of a resolution.

The provisions of Article 63 of this Asset Management Policy shall apply *mutatis mutandis* in regard to the scope of tasks and assignments to be performed by the Restructuring Group.

#### Article 97 (Provision of Information)

An Asset Manager or the Restructuring Group, when appointed, shall regularly inform a director responsible for asset management and an assistant to the Management Board for asset management and restructuring on significant developments in the restructuring process, and shall produce a report for the SSH Management Board at least once a month. A responsible member of the SSH Management Board shall be informed on all key open issues in regard to the restructuring process on an ongoing basis.

#### Article 98

Provisions of these Asset Management Policy defined in Articles 66, 67, 68, 69, 71, 73, 74, 77, 78 and 79 shall apply *mutatis mutandis* for the restructuring process. When the acquisition of financial liabilities is carried out within the restructuring process, the provisions of Section 17.9 of this Asset Management Policy shall apply *mutatis mutandis*.

### **19 FINAL PROVISIONS**

#### Article 99

The SSH Asset Management Policy and its amendments and additions shall enter into force on the date when adopted by the SSH Management Board and when consent is conferred to it by the SSH Supervisory Board.

The Asset Management Policy becomes binding for SSH upon its entry into force.

The Asset Management Policy is a public document and it is published on public web site of the company in Slovenian and English.

SSH Management Board

Lidija GLAVINA  
President of the  
Management Board

Nada Drobne Popovič,  
MSc, Member of the  
Management Board