



SLOVENSKI DRŽAVNI HOLDING, d. d.

III – SPECIAL SECTION
CONFIDENTIAL

Annual Asset Management Plan for 2022



24 NOVEMBER 2021

Annual Asset Management Plan for 2022

**The State is an important owner of enterprises in Slovenia.
As such, it has a great responsibility to be an active and professional owner.**

The ultimate objective of state-owned enterprises being managed by SSH is effective, profitable, economical operation, creation of value, and in many cases, efficient implementation of strategic and development objectives, often carried out within the scope of individual services of general economic interest. This must be achieved in a sustainable manner, by taking into account economic, environmental and social aspects.

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TERMS AND DEFINITIONS

AGENRS: Energy Agency

AVK: Slovenian Competition Protection Agency

AZN: Insurance Supervision Agency

AKOS: Agency for Communication Networks and Services of the Republic of Slovenia

ARSO: Slovenian Environment Agency

BoS: Bank of Slovenia

Borzen: Borzen operater trga z elektriko, d.o.o. (the Power Market Operator)

State-owned enterprise (SOE): is a company in which capital assets are held by SSH and RS and SSH is the manager of these capital assets. The said term must be differentiated from the term "a financial asset of the state" which is defined by ZSDH-1 as a financial asset owned by the Republic of Slovenia, KAD or SSH.

DSU: Družba za svetovanje in upravljanje, d.o.o.

VCC: Venture capital companies

DRSV: Slovenian Water Agency

NA RS: National Assembly of the Republic of Slovenia

BAMC: Družba za upravljanje terjatev bank, d.d., with the English name: Bad Asset Management Company (BAMC)

ECB: European Central Bank

EDP: electricity distribution companies

EE: Electricity

Eles: Eles sistemski operater prenosnega elektroenergetskega omrežja, d.o.o. (Electricity Transmission System Operator)

EIB: European Investment Bank

EC: European Commission

EU: European Union

FED: Federal Reserve Board – American central bank

SGEI: Service of General Economic Interest

IMF: International Monetary Fund

KAD: Kapitalska družba, d.d. (Pension Fund Management)

SSH Code: Corporate Governance Code for SOEs, revised in March 2021

CA: capital asset. 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 this Act, the following terms are used inter-changeably with the same meaning: CA, capital asset and assets.

AAMP: is the Annual Asset Management Plan developed every year by SSH in accordance with Article 30 of ZSDH-1.

Criteria: the Criteria for Measuring Performance of SOEs, the SSH's legal document which, as a rule, is updated every year simultaneously with AAMP. This document defines the criteria and the indicators for measuring the performance of SOEs.

MDDSZEM: Ministry of Labour, Family, Social Affairs and Equal Opportunities

MF: Ministry of Finance.

MGRT: Ministry of Economic Development and Technology

MJU: Ministry of Public Administration

MOP: Ministry of the Environment and Spatial Planning

SME: small and medium-sized enterprises

MZI: Ministry of Infrastructure

NECP: National Energy and Climate Plan

OECD: Organisation for Economic Cooperation and Development

(O)SGEI: (Obligatory) services of general economic interest

SSH Asset Management Policy: the SSH Asset Management Policy adopted in September 2021

Important assets: are assets whose development function should be kept within the Republic of Slovenia

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

SSH Recommendations and Expectations: the SSH Recommendations and Expectations adopted in August 2020

RS: Republic of Slovenia.

SiDG: Slovenski državni gozdovi, d.o.o., the manager of state forests

SKZG: Farmland and Forest Fund of RS

SODO: SODO sistemski operater distribucijskega omrežja z električno energijo, d.o.o. (Electricity Distribution System Operator)

SSH Articles of Association: is the Articles of Association of SSH as applicable at the point in time.

Strategy or State Assets Management Strategy or OdsUKND: is the State Assets Management Strategy adopted on 13 July 2015 by the Parliament in the form of the Ordinance On State-Owned Capital Assets Management Strategy (OdsUKND).

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

SSH: Slovenski državni holding, d.d. (English name: Slovenian Sovereign Holding)

RS Group: RS and its affiliates

SOD: Slovenska odškodninska družba, d.d., which has been transformed into SSH in accordance with ZSDH-1

SPS: is the Public Fund of the Republic of Slovenia for Entrepreneurship or shortly The Slovene Enterprise Fund

SURS: Statistical Office of the Republic of Slovenia

TEU: unit of cargo capacity describing container

IMAD: Institute of Macroeconomic Analysis and Development of the Republic of Slovenia

BoD: Board of Directors

RS Government: the Government of the Republic of Slovenia

US: is the United States of America

ZCes-1: is the Roads Act (Official Gazette RS, No. 109/2010 et seq.)

ZFPPIPP: is the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (Official Gazette RS, No. 13/2014 et seq.)

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

ZIS: is the Gaming Act (Official Gazette RS, No. 14/2011 et seq.)

ZIUZEOP: is the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (Official Gazette RS, No. 49/2020 et seq.)

ZJN-3: Public Procurement Act (Official Gazette RS, No. 91/2015 et seq.)

ZSOS-C: is the Act Amending the Slovenian Compensation Fund Act (Official Gazette RS, No. 55/2017)

ZPIZ: is Zavod za pokojninsko in invalidsko zavarovanje or, in English, Pension and Disability Insurance Institute of Slovenia

ZPPDFT-1: is the Prevention of Money Laundering and Terrorist Financing Act (Official Gazette RS, No. 68/2016)

ZPPOGD: is the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette RS, No. 21/10, et. seq.)

ZPre-1: is the Takeovers Act (Official Gazette RS, No. 79/2006 et seq.)

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

ZSDU: is the Worker Participation in Management Act (Official Gazette RS, No. 42/07 et seq.)

ZTFI: is the Financial Instruments Market Act (Official Gazette RS, No. 108/2010 et seq.)

ZZLPPO: is the Act Concluding Ownership Transformation and Privatisation of Legal Entities owned by the Development Corporation of Slovenia (Official Gazette RS, No. 30/98, et. seq.)

ZZNSZP: is the Act on the Provision of Air Navigation Services (Official Gazette RS, No. 101/2003 et seq.)

ANNUAL ASSET MANAGEMENT PLAN
2022

INTRODUCTION

I. INTRODUCTION

After the 2020 outbreak of the COVID-19 crisis, which completely changed business conditions as well as global macroeconomic conditions, 2021 saw faster recovery than initially anticipated. Following a dramatic drop in economic activity at the onset of the crisis, its negative impact was later reduced since the economy adapted to new conditions and various anti-COVID measures were adopted. The response by the SSH's portfolio companies to the COVID-19 crisis was adequate, assisting them to adapt to the new situation. Also, as a result of measures mentioned above, economic activity recovered better than expected in 2021, and this trend is supposed to continue in the future. It must be highlighted, though, that global supply chains experienced various constraints in the last quarter. In addition, the year of 2021 was marked by significant increases in prices for raw material and energy products which, despite favourable economic conditions, represent a great challenge for economic operators. Regardless of a favourable general economic situation, it should be noted that neither industries nor companies face the same situation, and some will see a prolonged post-COVID-19 recovery.

SSH has established a robust systemic framework for corporate governance of SOEs which is based on OECD's guidelines, the adopted State Assets Management Strategy and ZSDH-1. The SSH's corporate governance model is known to all stakeholders, is predictable and is primarily based on the following elements: (i) precisely defined criteria for measuring performance and for achieving strategic goals of SOEs which also include sustainable performance criteria; (ii) an established system for targeting the economic and financial and strategic goals of SOEs which are set in an ambitious yet realistic manner; (iii) the introduction and the improvement of a transparent reporting system by way of which SOEs report on their implementation of set goals; (iv) regular communication between SSH and SOEs which, among other matters, also includes periodic (at least twice a year) organisation of joint meetings; (v) regular monitoring of the progress of the realisation of goals set and implementation of strategies adopted and an analysis of the results obtained; (vi) verifying business models and promoting activities for further improvements of enterprises' operations and their competitiveness; (vii) efficient and transparent implementation of procedures for the sale and acquisition of capital assets; (viii) a standardised procedure for the selection of members of supervisory bodies; (ix) the organisation of regular educational activities for members of supervisory boards of SOEs, and (x) regular transfer of relevant cases of good practice to SSH's portfolio companies through SSH Corporate Governance Code for SOEs and SSH Expectations and Recommendations. In 2022, SSH will undergo an expert reflection about a meaningful upgrade of the SSH Corporate Governance Code for SOEs and SSH Recommendations and Expectations.

Two main strategic topics for the management of state capital assets in 2022 will be the sustainable business of SOEs with the focus on the management of climate change, and Industry 4.0 as well as employees of the future. It is crucial for SOEs to have a clearly defined position on, firstly, what is really important for a company (the aspect of the financial materiality for their operations and the impact of their business activities), secondly, to ensure and maintain a clear connection between their sustainability strategy and the company's purpose, further on, to have set goals, milestones and projects and partnership to achieve their goals, and finally, to have established performance metrics and ensured relevant disclosures regarding the implementation of the ESG factors. For success in sustainability, it is therefore crucial that sustainable operations are integrated into all corporate governance systems at the level of a company. In order to maintain the competitiveness of their companies, manage risks and opportunities, ensure financial performance and meet stakeholder's expectations, management and supervisory bodies will have to incorporate the new reality into their own corporate culture, constantly strengthen competencies in this field and cooperate constructively to achieve long-term sustainability. As SOEs take advantages of investment opportunities brought about by the Industry 4.0, and when they satisfy their stakeholder's expectations in accordance with their mandates, it is the qualified employees that will play a crucial role in contributing to the company's success, ensuring satisfaction and the enhancement of human capital. When companies fail to invest in employee training, education, retraining and reskilling, this shortcoming may affect their business performance, reputation, and their capability to attract talents.

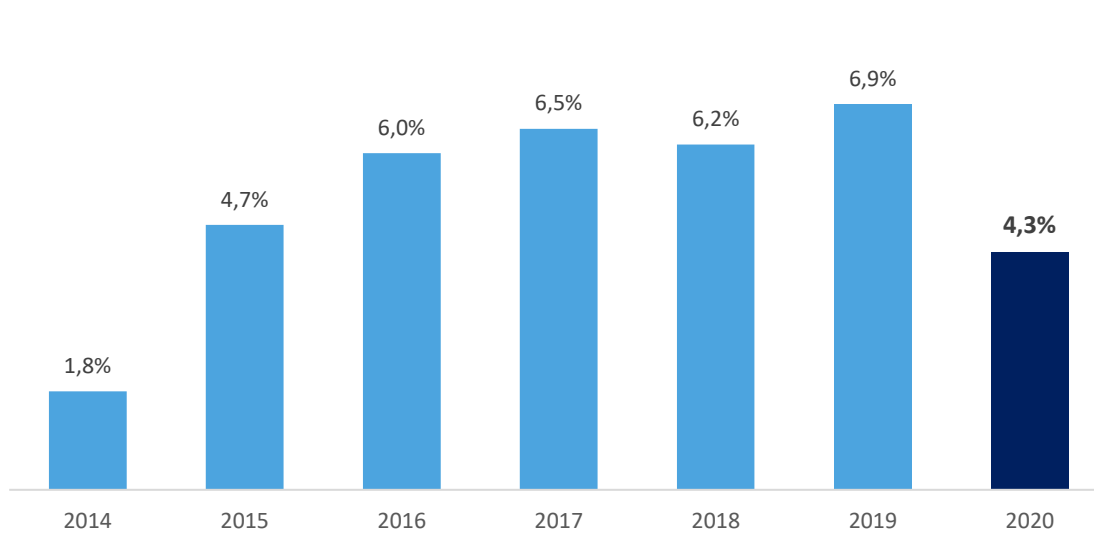
Additional strategic topic of corporate governance, which SSH will focus on in 2022, is **governing corporate culture**. SSH will thus prepare a document entitled *Governing Corporate Culture - Guidelines for Supervisory Boards of SOEs*, the indirect purpose of which is to ensure efficiency and effectiveness of SOEs' operations by including culture as a corporate governance practice and giving culture a necessary priority. According to empirical studies, strong corporate culture is crucial for innovations, productivity and business results which is why overseeing corporate culture has recently become a priority task for bodies responsible for corporate governance.

The portfolio under SSH's management represents an important part of the Slovenian economy. Enterprises included in asset portfolio managed by SSH are a particularly important employer in Slovenia as more than 75 thousand employees were employed with these companies in 2020. Operating revenue generated by companies from the SSH's portfolio amounts to approximately

14% of the total revenue generated by Slovenian enterprises and added value generated by these companies takes up a 18% share of the added value generated by all economic undertakings in Slovenia. On average, the added value per an employee, who works for companies included in the SSH's portfolio, amounted to EUR 73,000 and as such it exceeds the average achieved by all companies operating in Slovenia.

Amid favourable conditions in the economic environment, companies from the SSH's portfolio of assets managed to significantly improve their operational results in the past. Return on Investment (ROE) of the SSH's portfolio increased gradually, i.e., from 1.8% at the end of 2014 to 6.9% at the end of 2019, when it was the highest. ROE amounted to 4.3% in 2020 and was by 1.6 percentage point lower than planned in the respective Annual Asset Management Plan as a result of the COVID-19 crisis. It has to be pointed out that calculation of ROE 2020 does not include two largest one-off events, specifically, the impact of the impairment of assets held by HSE due to TEŠ, and one-off positive impact recorded by NLB on account of its take-over of Komercijalna banka Beograd.

Figure 1: **ROE for portfolio of assets managed by SSH in 2014 - 2020 period, in %**



The structure of the portfolio of asset managed by SSH changed significantly during this period. The proportion of **strategic assets which now represent as much as 81% of the total portfolio value** increased significantly¹; **the central focus of their management is the attainment of strategic and development goals of the state**, that is, the realisation of important social interests, such as the provision of the relevant level of and access to infrastructure, the provision of services of general economic interest, security objectives, development objectives and the implementation of other important social objectives which are broader than mere economic goals.

For the seventh consecutive year, SSH has prepared the Annual Asset Management Plan (AAMP) by way of which detailed goals for the management of assets in individual enterprises are determined for the coming financial year, together with measures and policies for attaining these goals.

As mentioned in the beginning of this Chapter, due to COVID-19 pandemic continuing in 2021, **the preparation of AAMP 2022 has been undertaken in fast changing business environment where outlook with respect to future macroeconomic developments is uncertain.** This in itself represented a great challenge.

The process for preparing AAMP has, however, not changed as compared to the usual practice. The analysis also considered individual asset management pillars and produced recommendation proposals for every SOE individually; these recommendations will be used as a supporting document for asset management activities and dealt with during periodic meetings held with companies. As a matter of fact, the process is initiated in the beginning of summer (when the suitability of indicators for measuring performance are verified, the SOEs' operational results are analysed, benchmarking analysis are conducted, and similar other tasks are carried out) and is continued with a legally permissible dialogue involving governance matters which takes place between SSH and SOEs and responsible ministries. SSH sets ambitious yet realistic values for the expected strategic, economic and financial performance indicators, realising in this manner its vision which is the creation of value from capital asset for the owner. Target indicators determined in AAMP cover key operational aspects which are important for the development and competitiveness of

¹ The proportion of strategic assets in the SSH's portfolio of assets amounted to 66.8% in 2014.

an enterprise. AAMP also gives a forecast of future cash flows generated by the management of assets managed by SSH. Due to the fast-changing environment, AAMP 2022 has been prepared using the same method as in 2021: it includes the above-mentioned assumptions about the realisation of goals to the greatest possible extent.

2021

In 2021, SSH actively monitored conditions which were inflicted upon individual sectors as a result of the COVID-19 epidemic. With respect of the corporate governance activities of SOEs, SSH carried out the following activities: (i) monitored operations of companies managing critical infrastructure on a daily basis; (ii) followed closely and regularly the assessment of the impact of COVID-19 crisis on the operation of the enterprises from the portfolio of assets managed by SSH, including their sales revenue and liquidity status; (iii) monitored the assessment of dividends to be paid out by enterprises in 2021 and the associated impact on the SSH's liquidity and financial position; and (iv) monitored the adopted intervention legislation. It is worth highlighting that all enterprises from the SSH's portfolio which manage critical infrastructure ensured continued operation and smooth provision of services. In accordance with the recommendations of health professionals, companies from the SSH portfolio carried out activities to curtail the spread of the COVID-19 virus and to protect the health of employees.

It is mainly due to the improved business conditions that the quantity goals planned for 2021 with regard to capital assets management will be exceeded and will be substantially better than those achieved in 2020.

The performance estimates for companies from the portfolio of assets managed by SSH show that 2021 ROE of the portfolio may stand at 5.5% - this is by 1.3 percentage point higher than planned in AAMP 2021. According to the last IMAD's forecasts, the economic growth as predicted for Slovenia for 2021 is to amount to 6.1%; it is higher than estimated when drafting the AAMP 2021, which forecasted the economic growth to amount to 5.1%. ROE estimates exclude one-off effects for the impairment of assets and a settlement achieved by and between General Electric and HSE.

Dividend income paid to the Republic of Slovenia, SSH and ZPIZ (the Pension and Disability Insurance Institute of Slovenia) in 2021 (for FY 2020) exceeds the sum planned in AAMP 2021 and is to amount to EUR 150.9 million. This is a significantly higher amount than paid out in 2020, when the total dividend income amounted to EUR 85.9 million. The main reason for higher dividend income to be received for FY 2021 is mainly the result of more favourable business conditions and the relaxation of measures imposed upon banks and insurance firms in 2020 by regulators, which had restricted their dividend pay-outs.

For some companies, however, the COVID-19 crisis still has a major influence on their operations, particularly in the case of companies operating in the tourism sector and gaming. Likewise, companies involved in transport activities, some manufacturing companies and some companies from the energy sector will still not yet achieve results which had been achieved before the COVID-19 crisis.

Outlook for 2022 and 2023

The outlook for 2022 has been prepared by taking into account forecasts of economic trends available at the time of drawing up this document. A trend of an increasing economic growth is expected to continue in 2022 but at a slower pace than in 2021. Unemployment is foreseen to decrease, but the inflation is expected to increase.

Table 1: *ROE of the total RS's and SSH's portfolio from 2017 to 2019 and an estimate for 2022 and an outlook for 2023, in %*

Pillar	2017	2018	2019	2020	ESTIMATE 2021	AMAP 2021	AMAP 2022	Outlook 2023
TRANSPORT	5.9	6.3	6.9	2.0	3.0	3.4	3.5	3.7
ENERGY SECTOR	3.4	3.2	4.7	5.4	6.0	3.8	5.1	5.1
FINANCIAL SECTOR	10.6	9.6	10.1	6.9	8.6	5.9	6.8	7.0
TOURISM AND ECONOMY	4.2	7.6	7.3	5.3	8.8	6.2	8.4	9.5
PORTFOLIO RS+SSH	6.5	6.2	6.9	4.3	5.5	4.2	5.0	5.3

ROE of the portfolio managed by SSH is anticipated to amount to **5.0% in 2022 - a slightly lower figure than estimated for 2021; however, a slight increase in ROE is foreseen for 2023**. The ROE calculation for 2022 and 2023 includes normalised values of ROE for HSE; at the time of drawing up this document, it is estimated that some key assumptions regarding future operation of the HSE Group are still rather uncertain and a significant deviation is noticed in results planned to be achieved by HSE as compared to past results. If extraordinary write-offs carried out in HSE were taken into account, ROE of the SSH's portfolio for 2022 would have amounted to 6.2% and to 6.0% in 2023. ROE of the Energy Pillar would stand at 9.1% in 2022 and at 7.5% in 2023.

As compared to the estimate, an improvement in the ROE indicator is expected for the Transport Pillar. A majority of companies from the Transport Pillar improved their operations in 2021 but they still felt the impact of the COVID-19 epidemic.

A slightly lower ROE figure is expected to be achieved by the Tourism and Economy Pillar in 2022 as compared to 2021, with the growth being anticipated for 2023. The year of 2021 was a very successful year for some companies from the portfolio pertaining to this pillar as a result of increased demand and favourable market conditions (Krka, Cinkarana Celje), which, however, cannot be expected to continue in the years to come. Thus, realistic expectations for 2022 are set at a lower level, while a repeated growth trend compared to the preceding year is expected for 2023. This implies that ROE is to stabilise at the level which is significantly higher than returns achieved in the period from 2017 to 2020.

A drop in the ROE indicator for 2022 and 2023 is expected for the Energy Pillar and the Financial Pillar. In light of multiple factors, a more detailed explanation is provided in the text below.

Companies from the Energy Pillar are expected to achieve better than expected operational results in 2021. Volatile conditions resulting from the post COVID-19 economic relaunch of economic activity, increased consumption, the announced tightening of the ETS scheme, delays to the NordStream 2 pipeline and empty gas storage facilities have enabled all portfolios (fundamental, optimisation and position trading) to achieve above-average results and to complement themselves. The year of 2022 will be a year of outstanding business results with the exception of the thermal division, a part of the HSE Group, which will be forced to impair its investments in TEŠ 6 due to a huge growth in prices of CO2 European Emission Allowances. Energy market is expected to stabilise in 2022 although a relatively high energy prices are to remain because of a demand on the increase. This will be translated to good performance results which will exceed the pre-Covid 19 levels.

In 2022, key asset-management related activities to be pursued by SSH in the Energy Pillar will be focused on ensuring conditions for pursuing energy transformation which will be comprehensive and will involve big investments in infrastructure. In addition to maintaining the perspective of achieving as high energy self-sufficiency of RS as possible, SSH will actively encourage:

- the siting of new electric power facilities in physical space,
- the increase in the share of renewable energy sources (RES) in the system and the increase in their production capacities in accordance with the Integrated National Energy and Climate Plan of Slovenia,
- strengthening of the robustness of the electricity distribution system, as well as improvements in its digitalisation and flexibility,
- a fair exit from coal-fired electricity generation.

SSH will support enterprises' targeted decarbonisation strategies, in accordance with national and European legislation. As regards the pipeline system, SSH will advocate improvements to enable international connectivity, the expansion of the gas pipeline system to non-gasified regions of Slovenia and the preparation of the grid to also transmit synthetic gases and hydrogen. In 2022, within the scope of the SSH's role of a central ownership entity, SSH will also strive to increase cyber security in SOEs by supporting enterprises to establish common Security and Operations Centre.

The **Transport Pillar** is expected to see improved operations of all pillar's companies in 2022 but not all of them will yet achieve the pre-crisis results. The year of 2022 and years to follow will be marked by high investments in infrastructure (motorway network, railway infrastructure, port infrastructure) and they will affect the operations of the largest companies from the pillar. The growth in revenues to be achieved by several companies in the portfolio depends on the construction of additional railway capacities and the reconstruction of existing facilities. Key asset-management related activities to be pursued by SSH in the Transport pillar will be focused on monitoring investment projects. Among other projects, and acting in accordance with its powers, SSH will (i) monitor the progress of the strategic partnership project in freight transport which will be carried out by a newly established company, (ii) oversee the expansion of Slovenian Railway business operations to bus transportation, and (iii) monitor the implementation of the mobility project and other strategic projects. It will prudently monitor the largest infrastructure projects (the third development axis, the Karavanke tunnel) and the financial position of the largest company in the pillar - DARS. In cooperation with other stakeholders, SSH will continue to take part in initiatives aiming at amending the national postal legislation, and as regards the integration of Intereuropa, closely monitor the implementation of synergies in the Pošta Slovenije Group, and other Pošta Slovenija's strategic projects. SSH expects that forecast on positive trends in air traffic will materialize and this will result in a positive turnaround in the operations of the Slovenia Control. SSH will carefully monitor the operations and financial condition of this company and, in the role of the founder, take the necessary measures if it proves necessary to ensure capital adequacy.

The 2022 performance results of companies from the **Financial Pillar** will largely depend on the progress of the epidemic, more precisely on the restrictive and, on the other hand, incentive (fiscal) measures that will be taken in this regard. The current pressures on raw material prices and the extension of delivery times, especially if they will persist, may have a negative impact on

ROE of companies and thus on the portfolio which includes financial companies. The relatively high ROE results recorded by **banks** in 2021 is largely due to the elimination of impairments, the release of provisions and the positive effects of recent acquisitions (NLB and KBB), while a high pressure on interest margins and related interest income will continue in 2022. These companies will also be under great pressure due to the increased risks associated with the expected growth of interest rates towards the end of the year, or in 2023. With the arrival of the new Management Board in 2022, SID Bank will face a demanding task of re-transforming the bank's business model from the current counter-cyclical to a more development-oriented one. Following a series of takeover activities on the Slovenian banking market, NLB will face a strong competitor (OTP bank) in 2022 and beyond. A similarly demanding environment is expected to be experienced by the **insurance** market in 2022. To a certain extent, the performance (relatively high ROE indicators) of insurance companies reported in 2021 was the result of acquisition activities (Sava Re and NLB Vita), while the insurance market as such remains very demanding, especially in Slovenia, also because of the COVID-19-related uncertainties. In addition to a possible recurrence of major loss events, the result of insurance companies will be impacted by claims related to damages caused in connection with the COVID-19 epidemic in 2021. Investing activities represent an important share of the profitability achieved by insurers; considering the prospect of a continued low interest rate environment, these activities will face the reinvestment risk in 2022. **Venture capital companies** pursue liquidation proceedings and SSH expects all such companies to complete their liquidation proceedings in 2022.

In 2022, additional attention will be paid to the dividend payments by banks and insurance companies, which have been somewhat absent in recent years. SSH will place a greater emphasis on the monitoring of the performance of companies in connection with the introduction of sustainability into their operations. Due to the completion of venture capital companies' liquidation proceedings, many activities will be aimed at monitoring their implementation, paying attention to purchase prices achieved in the process, and to the liquidation of their assets.

The operation of companies from the **Tourism and Economy Pillar** was successful in 2021. The Krka Group was very successful: it achieved ROE of 19.3% in the first half of the year, and the highest half-year sales revenues and net profit in its history. The Telekom Group's operations in 2021 were also stable, and the SIJ Group's operations improved significantly in 2021, as the market situation improved compared to 2020. The performance of other companies in this portfolio was also successful: in this regard, the operations of Cinkarna Celje have to be pointed out as the said company achieved ROE of 18.3%, as well as the operations of Koto, a smaller enterprise, which is very development- and sustainability-oriented, and records results which are improving and exceeding the set goals. In accordance with the Decree of the Government of the Republic of Slovenia, tourist companies and companies engaging in the organization of games of chance closed all accommodation and gaming facilities up until the middle of May, with the exception of some facilities rendering health services. The companies benefited from measures adopted within the scope of intervention legislation and started to open their facilities in May and June, in line with the relaxation of measures to contain the COVID-19 epidemic. Despite a long closure, the companies had sufficient liquidity due to state aid and benefited from past good performance results, which also include investment programmes that were carried out. The performance of tourism companies was outstanding during the summer, the occupancy of their facilities was very high, and the results exceed the results achieved in the same period of 2019. Companies in the Tourism and Economy Pillar have faced rising costs due to rising prices of materials and energy, as well as rising labour costs due to a lack of adequately trained staff and pressures to raise wages. In addition to the level of digitalisation, human resources risk has been identified as one of the key risks to which companies will have to pay more attention in 2022.

In 2022, key asset-management related activities pursued in the Tourism and Economy Pillar will be focused, firstly, on the management of assets held in Sava (both, from the aspect of the receivables management as well as from the aspect of a shareholder) and secondly, on the carrying out of activities planned for the tourism sector which will be presented in detail in the remainder of the document. When carrying out activities in tourism sector, SSH will take into account (i) the changed conditions in the tourism industry as a result of the COVID-19 epidemic, (ii) their impact on these companies' long-term viability and value, (iii) the updated national strategy for tourism which is currently being prepared, (iv) the Recovery and Resilience Plan for tourism companies, and (v) the findings of a study by way of which SSH will verify the suitability and effectiveness of asset-management activities planned for tourism companies in the AAMP Tourism.

One of more important activity pursued in 2022 will be connected with the adoption of a decision in regard to capital assets held in Telekom Slovenije. SSH is planning to conduct an industry analysis, a business analysis of the Telekom Slovenije Group's operations, an in-depth analysis of the Group's competitors with a view of a potential consolidation, as well as prepare an overview of potential activities to be carried out in order to increase the company's value.

In 2022, it will be necessary to regulate the situation in the company Studentenheim Korotan. The said company has been included in various strategic documents of the Republic of Slovenia covering the topics of Slovenians around the world, culture, education and science. In accordance with the current state assets management strategy, the said company is classified as a portfolio asset. The document "Studentenheim Korotan's Long-Term Strategy" was prepared in cooperation with an external consultant in 2021.

Further activities will include either the alignment of the stakeholders on a programme, which is carried out by the company and necessitates the provision of additional financial funds to carry out investment projects and ensure further operation of the company, or the adoption of any other potential decisions.

Implementing a relevant dividend policy is one of core activities in the management of state assets, enabling SSH to pursue goals aiming at the maximisation of cash flows for the owner while simultaneously taking into account the performance results of individual companies included in SSH's asset management portfolio and their development needs. The total volume of dividend pay-outs planned to be received by RS, SSH and ZPIZ in 2022 is expected to amount to EUR 182.2 million.

It is highly likely that amid rapidly changing business conditions and with an uncertain future outlook, the achievement of goals referred to in this AAMP will be very demanding both for enterprises from the SSH's portfolio of assets as well as for SSH itself. SSH will promptly adapt its activities and priorities planned for 2022 in accordance with new developments.

ANNUAL ASSET MANAGEMENT PLAN
2022

GENERAL SECTION

II. GENERAL SECTION

1. COMPOSITION AND CONTENT OF ANNUAL ASSET MANAGEMENT PLAN

The Annual Asset Management Plan is composed of the **Introduction**, **General Section** and the **Special Section**. The Special Section mainly includes sensitive business data which is why the whole section has been classified as "CONFIDENTIAL". This is the reason for not publishing it publicly.

The AAMP's introductory section presents an indicative overview of firstly, the developments in the economic environment in 2021, the ROE indicators of the portfolio and ROE by pillars / industries over time with an estimate for 2021, expectations stated in AAMP for 2022 and a forecast for 2023, other indicative estimates and an outlook per portfolio pillars/industries for 2022, together with a presentation of a direction of asset-management activities.

The **General Section of AAMP** gives a short presentation of key documents for asset management as well as goals to be achieved, which includes the fundamental, strategic and development goals. The Annual Asset Management Plan 2022 includes in its General Section a special set of objectives with respect of sustainability business which represent SSH's expectations from SOEs. Some recommendations are addressed to all SOEs, whereas some others only to a selected group of companies (Chapter 3.3.2 hereunder). Statutory restrictions in managing state assets are also described. This section also presents macroeconomic outlook for the next period.

It further gives a presentation of the entire asset management portfolio of SSH and defines companies which have not been included in the Special Section of AAMP. The said Section also presents a review of the ROE indicator analysis with respect of ROE achieved vs. ROE expected according to individual criteria and gives an overview of cash flows which are expected to be generated from the management of assets, i.e., the dividend revenue.

The **Special Section of AAMP** gives a presentation of individual pillars/industries of assets under management. Under each pillar, the Assets Management Plan is presented separately for assets held in every portfolio company. The Plan gives a detailed definition of asset management goals for the coming year and an outlook for 2023 for those companies which, considering the book value of shareholders' equity - a weight in the asset management portfolio - have the highest impact on the performance of SSH portfolio from the aspect of a ROE indicator. Key criteria for measuring the performance in the attainment of asset management goals are defined, as well as measures and policies for attaining these goals and realising SSH's expectations by these companies. An exception to the above-mentioned presentation method is the illustration of common measures and policies for assets in electric distribution companies since activities envisaged in connection with asset management are similar for all of these enterprises. For individual companies, additional SSH's asset-management related activities have been planned if such activities do not entail ordinary (routine) activities in asset management, for example, activities which refer to the acquisition or disposition of assets, or special projects, especially if they are connected with additional costs incurred by asset management.

It is worth pointing out that decision-making as stated within the scope of SSH's expectations falls under the sole responsibility of the company's leadership. Acting with due care and diligence, senior officials of enterprises must take only those decision that are economically sound and beneficial for a company. The supervision over the management of the company and over making sound economic decisions falls under the responsibility of the company's Supervisory Board/Board of Directors.

Considering special characteristics of industries, in which companies operate, criteria for measuring performance of companies are highly complex which is why it is advised to use the Criteria for Measuring Performance of SOEs in conjunction with this AAMP.

The Special Section also presents an overview of forecast cash flows arising from sales and acquisitions of assets to be undertaken in 2022 and in 2023.

LIMITATION OF LIABILITY

The Document was developed in accordance with the principle of due care and diligence (in Slovene: "*s skrbnostjo vestnega in poštenega gospodarstvenika*"), and by applying the necessary expertise. Forecasts included in this document are based on estimates and assumptions made by SSH in regard to the operations of companies. Inside information of listed companies was not available to SSH when developing this document.

2. KEY ASSET-MANAGEMENT RELATED DOCUMENTS

The Slovenian Sovereign Holding Act (ZSDH-1) states four key legal documents necessary for the management of assets owned by SSH and for assets of RS which are managed by SSH. These are: (i) Asset Management Strategy; (ii) Annual Asset Management Plan; (iii) SSH Asset Management Policy and (iv) SSH Code of Corporate Governance. In addition to the above stated documents, there are three additional documents which are connected with the latter in terms of their content. These are: (i) Criteria for Measuring Performance of SOEs, (ii) Platform of SSH for Voting on AGMs of companies and (iii) SSH Recommendations and Expectations.

The **Asset Management Strategy**, which was adopted by the National Council of the Republic of Slovenia on 13 July 2015 in accordance with Article 28 of ZSDH-1, provides for the following: (i) the definition and classification of assets to individual types of assets in accordance with Article 10 of ZSDH-1, (ii) the definition of development directions of RS in the capacity of a shareholder or a company member, and (iii) individual strategic goals which RS aims to achieve with every asset defined as strategic asset. The Article 10 of ZSDH-1 further stipulates that all assets of SSH and RS be classified in one of three classes of assets, that is, into strategic, important or portfolio groups of assets. When individual asset is not classified into one of the above-mentioned class of assets it is considered to be portfolio asset.

In accordance with Article 30 of ZSDH-1, the **Annual Asset Management Plan (AAMP)** is adopted by the SSH Management Board on the basis of the adopted Asset Management Strategy. The consent by the SSH Supervisory Board must be granted to make the said document valid; the consent should be delivered not later than by the end of November for the following calendar year. Subsequently, AAMP must be approved by the Government of RS, upon the proposal given by MoF.

SSH may carry out certain actions in connection with asset management without any modifications or amendments be made to AAMP when justified grounds are given and when such actions are in accordance with the law, the SSH's Articles of Association and when they do not significantly contravene the envisaged asset management related actions stated in the Special Section of AAMP for the relevant year. These actions are:

- with the aim of balancing the liquidity, SSH may sell or in another manner dispose of capital assets held by SSH under condition that the book value of ² a company, which is the subject of the disposition in an individual year, does not exceed EUR 5 million;
- SSH may manage and disposes of state assets which are acquired by SSH during the year, and which do not form the part of AAMP, under condition that the book value of asset, which is the subject of the asset management or the disposition of asset, does not exceed EUR 1 million;
- SSH may pursue all activities in connection with the acquisition of assets for RS when such acquisition has received a prior approval by the Government of RS by way of a resolution, irrespective of the capacity held by the Government of RS when passing such resolution (either as the General Meeting of SSH or as the state authority or in any other capacity, if, however, the will of the Government of RS about the acquisition may be clearly understood and SSH has been informed on this matter)³.

It is considered that asset management actions, which satisfy the criteria referred to in the preceding paragraph, are carried out in accordance with and on the basis of AAMP.

Another important legal document which is connected in terms of the content with AAMP is the **Criteria for Measuring Performance of SOEs**. The said documents defines the criteria (indicators) for SSH to monitor the performance of operations of companies with state assets. In addition to measuring and assessing past performance results, the performance criteria are intended for a more detailed determination of expectations on the part of SSH towards SOEs about their future business results. These criteria are not quantified which is why they have to be applied with every AAMP. As a matter of fact, in AAMP, the performance criteria are quantified, representing SSH's expectations from SOEs as regards their attainment of future business results while in retrospect, these criteria form a quantified basis for measuring and assessing past performance of companies in regard to the expectations set by SSH.

² The book-value is the amount of equity according to the last published balance sheet of a company, calculated per a holding of shares which is the subject of a disposition.

³ Regardless of the Government's decision which never has the form of an instruction, SSH is obliged to carry out all processes for the acquisition of assets in accordance with the SSH Asset Management Policy. The general authority referred to in this section of AAMP only makes it possible to implement measures for SSH's asset management, when SSH takes such a decision, without having to amend AAMP; the Government of RS would, in fact, have to take a new decision on the matter although Government's decision about the acquisition was already made. The acquisition is carried out only in case when the purchase price for asset is lower than the estimated value of asset, or if it is within the range of the estimated value of asset. After a potential acquisition of new asset actually has taken place, AAMP for individual asset is produced in reasonable time.

The SSH Asset Management Policy is a legal document which presents principles, procedures and criteria which are applied by SSH in carrying out its duties and activities. In addition, the said document defines in detail the processes for the disposal of state assets. It is adopted by the SSH Management Board and the consent for its adoption is granted by the SSH Supervisory Board. The SSH Asset Management Policy is regularly improved and upgraded; the last revision with amendments and modifications was adopted in September 2021 in order to include recommendations by the Court of Audit with respect of a better organisation of candidacy procedure which were provided within the scope of the audit on asset management. In addition, the said document also included recommendations by the Commission for the Prevention of Corruption concerning the organisation of the SSH's Nomination Committee and the recording of the recruitment channels, and recommendations submitted by the SSH's Internal Audit in connection with improvements in certain areas of work which refer to the disposition of capital assets and their valuations.

The SSH Code of Corporate Governance for SOEs contains principles and recommendations for good practice in corporate governance of SOEs. The fundamental goal of a company with state assets is to maximise the value of the company and to generate the highest possible returns for the owner, unless otherwise stipulated in the law or the Articles of Association. SSH Code is regularly improved and upgraded. The main reason for the last revision of the SSH's Code was the harmonisation of its principles and recommendations with the Act Amending Companies Act (ZGD-1K) as the said Act introduced some novelties in regard to the legal operation of companies. In addition to harmonization with the legislation, the amended SSH Code also includes some substantive and editorial corrections and newly regulates recommendations on additional payments for special tasks carried out by a member or members of the Supervisory Board.

Platform of SSH for Voting on AGMs of companies includes premises for representatives of SSH for their action at AGMs of companies and general standpoints of SSH in connection with some important topics discussed at AGMs. The said document is adopted by the SSH Management Board and is updated every year prior to the beginning of the AGM season.

The SSH Recommendations and Expectations, characterized by a predetermined and clear structure and public publication, communicates to SOEs some specific recommendations and expectations which SSH anticipates of being observed by SOEs. They especially include advice in regard to business planning, periodic reporting, procurement processes, sponsorship and donation policy, cost optimisation, sustainable business, remuneration policy and other rights of members of management bodies as well as other similar recommendations.

As regards the development of corporate governance of SOEs, SSH plans individual elements of the SSH Corporate Governance Code for SOEs to be renewed in 2022. Following the adoption of SSH Recommendations and Expectations with respect of the formulation of remuneration policy for management bodies in SOEs and their inclusion in the 2022 SSH Platform for Voting at General Meetings and to SSH Asset Management Policy, SSH expects recommendations to be implemented in business practice so that relevant remuneration policies addressed to management bodies would be formulated by companies and subsequently approved by their General Meetings (SSH's exercise of its role of a shareholder or a company member).

3. OBJECTIVES OF STATE ASSETS MANAGEMENT

The ultimate objective of SSH management of SOEs is efficient and effective, profitable and economical operation, creation of value, and efficient management of services of general economic interest. This must be achieved by means of a balanced, stable and sustainable development of enterprises from the economic, social and environmental aspects.

SSH expects from all portfolio companies to manage risks connected with increased costs aiming at their optimization, improved productivity and the attainment of set goals.

3.1. *Fundamental goals for managing state assets and their classification*

In managing assets, in accordance with ZSDH-1, goals differ according to the classification of a company and state assets:

- Group no. 1: **STRATEGIC GOALS**: realising important social interest such as: ensuring the relevant level and accessibility of infrastructure, rendering public services, ensuring security objectives, development objectives and realising other significant social interest;
- Group no. 2: **DEVELOPMENT GOALS**: maintaining key development factors in Slovenia;
- Group No. 3: **ECONOMIC GOALS**: maximizing the value of assets and generating the highest return possible for an owner.

In regard to the above-mentioned fundamental goals in asset management, state assets are classified into three fundamental groups of assets, specifically:

- **Strategic assets** are assets in regard to which **strategic and economic goals are pursued**. The minimum stake to be kept in companies classified as strategic is 50 % plus one vote, in accordance with Article 14, Paragraph 1 of ZSDH-1.
- **Important assets** are assets in regard to which **development and economic goals are pursued**. The minimum stake to be kept in companies classified as important is 25 % plus one vote, in accordance with Article 14, Paragraph 2 of ZSDH-1.
- **Portfolio assets** are assets in regard to which solely **economic goals** are pursued. SSH may freely dispose of portfolio assets.

The Asset Management Strategy defines in detail the main substantive criteria for classifying assets. These criteria are:

- strategic and development criteria,
- sectoral and entrepreneurial criteria
- network criteria, and
- fiscal criteria.

Taking into account the above-mentioned criteria, RS also has:

- strategic assets in the following companies:
 - undertakings carrying out key infrastructural duties,
 - companies in economic activities which are important for stable and safe supply of resources and energy, in addition to public grid operators:
 - companies rendering important public obligations (services of general economic interest):
 - companies increasing the competitiveness of the entire forest-wood value chain:
- important assets in the following companies:
 - systemic financial institutions and venture capital funds,
 - lottery and gambling,
 - companies important in terms of their development and technology, mastering key technologies and with key development components to remain in Slovenia
 - companies which are important in terms of their development and technological functions, and are proficient in key technologies, and RS wishes to keep their key development components in Slovenia, and
 - companies which have an important role in the integration of companies within the supply chain and for the internationalisation of the economy.

3.2. *Strategic and development objectives*

In addition to economic objectives, strategic and development objectives in asset management are also pursued when managing strategic and important assets. The State holds equity stakes in companies which carry out important infrastructural duties; they

have a natural monopoly and function as operators of public grids with which the broader social interest is satisfied and access to services is enabled to all entities on equal conditions. On the other hand, the State holds assets in companies which ensure broader economic development and have an important role in the integration of companies within the value chain, in the transfer of knowledge and technology and are important for the internationalisation of the economy. By pursuing organised, transparent and efficient management of state assets, the objective of the asset management strategy is to contribute significantly to the implementation of aligned national development priorities referred to in the strategic development documents by promoting the competitiveness of economy, technological restructuring in the direction of developing innovative products and services of high technological complexity and high added value, and through promoting a stable supply of resources, sustainable food production and sustainable tourism.

3.3. Goals in AAMP

3.3.1. Premises for measures and actions for achieving goals of AAMP

When determining the direction, measures and actions to be kept and undertaken by SSH in managing companies with state assets and when defining goals to be achieved in detail, the following **premises** are particularly taken into account:

- **fundamental guidelines** laid down in the Asset Management Strategy,
- **fundamental asset management goals** on account of which an individual company with state assets has been classified into a certain fundamental group of assets;
- **strategic and development asset management goals** which are determined by the Asset Management Strategy;
- **development guidelines** which were adopted at the national level and **development trends** which can be notices in the competitive business environment in which SOEs operate;
- When preparing an Asset Management Annual Plan, SSH takes into consideration **strategies and business plans** produced by companies if companies have informed SSH of their own strategic and planning documents and these plans are compliant with SSH's goals. These plans are fully or, in their significant parts, summarised by SSH in the special section of this AAMP discussing individual companies when this is reasonable; in addition, SSH makes a stand in regard to the fact whether SSH's support is to be provided for the strategy of a company or whether SSH will attempt to make some changes to their strategies in a legally admissible manner. In SOEs, which are organized as public limited companies, SSH has a limited access to information since, under the applicable law, the shareholder's right to information is restricted. In the Special Section of AAMP this may appear to be presented as an incomplete summary of strategic goals and of development directions of an individual company. When the prognosis of all relevant circumstances cannot be ascertained with a sufficient level of probability, directions, measures and actions in the General and Special Sections of this AAMP are defined as an alternative, subject to the occurrence of certain events.

As regards SOEs, SSH has at its disposal "only" **corporate and legal leverage** arising from its capacity of a shareholder or a partner. Other statutory restriction must be taken into account when managing capital assets. These limitations are explained in detail in Chapter 3.3.3. of this AMAP;

3.3.2. The main strategic topics in the management of state capital assets in 2022 - SSH Expectations



Asset management supporting sustainable business



Industry 4.0 and knowledge of the future

Asset management supporting sustainable business

Everybody plays a role in the management of sustainable business - the Government, SSH in the capacity of the umbrella asset manager, companies, investors and individuals. SSH bears its responsibility in this regard so that, wherever necessary, encourages and accelerates the green transformation of its portfolio companies by exercising its shareholder's rights. We believe that economic prosperity goes hand in hand with the sustainable operation of the Slovenian economy, and the fact is that companies in SSH's portfolio represent a large part of this economy. Many SSH's portfolio companies have already stepped on a path to

pursue sustainable business and are implementing the ESG factors (**E** - environmental, **S** - social and **G** - governance). The aim of SSH's endeavours is to indirectly, acting through its shareholder's entitlements, encourage SOEs to include sustainable business in their business strategies and to set ambitious goals for reducing the carbon footprint. In addition, SSH promotes SOEs to ensure their long-term competitiveness by way of implementing green transformation in a timely manner, and thus, by cooperating and including other stakeholders, provide for long-term value for the owner.

The main drivers of decarbonisation are not only global and national goals, but also the demands of customers, employees and a wider community, pressures from investors and financial institutions, as well as technological development and lower operating costs which are aimed to achieve even greater efficiency. Some studies have already shown that managing companies with the aim to reduce greenhouse gas emissions improves their financial performance.⁴

By adopting recommendations addressed to SOEs in July 2020, SSH aimed at encouraging SOEs to pursue economic, social and environmental transformation of their business strategies and models which should lead to better competitiveness, decrease risk levels and ensure sustainable performance in the long term. In order to promote sustainable business, SSH adopted other measures by way of which it introduced additional sustainability indicators in the internal monitoring of companies and included additional qualitative goals in the annual asset management plans for some companies; in addition, sustainability topics were included on the agenda of periodic meetings with companies, as well as in the education and training programme. SSH has committed itself to take even more decisive pace of actions in this direction in 2021 and 2022.

The corporate governance system envisions the management and supervisory boards to be responsible for a company's long-term resilience in a business environment which changes fast also because of climate change. One of their key responsibilities includes oversight and efficient management of climate risks and seizing opportunities to ensure company's success. Taking advantages of opportunities brought about by sustainable transformation may significantly affect the competitiveness of companies in the future.

For success in sustainability, it is therefore crucial that sustainable operations are integrated into all corporate governance systems at the level of a company. In order to maintain the competitiveness of their companies, manage risks and opportunities, ensure financial performance and meet stakeholder's expectations, management and supervisory bodies will have to incorporate the new reality into their own corporate culture, constantly strengthen competencies in this field and cooperate constructively in achieving the long-term sustainability.

It is therefore crucial for SOEs to have a clearly defined position on, firstly, what is really important for a company (the aspect of the financial materiality for their operations and the impact of their business activities), secondly, to ensure and maintain a clear connection between their sustainability strategy and the company's purpose, further on, to have set goals, milestones and set up projects and partnership to achieve their goals, and finally, to have established performance metrics and ensured relevant disclosures regarding the implementation of the ESG factors.

Qualitative goals in AAMP 2022

- SOEs have introduced the oversight function over all levels of sustainable business, including the implementation of ESG factors by a supervisory body and all its responsible committees (for example, audit committees, risk committees, strategy committee, nomination committee).
- Sustainable business is integrated with all processes and its key responsibility of the management body.
- Criteria for measuring the performance of sustainable business have also been included in the corporate remuneration policy.
- Members of management and supervisory bodies are regularly trained in the areas of sustainable business.
- The Annual Internal Audit Work Plan includes the implementation of all aspects of sustainable business, and the compliance function should complement the risk management system with relevant legal and regulatory requirements and internal policies regarding sustainability as well as monitoring company's compliance.
- Implementation of remaining SSH recommendations and expectations with respect of sustainable business (SSH Recommendations and Expectations, Chapters 7 and 8).
- A special focus of recommendations should be given to:
 - Review of exposures against valid documents (for example, National Energy and Climate Plan, Resolution on the Long-Term Climate Strategy of Slovenia until 2050 and other national sectoral documents, "Fit for 55" initiative, etc.), as well as to the preparation of a decarbonisation plan with objectives that follow Slovenia's and EU's commitments and ambitions in sustainability (goals by 2025 and 2030, and ambitions by 2050).

⁴ Source: *NY Stern, Center for Sustainable Business, [ESG and Financial Performance](#).*

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- Definition of materiality (what is most important for a company in terms of financial materiality and the with regard to the impact of the activity) ⁵.
 - Alignment of the company's strategy / business model with the "climate strategy".
 - Public limited companies should conduct an assessment of a possible ESG rating in the medium term.

SSH's **objectives** are addressed to large and medium-sized companies (SOEs and subsidiaries in a Group in which a parent company is an SOE).

Industry 4.0 and knowledge of the future

Industry 4.0 is changing the way we live and do business. At the same time, it opens up new opportunities. Technologies such as artificial intelligence (AI), the Internet of Things (IoT), blockchain, advanced robotics and automation, along with data (big data), business analytics and cloud business, are in full swing and are driving the economic development. The strengths of Industry 4.0 are found in improved productivity, efficiency, flexibility, cost reduction and they are creating opportunities for innovation and higher revenue. Based on all the benefits, further investment in the technologies of Industry 4.0 is recommended⁶.

As the digitalisation trend continues, cyber security is becoming an increasingly important area both of challenges and concerns for the state, companies and individuals. The COVID-19 epidemic has clearly shown that one of the priorities of every company is good data protection. Companies need to do more to strengthen their cyber security against possible system intrusions and related damage.

As enterprises take advantages of investment opportunities brought about by the Industry 4.0, and when they satisfy their stakeholder's expectations in accordance with their mandates, several questions should be raised and answered. Such questions are: Are employees ready for Industry 4.0? Have they realised that some jobs will be gone or that they will be quite different? Is enough effort being invested in employee training and upskilling? **Qualified employees** are and will continue to be of crucial importance for companies, contributing to the company's success, as well as ensuring satisfaction and the enhancement of human capital. Today, this is a priority task for all companies. When companies fail to invest in employee training, education, retraining and reskilling, this shortcoming may affect their business performance, reputation and their capability to attract talents and retain existing employees. It can also lead to an outflow of employees, and cause higher operating costs associated with their retention, recruitment and development. The training plan must be well thought through so as to help employees to upgrade their skills which are relevant for business operations and for the development of each company.

Taking into account trends in economic development, in light of public expectations and a wider social importance of sustainable business and individual ESG factors, SSH has identified three strategic indicators: one indicator per each ESG factor. This indicator will be the focus of SSH's attention with respect of corporate governance in the future, and, while continuing to strive for progress, SSH will highlight all achievements at the level of the entire asset portfolio in a transparent manner. Sustainable performance leads to financial performance and in the future, SSH wants to emphasize selected sustainable performance indicators at the portfolio level, in addition to ROE and the dividend-to-equity indicators⁷.

1. Topic E: CARBON FOOTPRINT

All major greenhouse gases (e.g., carbon dioxide - CO₂, methane - CH₄, nitrous oxide - N₂O and so-called F-gases) are reported in metric tonnes of carbon equivalent (tCO₂e) under the Greenhouse Gas Protocol: Scope 1, Scope 2 and Scope 3. Greenhouse gas emissions are a major driver of growing global climate change and are therefore a major focus of policies, regulations, business models and technological responses to limit climate change. The GHG Protocol is in line with the objectives of the Paris Climate Agreement.

⁵ Defined by means of Guidelines on Non-Financial Reporting: Supplement on reporting climate-related information (2019).

⁶ Recommendations for productivity growth at the company level are also cited by the authors of the following publication: Achieving growth that matters (edited by. Domadenik Muren, Koman, Redek, 2021).

⁷ The indicators were selected in the following manner: according to their consistency with existing international systems and standards, according to their importance for long-term value creation, their universality within a diverse SSH's portfolio and its public commitments (such as, for example, gender diversity in management and supervisory bodies). The selected indicators do not represent a comprehensive monitoring of companies as regards sustainable business.

GHG emissions – GRI 305:1-3, TCFD, GHG Protocol <https://ghgprotocol.org/>

The companies set a baseline (and a reduction target) for GHG emissions:

- at least **Scope 1** (Direct GHG): direct greenhouse gas emissions can come from sources owned or controlled by an enterprise, and **Scope 2** (indirect GHG)⁸: Indirect greenhouse gas emissions can come from the generation of electricity (generated and consumed), heating, cooling and steam (collectively referred to as "Electricity"),

- **absolute GHG emission target (metric tonnes of CO₂e achieved and a reduction percentage compared to a reference year).**

Setting these targets will ensure the direction and the structure of the environmental strategy. This key performance indicator helps to understand the company's commitment to reduce GHG emissions and shows whether a company has a goal towards which it coordinates and directs its emissions efforts.

SSH expects SOEs included on the list of the TOP20 portfolio companies to submit their 2021 results by the end of the third quarter of 2022. Considering the specifics of their operation, the same requirement and deadline applies to other companies, which have not yet established an appropriate measurement system, specifically, to put in place such system and report to SSH about their 2021 results. It is also expected that companies, which have not yet done so, will develop a decarbonisation plan based on the established baseline value, and define short-term, medium-term and long-term goals for 2025, 2030 as well as ambitions for 2050, including potential additional intermediate milestones. The said plan is expected to be prepared by the end of the third quarter of 2022 or by the end of October 2022 at the latest and submitted to SSH.

2. Topic G: DIVERSITY OF MANAGEMENT AND SUPERVISORY BODIES - by gender

Promoting social and economic inclusion, irrespective of age, sex, disability, race, ethnicity, origin, religion or other status is an important aspect of good people management. Gender and ethnic/cultural diversity, particularly within executive teams, are closely correlated to both financial and non-financial performance and enhance the stability of companies across the globe. More diverse companies are better able to innovate, attract top talent, improve their customer orientation, enhance employee satisfaction and secure a licence to operate. Inclusion and diversity are likely to become core to an organization's business model in the future⁹. SSH therefore expects SOEs to properly consider the importance of diversity and address this topic in connection with the needs and specifics of their operations by defining categories to monitor, clarify measurement and set goals in this area in accordance with GRI standard 405-1b: Diversity and Inclusion (%): Percentage of employees per employee category, age group, gender and other indicators of diversity. SSH will monitor these indicators of diversity as part of its regular corporate governance activities.

Gender diversity of management and supervisory bodies is one of the important elements of diversity which indicates a successful society. The level of gender diversity in management and supervisory bodies is not yet at the expected level and everyone in the corporate governance system is responsible for raising the share of the under-represented gender. In accordance with Article 70 of ZGD-1 and the recommendations of Governance Codes, the Supervisory Boards of audited companies should specify the targeted gender diversity levels, the time frame and the ways to achieve this goal in their Diversity Policy which applies to management and supervisory bodies. As the umbrella manager of SOES, and acting within the limits of its shareholder's entitlements, SSH can make an important contribution to the gender diversity of management and supervisory bodies. SSH is aware of this topic's significance, and by joining the Initiative for voluntarily pursuit of targeted gender diversity in leadership bodies, has confirmed its commitment in this area. The said initiative is also supported by the Slovenian Directors' Association, Managers Association of Slovenia, LJSE and the Ministry of Labour, Family and Social Affairs. The aim of this initiative is to achieve gender diversity with the proposed structure by the end of 2026: i.e., 40% for members of supervisory boards and a total of 33% for members of supervisory boards and management boards of the under-represented gender in public limited companies and state-owned companies. **SSH expects that competent bodies of SOEs, as well as of subsidiaries in a Group, in which a controlling company is a SOE, will make decisions so that the necessary efforts will be made to reach the target of 40% for members of supervisory boards and a total of 33% for members of supervisory boards and management boards of the under-represented gender, starting in 2022. SSH undertakes to observe the same commitment when pursuing its corporate governance related activities. It is necessary to be aware of the fact that members of management and supervisory bodies are appointed for a term of office, which usually lasts from 4 to 6 years, which means that the process of proposing or appointing new members, which is to be conducted in 2022, must already observe the above-mentioned commitment to achieve the expected target.**

⁸ Considering the development of EU regulations and technical standards with respect of reporting of the GHG Protocol, Scope 3, and in view of the planned implementation in 2023, companies should take due account of this fact and carry out their preparatory activities in a timely manner

⁹ Summarised from *Measuring Stakeholder Capitalism – Towards Common Metrics and Consistent Reporting of Sustainable Value Creation (2020)*.

GRI 405-1b**Diversity and Inclusion (%):**

Percentage of employees per employee category, age group, gender and other indicators of diversity.

Gender diversity in management and supervisory bodies in %, by under-represented gender

Objective: **40% for members of supervisory boards and a total of 33% for members of supervisory boards and management boards of the under-represented gender in all SOEs by the end of 2026.**

3. Topic S: EMPLOYEE DEVELOPMENT

In addition to rapid development in new technologies, accelerated digitalization, high market competitiveness, changes in HR policies due to changing values and expectations from employees, increasing HR risks have been identified by SSH for several years when monitoring companies' operations. Similar concerns were also expressed during periodic meetings held with SOEs. These risks refer to the provision of sufficient and suitably qualified and committed staff, both in terms of the risk of retaining existing staff and in terms of the risk of providing specific knowledge for the future, which is related to emerging jobs, and particularly in case of the provision of young talent.

As a result, SSH has formulated a specific expectation and have addressed it to SOEs as well as to subsidiaries in a Group, in which a controlling company is a SOE. The said expectation is to be dealt with in their HR strategies, and by applying the necessary due diligence during the process. Considering the expected development of a company, in light of their business forecasts, competitors' activities in the market and with the aim to take advantage of investment opportunities brought by Industry 4.0 and green transformation, SOEs and their respective subsidiaries are expected to (i) identify both critical and all skills required, (ii) prepare appropriate training plans and implement them, (iii) invest in building a culture of lifelong learning and (iv) focus on flexibility and resilience. Areas of education differ at a company level, which is why SSH will monitor achievements at the portfolio level according to the GRI 404-1 indicator, taking into account the data regarding overall education per employee. The general direction is that the level of qualification of employees with knowledge of the future increases in accordance with the development and needs of a company. SSH will monitor the process for achieving goals set by companies. The said indicator will also be monitored separately by companies, obviously taking into account specific characteristics of company's operations and risks with regard to their respective industries which may affect company's performance. Expectations will be formulated accordingly.

GRI 404-1**Knowledge for the future: Conducted trainings.**

Average hours of training per person in an organization per year = total number of hours of training provided to employees / total number of employees.

This indicator may include several categories: a company can be categorized by employees as well as by important topics of education (digitalization and innovation, green transformation, risk management, strategy, sector-relevant content....).

3.3.3. Statutory restrictions in managing state assets

SSH manages state assets in accordance with applicable laws and regulations and the adopted legal documents on asset management. Certain rules and statutory solutions may be viewed as limitations in managing capital assets, however, they also have their own purpose, usually of a protective nature. In this regard, the following limitations in asset management are pointed out:

- The provision of Article 20, Paragraph 3 of ZSDH-1 stipulates that SSH must not interfere with the independence of the corporate bodies, and especially, it must not intervene with individual business and governance decisions.
- It has been made clear in Chapter 3.3.1 that an important restriction in managing state assets is imposed by provisions of ZGD-1 which refer to the restricted shareholder's right to information. When public companies are referred to, the provisions of ZTFI must also be taken into consideration.
- SSH must observe provisions of the take-over legislation which force a shareholder to publish a take-over bid for all remaining shares not yet held by the shareholder when the take-over threshold or the additional take-over threshold is reached. In other words, this means that SSH cannot increase the participation of the State in a target company above the take-over threshold or above the additional take-over threshold when there is no willingness to acquire the remaining shares of the target company.
- SSH must observe the provisions of the law which regulates the prevention of the restriction of competition. Among other things, this means that in case of a potential concentration, the responsible authority must be notified of the latter and activities aimed at implementing the concentration must be suspended until the decision on the compliance of concentration with competition rules is issued. SSH avoids concentration when it is believed that concentration of

undertakings is questionable from the aspect of legal competition rules and submits to the regulatory body a proposal of correction measures.

- In case of certain measures regarding asset management, SSH must take into account the rules on state-aid. These must also be considered in the processes for the sale of state assets which, among other things, means that, as a rule, in a Sale and Purchase Agreement, a prospective buyer cannot be obliged to satisfy the non-financial commitments. SSH must observe the rules on state-aid when carrying out processes for the acquisition of capital assets.
- SSH must take into account the Asset Management Strategy within the scope of which asset management measures are determined in every AAMP.
- In accordance with the provisions of the Prevention of Money Laundering and Terrorism Financing Act ("ZPPDFT-1"), SSH is obliged to implement a customer due diligence to carry out some legal transactions and determine a beneficial owner which may give rise to restrictions in closing transactions with certain potential clients.

The remuneration policy for management bodies is considered as being an important leverage for motivating the management in order to attain company's goals and strategy. It may also be an important tool for the owners to align the interests of the management with their interests, encouraging the management to work for the company's long-term success and towards sustainable business. The Act amending the Companies Act (ZGD-1K), which entered into force on 24 February 2021, introduced a new requirement for companies quoted on a regulated market. Since 24 August 2021, the said Act envisages the Remuneration Policy for management and supervisory bodies and executive directors of such companies to be formulated and submitted to approval to the General Meeting. It has to be noted that voting on the said Remuneration Policy is of an advisory nature only. When the General Meetings disapproves of such Policy, a modified Remuneration Policy has to be prepared and submitted to the next General Meeting. Remuneration to be awarded by a company to members of management and supervisory bodies must be aligned with the Remuneration Policy submitted to the General Meeting for voting on its approval.¹⁰ The said requirement may also apply to other companies which are not quoted on a regular market, when so stipulated in the Articles of Association of an individual company, or when so decided by the General Meeting of such company.

As the remuneration policy with regard to enterprises in direct and indirect majority ownership of SSH/RS is regulated by ZPPOGD, no remuneration policy for management bodies has yet been passed at the General Meetings of such companies. Instead of a General Meeting, the remuneration policy used to be adopted by Supervisory Boards in the majority of large SOEs. SSH believes that new circumstances surrounding the regulation of this topic and the existing experience with respect of the implementation of ZPPOGD lead to a systemic reformation of the subject in question and which will establish a renewed remuneration system for members of management bodies of SOEs. When established, SSH will follow this framework within the limits of its entitlements. SSH has already started to implement the necessary preparatory activities and is currently conducting an analysis of the existing system. The SSH recommendation on the adoption of other rights for members of management bodies, which was issued as part of SSH Recommendations and Expectations 2020, may be construed as the early stage of the above-mentioned reformation. The actual result of activities planned by SSH will also depend on external factors, primarily on the political will of the Government of the Republic of Slovenia from the aspect of Article 23 of ZSDH-1 on one hand, and/or the responsible ministry, the Government of RS, and the National Assembly of RS with respect to amendments to ZPPOGD, on the other.

The requirement of the amended ZGD-1K also stipulates that, since 24 August 2021 onwards, companies which are quoted on a regular market, are liable to prepare a **Remuneration Report for the last financial year**. Such report must be submitted to the General Meeting in the same manner as an Annual Report. The General Meeting is given the right to conduct advisory voting. The Remuneration Report shall include a comprehensive review of earnings, including all fringe benefits in any kind which have been provided to or are owed by a company to an individual member of a management or supervisory body or an executive director in the preceding financial year, in accordance with the Remuneration Policy approved by the General Meeting in a manner described above. The company provides an explanation as regards the manner how the voting by the General Meeting was observed in the Remuneration Report of the following year. The amendments of ZGD-1K also stipulate that no such Resolution by the General Meeting is required for SMEs when the Remuneration Report is presented as a special item on the agenda to be discussed by the General Meeting, or the Articles of Association or General Meetings themselves may also stipulate otherwise.

SSH is informed of earnings received by top executives through Annual Reports of companies and at regular AGMs of SOEs and expects their income to be disclosed in accordance with the provision of Article 294 of ZGD-1 and the Corporate Governance Code for SOEs. As regards the treatment of remuneration policy, SSH holds a position that is that it has to be compliant with ZPPOGD (with respect to companies liable to adhere to it) and Article 270 of ZGD-1 which stipulates that remuneration received by an individual member must be proportionate to the extent of his/her duties and to the financial condition of a company.

¹⁰ Prior to the above-mentioned amendment of ZGD-1K, the Companies Act stipulated that the Remuneration Policy for members of management bodies might be adopted by the General Meeting. This decision used to be of a binding nature.

Another amendment included in ZGD-1K must be mentioned; it is now stipulated that since **24 May 2021 onwards, medium and large companies, which function as a public interest entity and are organised as a limited liability company, should have a supervisory board and an audit committee** (unless one of the stipulated exemptions has been enforced). The remuneration policy for members of supervisory boards of such companies, as stipulated by the SSH Code, which is based on the provision of Article 284 of ZGD-1, requires a suitable proportion to be observed as regards earnings received and duties carried out by a member of a supervisory board, on one hand, and the financial condition of a company on the other hand. As a result, and with the aim to ensure a uniform approach to adjust the remuneration policy for supervisory bodies, special recommendations to regulate earnings for members of supervisory boards of such companies have been formulated and issued by SSH in May 2021. **Recommendations for regulating earnings for members of supervisory boards of those public interest entities** that have been established on account of ZGD-1K, stem from the remuneration system for members of supervisory bodies as regulated by SSH Code. An approach has also been recommended by way of which the "remaining level of complexity involved when carrying out duties and responsibilities" of members of supervisory boards should be assessed by companies for the newly formed supervisory boards. "The remaining level of complexity involved when carrying out duties and responsibilities" is an estimated level of expected complexity of duties and responsibilities assumed in a specific company with regard to the usual level of complexity of duties and responsibilities in a representative undertaking included in the SSH's portfolio, obviously, comparable in size. The said level of complexity is expressed in percentages. Recommendations include a definition of measures on the basis of which such complexity level is assessed. The assessment of the complexity level involved in duties and responsibilities undertaken by supervisory boards of companies is to be determined by companies (specifically, by a General Meeting or a founder).

4. MACROECONOMIC OUTLOOK

The International Monetary Fund predicts¹¹ global economy to grow by 4.9% in 2022, and by 3.5% in 2023. According to the baseline scenario, the economic growth in advanced economies is to amount to 4.4% in 2022 while it is expected to stand at 5.2% in developing economies. The GDP growth of the global economy is forecast to stand at 6.0% in 2021. The growth in economic activity is expected to be higher in developing economies, amounting to 6.3%, whereas advanced economies are to record the growth of 5.6%. The IMF predicts the growth in the GDP of the Euro area to amount to 4.6% in 2021, and 4.3% for 2022, while growth of 4.7% is forecasted for the European Union in 2021 and 4.4 % in 2022. A 7.0% growth in economic activity is projected for the USA in 2021, and 4.9 % in 2022.

In addition to fiscal measures carried out by individual countries and regions in the fight against the corona crisis, the global economic growth will also depend on the effectiveness of ongoing recovery programs and on the measures undertaken by the most important central banks. In this regard, measures taken by the ECB and the FED are the most important ones. Analysts, who have been involved in the survey by the *Bloomberg* financial portal, forecast the ECB interest rate on deposit facility to stand at -0.5% at the end of 2021 (median of the estimated values), with the same value to be maintained at the end of 2022 and 2023. Currently, the ECB interest rate on deposit facility amounts to -0.5%. Individual commercial banks in Slovenia have introduced negative interest rates for private customers with the threshold decreased even up to EUR 100,000 at the beginning of period when the said charges started to be collected. According to the *Bloomberg* analysts, ECB's interest rate is expected to stand at 0% in 2021, 2022 and 2023. Financial markets will thus pay great attention to more specific information from ECB as regards the withdrawal of the stimulus programme. In 2021, the FED kept its benchmark interest rate steady at a range between 0% and 0.25%. In their forecasts, analysts see the upper limit of the FED benchmark interest rate range at 0.25 % at the end of 2021 and 2022 and at 0.75% in 2023. At its last meeting in September 2021, FED announced the end of the COVID-19 pandemic stimulus programme (bond purchasing) to take place sometime in the middle of 2022 in which case the beginning of interest rates hikes would not be linked to a specific event. In spite of different opinions held by Governors sitting in the Federal Open Market Committee as regards the time frame on when to raise the interest rates, the FED gave a clearer picture about the future monetary policy than ECB. When analysing future decisions to be made by the ECB on monetary policy changes, it is rather unknown how the ECB treats the inflation rate higher than 2% within the horizon of measuring inflation rate and makes the ECB position that inflation rate will be stabilised at 2% in the medium-term unclear.

Table 2: **Overview of history data and forecasts for Slovenia (IMAD, OECD, EC, analysts)**

Indicator (in %)	2017	2018	2019	2020	Outlook 2021	Outlook 2022	Outlook 2023
Real gross domestic product (GDP) (analysts' estimate)	4.8	4.4	3.3	-4.2	4.9	4.6	3.5
IMAD					6.1	4.7	3.3
European Commission					5.7	5.0	
OECD					3.5	4.6	
CPI, inflation (analysts' estimate)	1.4	1.7	1.6	-0.1	1.4	1.5	1.6
IMAD					1.4	2.0	1.9
European Commission					1.4	1.7	
OECD					0.8	1.1	

Source: *Bloomberg, IMAD, Statistical Office of RS*

According to IMAD's forecasts (a baseline scenario), a highly positive economic growth is predicted for Slovenia for 2021 as a result of a strong economic rebound following a sharp fall in GDP in 2020 (COVID-19). Important measures have been taken to mitigate negative effects of the epidemic under the anti-corona crisis legislative packages, and future economic activity will be affected not only by the future state of the epidemic but also by appropriate economic restructuring as part of the exit strategy, which should include green and digital transition. Collection of funds from the Recovery and Resilience Fund and other EU funds will play an important role in this transition.

IMAD expects a relatively high economic growth in 2021 which, however, is expected to stabilise in 2022 and 2023. The recovery has been noticed in industries which are linked to international trade (transport, manufacturing activities), investments in machines and equipment are increasing, exports and imports are raising. In some industries (for example, activities linked to international trade), the level of activities is even higher than before the crisis, but data about other activities, although having seen recovery (entertainment services, sports and hospitality industry), are still below the pre-crisis levels. It is expected that economic activity will raise above the 2019-levels already in 2021, yet some individual activities will, on average, reach the pre-

¹¹ Source: IMF; World Economic Outlook, July 2021

crisis levels in 2022. Owing to specific conditions typical for tourism, tourism-related services will reach the pre-crisis level sometime later. The year of 2021 (in 2021, the employment rate should only be by 2% higher than in 2019) and the subsequent two years are expected to see improved conditions on the labour market. The inflation rate in 2021 is expected to reach 1.4% in 2021 and 2% in 2022. The inflation in 2023 will probably mainly be driven by a growth in prices of services and higher nonenergy commodity prices. According to IMAD, higher growth in private consumption is envisaged for 2022, as a result of improved health conditions, eased uncertainty, increased travels and better conditions in the labour market (an increase in disposable income). Construction activities are also expected to increase - they will be stimulated by government investment (EU funds), private investments enabled by low indebtedness, and residential construction. The growth in government consumption is supposed to gradually decrease in 2022 and 2023 (high epidemic-related expenditure in 2020 and 2021). While on average, total exports and imports will reach pre-crisis levels already in 2021, trade in services is expected to recover more slowly. Imports and exports are to recover strongly in 2022 in which case only import of services is expected to exceed the 2019-levels. Future movements in economic activity will thus depend on the progress of the epidemic (the scope of restriction measures), the volume of government investment (construction activity), constraints on the supply side (manufacturing activities) and private consumption. Owing to the export-oriented nature of the Slovenian economy, the activity levels will also be affected by epidemic conditions abroad (restriction measures). Future movements in economic activity may also be jeopardized by high inflation driven by fast recovery in demand and long-lasting global constraints on the supply side. A lasting improvement in epidemic conditions should be mentioned as a driver of a higher economic growth than predicted by the baseline scenario; such improvement would trigger greater household spending (relaxation of savings) and higher investment activities (as a result of a greater level of trust). Higher global and European economic growth would provide an additional stimulus (in case of main trade partners) and successful economic restructuring (efficient use of funds from the Recovery and Resilience Programme in Europe). The economic growth in Europe is supposed to be driven by fiscal and monetary measures, private consumption, and investments.

Table 3: *ECB's macroeconomic outlook for the Euro area*

Indicator (in %)	2017	2018	2019	2020	Outlook 2021	Outlook 2022	Outlook 2023
Real GDP	2.6	1.9	1.5	-6.3	5.0	4.6	2.1
CPI, inflation	1.5	1.8	1.2	0.3	2.2	1.7	1.5

Source: *Bloomberg*.

The depth of the fall in GDP in the Euro area was significant in 2020, and the corona crisis only additionally showed how unprepared the European economy was to face the effects of a crisis. It also points out many underlying structural problems of European economies: some European economies have entered the crisis unprepared, overindebted, carrying unresolved problems from the past, the national economy relied too much on one few individual sectors, having too much weigh in the structure of national economy (for example, tourism). The depth of the fall in GDP in the EUR area, which was greater than in the developed economies of the world (- 4,6% GDP in 2020), is the result of insufficient or untimely fiscal measures taken by individual European governments in the face of the crisis. The economic growth outlook for 2021 indicates several concerns for the economy of the Euro area; GDP growth is namely not forecasted to grow so much as to recover the decline recorded in 2020, while other world's developed economies will average higher growth than was the fall of 2020 (GDP growth in 2021 at 5.6%) and will thus neutralise the contraction of their economies which took place in 2020. A deeper fall in the GDP during the crisis and a slower bounce back during the recovery represent a huge problem for the Euro area in terms of its global competitiveness and in terms of Europe's position as one of the centres of the world's economic power. Owing to past mistakes mentioned above and inadequate response by individual European governments to the first wave of the epidemic, it is crucial for the Euro area to use funds which will be made available under the Recovery and Resilience Fund efficiently and effectively, also from the aspect of the green and digital transition which will make the European economy more competitive, resilient and prosperous in the future. The awareness that the financial system, and indirectly, the economy, needs to be supported by the ECB's monetary policy is demonstrated by the fact that the ECB sees no hurry in withdrawing the stimulus programme, and that, despite the increasing inflationary pressures taking place in the middle of 2021. The ECB has only been placating financial markets and has maintained its position not to raise the key interest rate before being convinced that the inflation rate above the 2% target is permanent over the entire period of the projection horizon which has been set to examine the inflationary pressures, in light of any future actions in terms of monetary policy. Europe needs favourable economic conditions in the years to come since the indebtedness of the European governments on account of fiscal measures, which have been taken to mitigate the negative impacts of the pandemic, has increased their public debt which on average amounts to 100% of GDB (in individual Member States more, in other less). It is therefore envisaged that GDB will increase in 2022 due to a smaller volume of restricting epidemiological measures, a decline in uncertainty and global economic recovery. The accommodative monetary and fiscal policy, investments from the Next EU Generation package and resolved problems connected with global supply chain bottlenecks are expected to have a positive impact on the economic growth. Private consumption is believed to be the main driver accelerating the economic growth (relaxed savings, which have built up during the pandemic, rising household income) which is expected to exceed the 2019-level in Q1 of 2022. According to the ECB, business investments are to reach the pre-crisis level already at the end of 2021. In line with the ECB's assessment of the

unemployment rate, unemployment is expected to fall below the level typical for the period before the corona crisis. All projections, prepared by the ECB, however, depend on the evolution of COVID-19 in Europe and around the world.

Table 4: *FED's macroeconomic outlook for the USA*

Indicator (in %)	2017	2018	2019	2020	Outlook 2021	Outlook 2022	Outlook 2023
Real gross domestic product (GDP)	2.3	2.9	2.3	-3.4	5.9	3.8	2.5
CPI – consumer price index CPI, inflation (analysts' estimate) forecast - Core PCE Index	2.1	2.5	1.8	1.2	3.7	2.3	2.2

Source: *Bloomberg*.

After a sharp contraction in 2020, the FED has forecasted a strong bounce back for the USA economy in 2021, and it is worth highlighting that the GDP growth estimated for 2021 is expected to neutralize the fall as a result of the negative effects of the corona virus in 2020. When comparing the GDP data for 2020 and the movements in GDP for 2021, the US economy shows a significantly better economic condition than the economy of the Euro area. As a result, the US economy has gained a better weight than Europe in terms of its significance and the competitive status on the global market. Financial markets will closely monitor the FED's decisions to raise the key interest rate, although it has to be noted that the FED's decision-makers hold different views in that regard. Current inflationary pressures will surely not be disregarded, and forecasts of future inflation developments will also be at the centre of the financial market's attention. At its meeting in September 2021, 9 members of the FED's Federal Open Market Committee (FOMC) forecasted an interest rate hike in 2022 while at the same time the remaining 9 members were of the opinion that no hike was to be expected in 2022. Given that the position maintained by the Governors as regards the future interest rate is equalized, it will be the decision to be taken by the US President Biden or the FED's Chairmen of the Board of Governors, Powell, whose tenure expires in 2022, the one that will be of great significance. Everybody, with the exception of one member of the FOMC, expects interest rate to be raised at least once by the end of 2023. In addition to the date of the interest rate hike, financial markets will also be affected by the tempo of the interest rate raises. When monitoring decisions on interest rate hikes, it will be interesting to read the FED's interpretation as regards the relevant reference period during which the inflation rate should amount to the targeted 2% or stand above the level which would require interest rate to be raised. Positions held by the FED's decision makers are more aligned when their assessment of conditions on the labour market is considered (an important aspect of the FED's activities and for its monitoring of the corona-crisis exit strategy); in fact, according to the majority of the said decision makers, the labour market has already achieved a significant progress, also thanks to the stimulative financial measures having been carried out by the FED. These findings are very important with respect of analysis which will examine how and when the FED will make the decision whether to continue with the stimulus programme (whether to reduce its volume or to end it, and similar decisions).

5. SSH'S ASSET MANAGEMENT PORTFOLIO

4.3. State assets managed by SSH

SSH manages assets which are owned by SSH and assets which are owned by RS but managed by SSH.

As of 31/10/2021, SSH managed assets in 68 companies, of which 46 companies held stakes owned solely by RS and 11 companies held stakes owned solely by SSH while the remaining 11 companies held stakes owned by both RS and SSH. As of 31/10/2021, the portfolio of 68 portfolio companies included assets held in 10 companies which the Republic of Slovenia acquired on the basis of the law regulating inheritance. Out of the total number of companies with capital assets under SSH's management, liquidation proceedings are being conducted for 7 companies.

Table 5: *Lists of SSH and/or RS assets managed by SSH as of 31/10/2021*

Lfd. No.	Asset	Asset type	RS ownership stake* (%)	SSH's ownership stake* (%)
ENERGY SECTOR				
1	ELEKTRO CELJE, D. D.	STRATEGIC	79.50	
2	ELEKTRO GORENJSKA, D. D.	STRATEGIC	79.48	0.31
3	ELEKTRO LJUBLJANA, D. D.	STRATEGIC	79.50	0.30
4	ELEKTRO MARIBOR, D. D.	STRATEGIC	79.86	
5	ELEKTRO PRIMORSKA, D. D.	STRATEGIC	79.68	
6	EGS-RI, D. O. O.	PORTFOLIO	100.00	
7	GEN ENERGIJA, D. O. O.	STRATEGIC	100.00	
8	GEOPLIN, D.O.O. LJUBLJANA	IMPORTANT	25.01	
9	HSE, D. O. O.	STRATEGIC	100.00	
10	INFRA, D. O. O.	IMPORTANT	100.00	
11	NAFTA LENDAVALA, D. O. O.	IMPORTANT	100.00	
12	PETROL, D. D.	IMPORTANT	10.82	12.68
13	PLINHOLD, D. O. O.	STRATEGIC	60.10	0.05
14	RTH, D. O. O. TRBOVLJE - IN LIQUIDATION	PORTFOLIO	100.00	
15	RUDNIK KANIŽARICA V ZAPIRANJU, D. O. O. ČRNOMELJ - IN LIQUIDATIONA	PORTFOLIO	100.00	
16	RŽV, D. O. O.	PORTFOLIO	100.00	
FINANCIAL SECTOR				
17	D.S.U., D. O. O.	IMPORTANT	100.00	
18	DTK MURKA, DRUŽBA TVEGANEGA KAPITALA, D. O. O. – IN LIQUIDATION	IMPORTANT	49.00	
19	M1, D. D.	PORTFOLIO	0.00	
20	NLB, D. D.	IMPORTANT	25.00	
21	PRVI SKLAD, DRUŽBA TVEGANEGA KAPITALA, D. O. O. – IN LIQUIDATION	IMPORTANT	48.90	
22	SAVA RE, D. D.	IMPORTANT	13.89	17.68
23	SID BANKA, D. D.	STRATEGIC	99.41	
24	STH VENTURES, DRUŽBA TVEGANEGA KAPITALA – IN LIQUIDATION	IMPORTANT	49.00	
25	ZAVAROVALNICA TRIGLAV, D. D.	STRATEGIC	34.48	28.09

Table 6: Lists of SSH and/or RS assets managed by SSH as of 31/10/2021 – continued

Lfd. No.	Asset	Asset type	RS ownership stake* (%)	SSHS ownership stake* (%)
TOURISM AND ECONOMY				
26	A.L.P. PECA, D. O. O.	PORTFOLIO	9.09	
27	ADRIA, D. O. O.	PORTFOLIO		11.74
28	BODOČNOST MARIBOR, D. O. O.	PORTFOLIO	77.52	
29	CASINO BLED, D. D.	PORTFOLIO		33.75
30	CASINO PORTOROŽ, D. D.	PORTFOLIO		9.46
31	CETIS, D. D. CELJE	PORTFOLIO		7.47
32	CINKARNA CELJE, D. D.	PORTFOLIO		11.50
33	CSS, D. O. O.	PORTFOLIO	97.96	
34	ELEKTROOPTIKA, D. D.	PORTFOLIO	0.01	70.48
35	HIT, D. D. NOVA GORICA	PORTFOLIO		20.00
36	URADNI LIST REPUBLIKE SLOVENIJE, D. O. O.	STRATEGIC	100.00	
37	KOTO, D. O. O.	PORTFOLIO	66.23	
38	KRKA, D. D.	IMPORTANT	7.22	9.00
39	LOTERIJA SLOVENIJE, D. D.	STRATEGIC		15.00
40	POMGRAD - VGP, D. D.	IMPORTANT	25.01	
41	PS ZA AVTO, D. O. O. LJUBLJANA	PORTFOLIO		90.00
42	SAVA, D. D.	IMPORTANT		18.69
43	SAVAPROJEKT, D. D.	PORTFOLIO	3.47	
44	SIJ, D. D.	IMPORTANT	25.00	
45	STUDENTENHEIM KOROTAN GMBH	PORTFOLIO	100.00	
46	TELEKOM SLOVENIJE, D. D.	PORTFOLIO	62.54	4.25
47	TERME OLIMIA, D. D.	IMPORTANT	43.26	4.01
48	UNIOR, D. D.	PORTFOLIO		39.43
49	VARNOST SISTEMI, D. O. O.	PORTFOLIO		9.74
50	VGP, D. D.	IMPORTANT	25.00	
51	VGP DRAVA PTUJ, D. O. O.	IMPORTANT	25.00	
52	VGP NOVO MESTO, D. D.	IMPORTANT	25.00	
TRANSPORT				
53	DARS, D. D.	STRATEGIC	100.00	
54	KOPP, D. O. O.	STRATEGIC	100.00	
55	KZPS, D. O. O.	STRATEGIC	100.00	
56	LUKA KOPER, D. D.	STRATEGIC	51.00	11.13
57	POŠTA SLOVENIJE, D. O. O.	STRATEGIC	100.00	
58	SŽ, D. O. O.	STRATEGIC	100.00	

- Note:
- After the purchase price is paid, the holdings of Varnost sistemi, d. o. o. is going to be transferred in accordance with the provision of the Sale and Purchase Agreement.
 - Holdings are rounded up to two decimal places. When the holding of 0.00 % is referred to, this means that there is an ownership stake in a company and that it has been rounded up to 0.005 %.

Table 7: *Lists of assets acquired in the SSH's ownership pursuant to the Inheritance Act, as of 31/10/2021*

Lfd. No.	Asset	Ownership RS shareholding (in %)
1	AGIS TECHNOLOGIES, D. D.	0.00
2	DEKORUS, D. O. O.	100.00
3	IBI KRANJ, D. D. - IN LIQUIDATION	0.00
4	IBT TRBOVLJE, D. D.	0.04
5	KOMPAS RAC, D. D. LJUBLJANA - IN LIQUIDATION	0.01
6	KS NALOŽBE, D. D.	0.01
7	NTU, D. D.	0.03
8	POMORSKA DRUŽBA, D. D. PORTOROŽ	0.10
9	VELTA PLAST, D. O. O.	100.00
10	VIPA HOLDING, D. D.	0.00

Note: Holdings are rounded up to two decimal places. When the holding of 0.00 % is referred to, this means that there is an ownership stake in a company, and it has been rounded up to 0.005 %.

5.3. The structure of the portfolio under SSH's management

The concentration of the SSH's portfolio of assets under management (assets owned by RS, ZPIZ and SSH) kept increasing in the period from 2016 to September 2021. Owing to the sale of RS's assets in NLB and Abanka, the proportion of financial companies decreased significantly and the percentage of assets in companies from the three remaining pillars increased. The two largest pillars, the Energy Sector and Transport, now represent nearly three quarters of the SSH's portfolio of assets (61 % in 2016), according to the latest available data. The three largest SOEs included in these two pillars (DARS, HSE and GEN energija), if put together, hold a 48.8% weight (measured with book-value of the stakes under management). The structure of the portfolio of assets under SSH's management did not change significantly in 2021.

Figure 2: *Proportion of pillars in the portfolio of assets under SSH's management in the period from 2016 to September 2021*

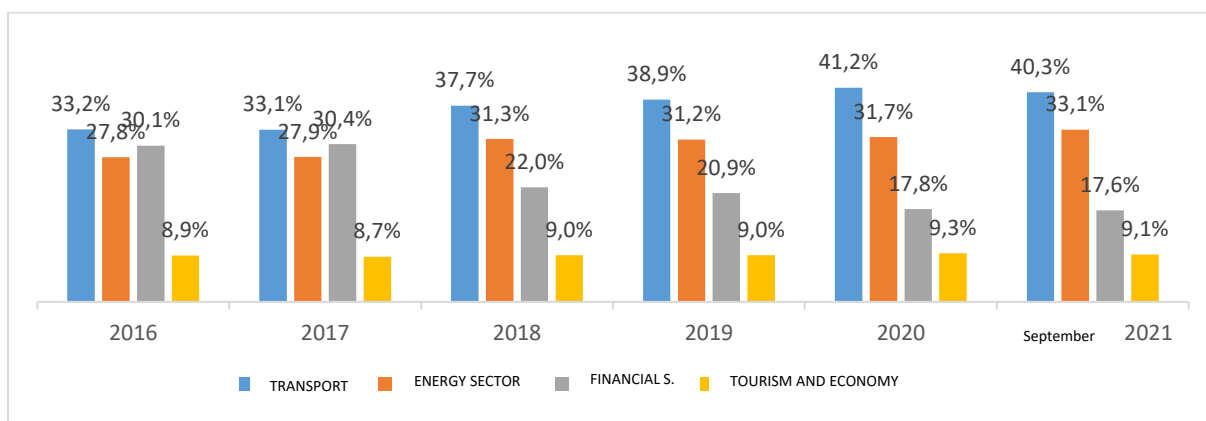
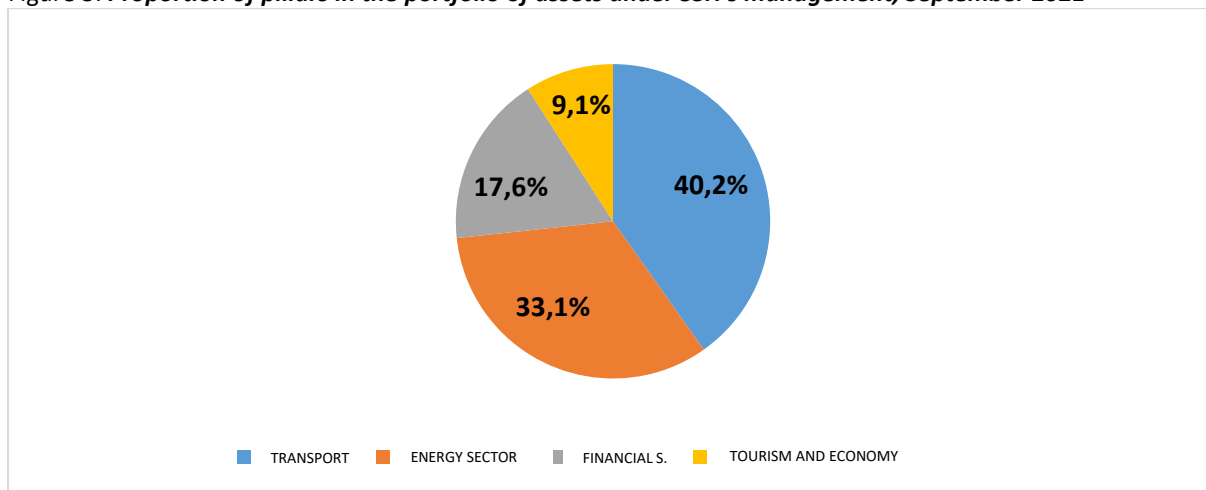
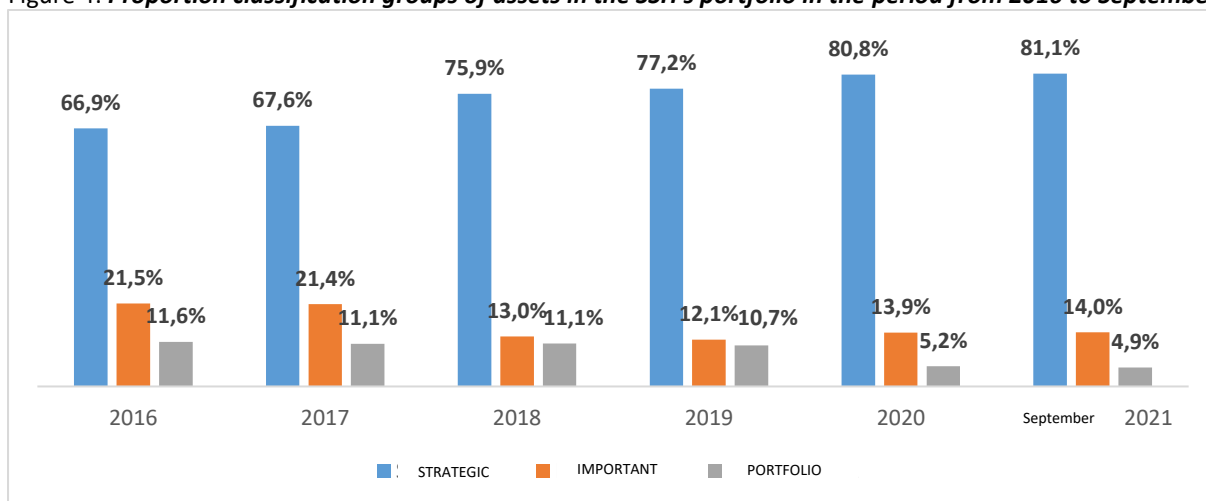


Figure 3: *Proportion of pillars in the portfolio of assets under SSH's management, September 2021*



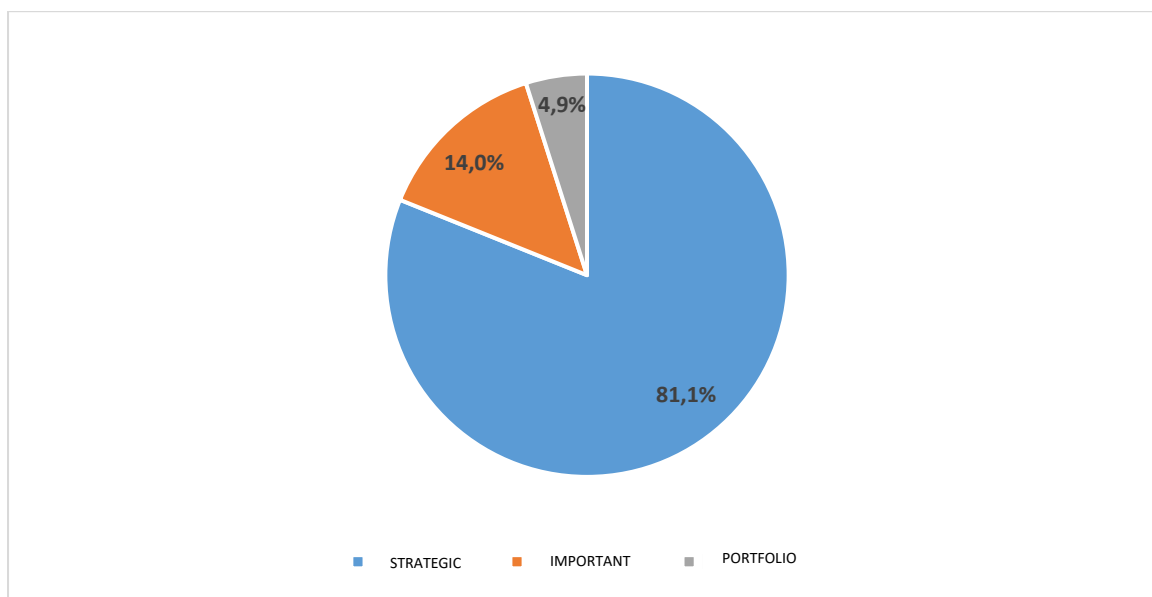
From the aspect of classification of assets, the SSH's portfolio has become increasingly more homogeneous due to the sale process which have been carried out¹². The proportion of strategic assets has increased, representing nearly as much as 81% of the total portfolio, according to the latest available data. The TOP 10 portfolio companies, which represent 80% of the SSH's portfolio, include seven companies with strategic assets, holding a 67.5 % weight. In 2021, there were no significant changes in the portfolio structure as regards the criteria of the classification of assets.

Figure 4: *Proportion classification groups of assets in the SSH's portfolio in the period from 2016 to September 2021*



¹² The State Assets Management Strategy has classified NLB as strategic and Abanka as portfolio asset.

Figure 5: *Proportion of classification groups of assets in the SSH's portfolio, September 2021*



6.3. State assets which are not included in this AAMP neither in the Special Section of AAMP

The classification of state assets, which is included in the State Assets Management Strategy, also refers to assets which are not managed by SSH and are thus not the subject of this AAMP. They include the following companies with RS's assets:

- **for which SSH does not hold any powers to participate at their General Meeting** (for example, KAD, STA d.o.o.); as a result, SSH cannot enforce any shareholder's entitlements;
- **which are under direct management of RS in accordance with special legislation** (for example, SODO, ELES, Borzen, Slovenski državni gozdovi, DRI, 2TDK);
- **state assets in companies in the process of acquisition:** in case of companies whose equity holdings are in the process of being acquired by SSH and/or RS, and RS and/or SSH do not hold them yet, SSH will prepare separate asset management plans for these companies if and when such assets are actually acquired; only at that point in time, SSH may commence with their management.

All of state assets managed by SSH are included in the Special Section of AAMP with the exception of state assets in companies which are subject to special circumstances owing to which the preparation of the Special Section of AAMP is not reasonable. These are:

- **assets in companies in liquidation (inactive companies):** companies in liquidation, including venture capital companies (as a matter of fact, all remaining venture capital companies are in liquidation), in which SSH's main goal of asset management is a successful completion of liquidation proceedings. As an exception, such assets may be included in a special section of AAMP, presented in a limited scope, when additional management activities are necessary or envisaged;
- **assets for which a Sale and Purchase Agreement with regard to the total stake held by SSH and/or RS has been concluded or any other type of written agreement** has been concluded but not yet finally realised. The management activities undertaken in such companies are minimal. In the management of state asset of these companies the goal of SSH is to successfully carry out activities envisaged to be taken in the period between the signing of the agreement and the closure of the transaction, when such activities are required for a successful closure of the transaction.
- **assets in companies in which RS and/or SSH hold only a minor equity holding;** given that the equity holding is low, SSH has a very limited influence on the corporate governance of such companies. In the management of such assets, SSH will strive to act for the benefit of RS and/or SSH, by taking into account the principle of economy and exercise its influence on voting. The fundamental goal pursued by SSH in the management of these assets is to ensure suitable conditions for selling these assets. Their sale will be conducted by means of a public call to submit bids.
- **assets in companies which have been acquired pursuant to the law regulating inheritance and in which RS holds a majority or a 100% stake:** these are inactive companies which have not drawn up their financial statements for more than 2 years and for which the legal basis is being established for initiating bankruptcy proceedings.

Table 8: *List of assets managed by SSH in companies not included in the Special Section of AAMP, as of 31/10/2021*

Lfd. No.	Asset	Asset type	RS ownership stake* (%)	SSHS ownership stake* (%)	TOTAL ownership stake* (%)
1	A.L.P. PECA, D. O. O.	PORTFOLIO	9.09		9.09
2	AGIS TECHNOLOGIES, D. D.	PORTFOLIO	0.00		0.00
3	CASINO BLEDE, D. D.	PORTFOLIO		33.75	33.75
4	CASINO PORTOROŽ, D. D.	PORTFOLIO		9.46	9.46
5	DEKORUS, D. D.	PORTFOLIO	100.00		100.00
6	ELEKTROOPTIKA, D. D.	PORTFOLIO	0.01	70.48	70.49
7	IBI KRANJ, D. D. – IN LIQUIDATION	PORTFOLIO	0.00		0.00
8	IBT TRBOVLJE, D. D.	PORTFOLIO	0.04		0.04
9	KOMPAS RAC, D. D. LJUBLJANA - IN LIQUIDATION	PORTFOLIO	0.01		0.01
10	KS NALOŽBE, D. D.	PORTFOLIO	0.01		0.01
11	M1, D. D.	PORTFOLIO	0.00		0.00
12	NTU, D. D.	PORTFOLIO	0.03		0.03
13	POMORSKA DRUŽBA, D. D.	PORTFOLIO	0.10		0.10
14	RUDNIK KANIŽARICA V ZAPIRANJU, D. O. O. ČRNOMELJ – IN LIQUIDATION	PORTFOLIO	100.00		100.00
15	SAVAPROJEKT, D. D.	PORTFOLIO	3.47		3.47
16	VARNOST SISTEMI, D. O. O.	PORTFOLIO			9.74
17	VELTA PLAST, D. O. O.	PORTFOLIO	100.00		100.00
18	VIPA HOLDING, D. D.	PORTFOLIO	0.00		0.00

Note: Holdings are rounded up to two decimal places. When the holding of 0.00 % is referred to, this means that there is an ownership stake in a company, and it has been rounded up to 0.005 %.

6. ROE OF ASSET MANAGEMENT PORTFOLIO - AS EXPECTED AND AS REALISED - BY PILLAR/AREA

6.1. Proportion of largest companies with state assets in portfolio pillars as of 30/6/2021

Table 9: *The proportion of TOP 5 companies with state assets in individual pillar (using the book value as the relevant criterion) in regard to the total SSH portfolio of state assets under management as of 30/06/2021, in %*

TRANSPORT	
DARS, D. D.	28.8
SŽ, D. O. O.	5.5
POŠTA SLOVENIJE, D. O. O.	3.2
LUKA KOPER, D. D.	2.7
KZPS, D. O. O.	0.0
TOTAL	40.2
ENERGY SECTOR	
HSE, D. O. O.	10.8
GEN ENERGIJA, D. O. O.	9.2
ELEKTRO LJUBLJANA, D. D.	2.6
ELEKTRO MARIBOR, D. D.	2.3
PETROL, D. D.	1.9
TOTAL	26.8
FINANCIAL SECTOR	
NLB, D. D.	5.4
ZAVAROVALNICA TRIGLAV, D. D.	5.3
SID BANKA, D. D.	4.7
SAVA RE, D. D.	1.5
D.S.U., D. O. O.	0.7
TOTAL	17.6
TOURISM AND ECONOMY	
TELEKOM SLOVENIJE, D. D.	3.8
KRKA, D. D.	3.0
SIJ, D. D.	0.9
UNIOR, D. D.	0.7
CINKARNA CELJE, D. D.	0.2
TOTAL	8.6
TOTAL TOP 5 ALL PILLARS	93.2

Table 10: *Proportion of pillars in the portfolio under SSH's management as of 30/06/2021, in %*

Pillar	Proportion in RS+SSH portfolio
TRANSPORT	40.2
ENERGY SECTOR	33.1
FINANCIAL SECTOR	17.6
TOURISM AND ECONOMY	9.1
TOTAL	100.00

6.2. ROE of the portfolio in the 2017 – 2023 period, by pillars

Table 11: ROE of pillars in the portfolio under SSH's management, by years, in %

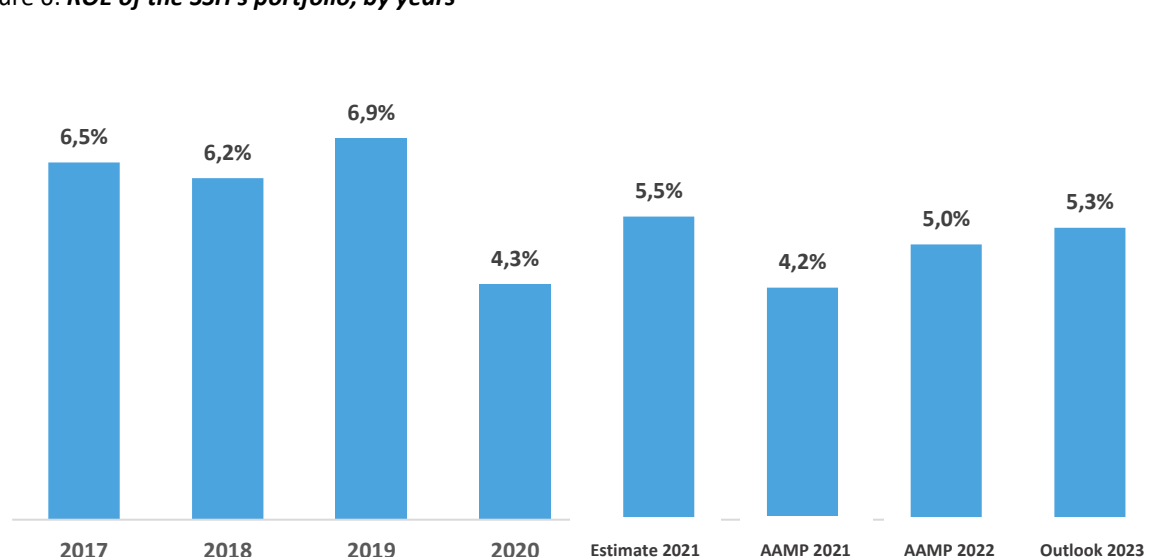
Pillar	2017	2018	2019	2020	ESTIMATE 2021	AAMP 2021	AAMP 2022	Outlook 2023
TRANSPORT	5.9	6.3	6.9	2.0	3.0	3.4	3.5	3.7
ENERGY SECTOR	3.4	3.2	4.7	5.4	6.0	3.8	5.1	5.1
FINANCIAL SECTOR	10.6	9.6	10.1	6.9	8.6	5.9	6.8	7.0
TOURISM AND ECONOMY	4.2	7.6	7.3	5.3	8.8	6.2	8.4	9.5
PORTFOLIO RS+SSH	6.5	6.2	6.9	4.3	5.5	4.2	5.0	5.3

Table 12: Book-value of RS and SSH assets and ROE of portfolio of assets under SSH's management by classification of assets, as of 30/06/2021

Pillar	Book value of shares of RS + SSH as of 30/06/2021 (in EUR mio)	Proportion in the RS's portfolio (in %)	ROE (in %) ESTIMATE 2021
TRANSPORT	4,148	40.2	3.0
ENERGY SECTOR	3,413	33.1	6.0
FINANCIAL SECTOR	1,810	17.6	8.6
TOURISM AND ECONOMY	935	9.1	8.8
PORTFOLIO RS+SSH	10,306	100.0	5.5

It has to be pointed out that calculation of ROE 2020 does not include two largest one-off events, specifically, the impact of the impairment of assets held by HSE due to TEŠ, and one-off positive impact recorded by NLB on account of its take-over of Komercijalna banka Beograd. ROE estimates for 2021 excludes one-off effects for the impairment of assets and a settlement achieved by and between General Electric and HSE. The ROE calculation for 2022 and 2023 includes the normalised values of ROE for HSE; at the time of drawing up this document, it is estimated that some key assumptions regarding the future operation of the HSE Group are still rather uncertain and a significant deviation in results planned to be achieved by HSE has been noticed. If extraordinary write-offs carried out in HSE were taken into account, ROE of the SSH's portfolio for 2022 would have amounted to 6.2% and to 6.0% in 2023. ROE of the Energy Pillar would stand at 9.1% in 2022 and 7.5% in 2023.

Figure 6: ROE of the SSH's portfolio, by years



6.3. ROE of the portfolio in 2017 - 2023 period, by classification of assets under management

Table 13: ROE of the portfolio of assets under SSH's management, by classification of assets, by years, in %

Classification	2017	2018	2019	2020	ESTIMATE 2021	AAMP 2021	AAMP 2022	Outlook 2023
STRATEGIC	4.8	5.0	6.1	3.7	4.5	3.5	4.0	4.2
IMPORTANT	13.0	10.6	12.6	8.6	11.1	8.2	10.2	10.7
PORTFOLIO	4.2	8.8	6.4	2.8	5.8	4.6	6.6	8.2
PORTFOLIO RS+SSH	6.5	6.2	6.9	4.3	5.5	4.2	5.0	5.3

Table 14: Book-value of RS and SSH assets and ROE of portfolio of assets under SSH's management by classification of assets, as of 30/06/2021

Classification	Book value of shares of RS + SSH as of 30/06/2021 (in EUR mio)	Proportion in the RS's portfolio (in %)	ROE (in %) ESTIMATE 2021
STRATEGIC	8,360	81.1	4.5
IMPORTANT	1,445	14.0	11.1
PORTFOLIO	502	4.9	5.8
PORTFOLIO RS+SSH	10,306	100.0	5.5

6.4. ROE of the portfolio in 2017 - 2023 period, by quotation of shares of companies under management

Table 15: The weighted rate of return on equity (ROE) of the SSH portfolio of assets under management, by quotation of shares, by years, in %

Quotation at the Stock Exchange	2017	2018	2019	2020	ESTIMATE 2021	AAMP 2021	AAMP 2022	Outlook 2023
QUOTED	7.5	10.8	9.7	8.7	9.8	8.8	9.4	10.0
NON-QUOTED	6.3	4.3	5.8	2.9	4.0	3.1	3.5	3.7
PORTFOLIO RS+SSH	6.5	6.2	6.9	4.3	5.5	5.9	5.0	5.3

Table 16: Book-value of RS and SSH assets and ROE of the portfolio by quotation of shares, as of 30/06/2021, in%

Quotation at the Stock Exchange	Book value of shares of RS + SSH as of 30/06/2021 (in EUR mio)	Proportion in the RS's portfolio (in %)	ROE (in %) ESTIMATE 2021
QUOTED	2,520	24.4	9.8
NON-QUOTED	7,786	75.6	4.0
PORTFOLIO RS+SSH	10,306	100.0	5.5

7. FORECAST CASH FLOWS ARISING FROM ASSET MANAGEMENT - PART 1

In accordance with ZSDH-1, SSH exercises all powers, authority, rights and obligations held by SOD prior to the company transformation. In this regard, SSH, (i) on behalf of and for the account of SSH, is obliged to provide for funds which are necessary for settling liabilities due to beneficiaries under regulations which regulate the denationalisation of property, and (ii) on behalf of and for the account of RS, provides for funds which are necessary for settling liabilities due to beneficiaries under the following three Acts: firstly, the Reimbursement of Investments in Public Telecommunications Network Act (ZVVJTO), secondly, the Act regulating the Issuing of Bonds in Compensations for Confiscated Property pursuant to the Abrogation of the Penalty of Confiscation of Property (ZIOOZP), and thirdly, the Act on Payment of Compensation to Victims of War and Post-War Violence (ZSPOZ).

The remainder of this Chapter presents the expected cash flows arising from dividends received from state assets whereas forecast cash flows arising from sales and acquisitions of state assets to be undertaken in 2022 are presented in the Special Section of AMAP.

7.1. *Expected cash flows arising from dividends paid out by companies with state assets under management*

SSH estimates that RS and SSH will receive the following dividend income:

- **In 2022**, RS will receive the total of EUR 135.8 million and SSH 47 million of dividends.
- **In 2023**, RS will receive the total of EUR 130.6 million and SSH 48.3 million of dividends; in case the provisions of ZSOS-C will fail to be enforced at the end of 2022, and important and strategic assets will not be transferred from SSH to the Republic of Slovenia. If provisions of ZSOS-C will be enforced, the RS will receive the total of EUR 176 million in 2023, and SSH 3 million of dividends.

Table 17: *Dividend income received by RS, ZPIZ and SSH paid out by SSH's portfolio companies, in the period from 2016 - 2023 (in EUR mio)*

Year	2016	2017	2018	2019	2020	2021	Plan 2022	Plan 2023	Plan 2023 (ZSOS-C is enforced)
RS	122.6	194.1	427.4	193.2	62.7	97.8	116.2	111.1	156.4
ZPIZ	19.6	19.6	19.6	19.6	0	13.3	19.6	19.6	19.6
Dividends RS and ZPIZ	142.2	213.7	447.0	212.8	62.7	111.1	135.8	130.6	176.0
Dividends SSH	43.8	45.9	40.4	40.1	23.2	39.7	47.0	48.3	3.0
Dividends RS + SSH	186.0	259.7	487.3	252.9	85.9	150.9	182.8	179.0	179.0

Figure 7: Dividend income received by RS, ZPIZ and SSH, by years (in EUR mio)

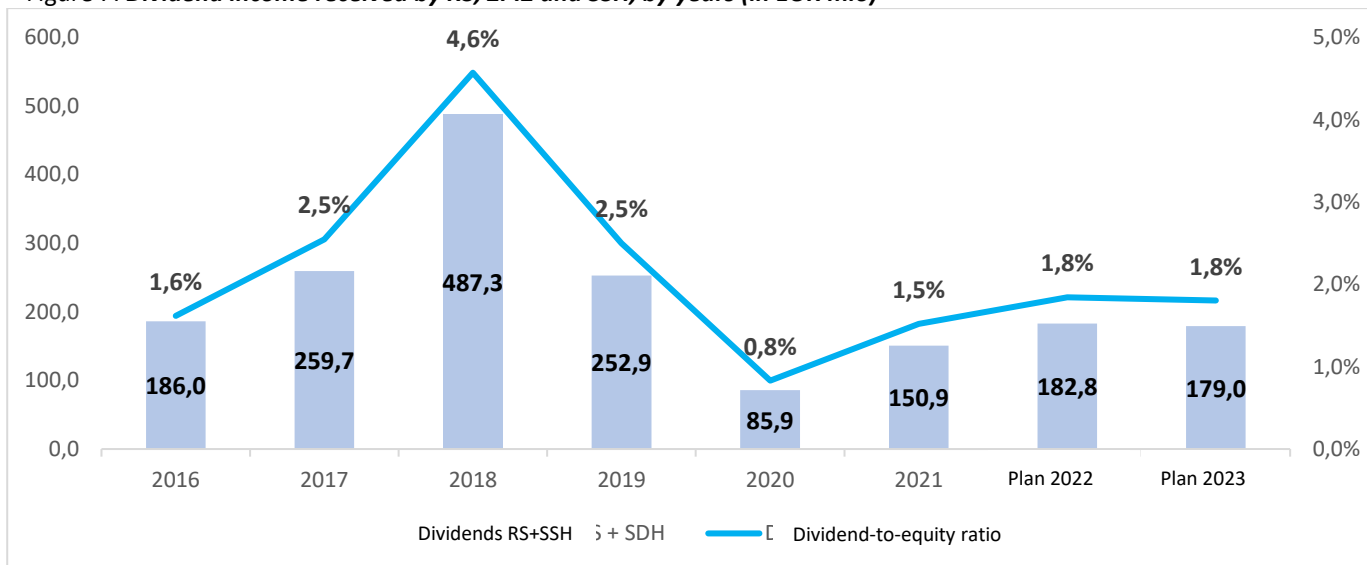


Figure 8: Dividend income received by RS and ZPIZ, by years (in EUR mio)

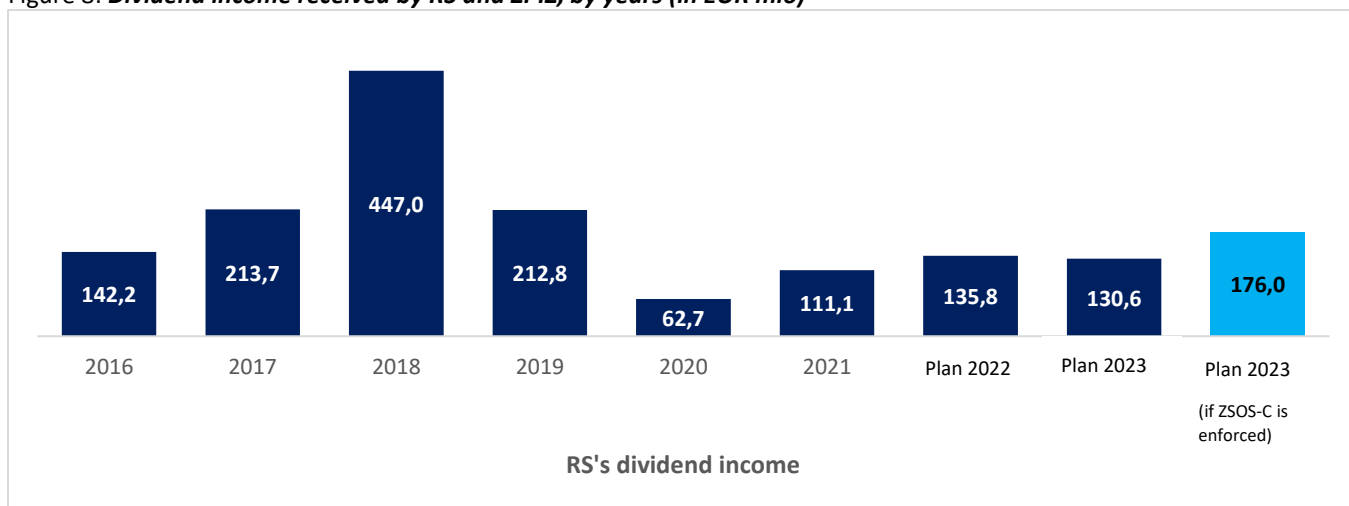


Figure 9: Dividend income received by SSH, by years (in EUR mio)

