



SLOVENSKI DRŽAVNI HOLDING, d. d.

**CORPORATE GOVERNANCE CODE
FOR STATE-OWNED
ENTERPRISES
("CGCSOE")**

Ljubljana, December 2023

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[The Corporate Governance Code for State-Owned Enterprises \(CGCSOE\)](#)

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1 PREAMBLE

Legal basis and authorisation for the adoption of the Corporate Governance Code for State-Owned Enterprises (CGCSOE)

The Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014; hereinafter referred to as: “ZSDH-1”) came into effect on 26 April 2014, and was subsequently amended and supplemented on 4 November 2022 (Official Gazette of the Republic of Slovenia, No. 140/22). This Act outlines the status and function of Slovenian Sovereign Holding (hereinafter referred to as: “SSH”), and Kapitalska družba pokojninskega in invalidskega zavarovanja, in English, Pension Fund Management (hereinafter referred to as: “KAD”), as well as the management of assets owned by SSH and those owned by the Republic of Slovenia but under the SSH’s management. It specifies legal protocols for asset management, actions to enhance integrity and responsibility, and measures to mitigate risks associated with corruption, conflict of interest and inside information in managing capital assets which are owned by SSH and those of the Republic of Slovenia which are managed by SSH.

In its Article 32, the Slovenian Sovereign Holding Act mandates the Corporate Governance Code for State-Owned Enterprises (hereinafter referred to as: the “CGCSOE”) as one of the legal documents concerning the management of capital assets. This Code is adopted by SSH subject to the approval of the SSH Supervisory Board.

Addressees of CGCSOE

The CGCSOE is addressed to state-owned enterprises (SOEs). It should also be applied by subsidiaries of a group of which a state-owned enterprise is a controlling company. The CGCSOE is primarily addressed to non-public companies with state capital assets and public companies whose shares are not listed on a regulated market. These companies should use CGCSOE as their reference code. Only certain principles and recommendations of CGCSOE are primarily addressed to public limited companies with state capital assets, whose shares are listed on a regulated securities market. These principles and recommendations go beyond the Slovenian Corporate Governance Code for Listed Companies, as they cover some aspects in a different manner or include some which are not regulated by the said Code. Thus, public limited companies with state capital assets, whose shares are listed on a regulated securities market, should at least adhere to those principles and recommendations of CGCSOE which are explicitly addressed to them (they are clearly marked in CGCSOE). However, CGCSOE may also be used as a reference code.

In accordance with Article 2 of ZSDH-1, companies with state capital assets are deemed to be legal entities which are the issuers of capital assets owned by SSH and those legal entities which are the issuers of capital assets owned by the Republic of Slovenia and for which SSH is responsible for their

management.¹ In accordance with Article 19 of ZSDH-1, SSH is responsible for managing all assets owned by the Republic of Slovenia, except for assets in international financial institutions, capital assets in companies performing the service of general economic interest as a system operator for the transmission and distribution of natural gas and electricity, and in companies performing the service of general economic interest in relation to the organisation of the electricity market in the Republic of Slovenia, or as otherwise provided by the law. Companies with state capital assets which are currently still being managed by the Republic of Slovenia include the following undertakings: (i) 2TDK, d. o. o., (in accordance with the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line, published in the Official Gazette of the Republic of Slovenia, Nos.51/2018, 82/18), (iii) Holding Kobilarna Lipica, d. o. o., (in accordance with the Kobilarna Lipica (Lipica Stud Farm) Act (Official Gazette of the Republic of Slovenia, No. 6/18) and (iii) Družba za upravljanje javnega potniškega prometa, d. o. o., (in accordance with the Public Passenger Traffic Management Act (Official Gazette of the Republic of Slovenia, No. 54/2022).

State-owned enterprises should apply CGCSOE regardless of the share of voting rights exercised by SSH.

Content of CGCSOE

The CGCSOE contains principles and recommendations for good practice in corporate governance of SOEs. Some recommendations are common and refer to all companies with state capital assets, while some principles and recommendations refer to companies with a specific legal organisational form, taking into account the size and the ownership structure of the company as well as the fact whether company's securities are traded on the regulated securities market (public corporations). The CGCSOE's complements and summarizes the statutory arrangement, albeit to a lesser extent. The CGCSOE's recommendations should meet the needs of the majority of companies being addressed.

The CGCSOE also includes certain general expectations SSH has towards SOEs.

Purpose and Objective of CGCSOE

Some special elements apply to the corporate governance system of SOEs which arise from the fact that the State is the holder of shares and stakes in companies. This includes, for example, the atypical agency problem, the blending of public and non-public objectives, the overly active or insufficiently active roles taken by the State in management of such companies, the necessity for the asset management company, i.e. SSH, to access company operational information to fulfil the statutory

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

assigned tasks of business monitoring. Certain special interests and expectations held by the State in relation to SOEs must be given the necessary attention and their legitimacy must be acknowledged since the State, by way of state ownership in companies, satisfies the needs of citizens and these needs are most efficiently satisfied with the legal organisational form provided by a company. In this regard it is important that expectations of the State (or the asset manager) towards SOEs and the actions taken by companies themselves are both transparent and predictable.

The purpose of CGCSOE is to set the standards for governance and supervision in SOEs and to create a transparent and understandable system of corporate governance in the above-mentioned companies. The governance system promotes responsibility and accountability and creation of long-term value through sustainable operations.

The aim of the CGCSOE is to improve the operations of these companies in the long term, in the interest of all their stakeholders, by enhancing the quality of corporate governance.

Legal nature of CGCSOE and Corporate Governance Statement

CGCSOE is addressed to SOEs based on "*comply or explain*" principle. Non-public companies with state capital assets and public companies whose shares are not listed on a regulated securities market should formally adopt CGCSOE in accordance with Article 70 of ZGD-1 (identifying it as the reference code) and apply CGCSOE to the greatest extent appropriate for them. It is assumed that public companies, whose shares are listed on a regulated securities market, use the Slovenian Corporate Governance Code for Listed Companies as their reference code, as evidenced also by the annual reports of these companies. In their Governance Statement, these companies must disclose adherence to at least those recommendations of CGCSOE which are explicitly addressed to them (they are clearly marked in CGCSOE).

Deviations from individual recommendations of CGCSOE are justified if, in light of the company's ownership structure, activities, and other unique attributes, the company attains improved governance than what adherence to the specific recommendation would yield. This is contingent upon the deviation being thoroughly and comprehensively explained in terms of its substance and rationale in the Corporate Governance Statement. Should a specific recommendation of CGCSOE be explicitly directed only at certain types of companies, then other companies are not required to justify their non-adherence to this recommendation in their Statement of Compliance.

Within the Corporate Governance Statement, to be incorporated into the Annual Report as outlined by ZGD-1, the company should distinctly and explicitly affirm its adherence to CGCSOE and elucidate any departures from specific recommendations. It should illuminate the rationale behind each deviation, detail the manner of deviation, and articulate whether and when it plans to conform to the recommendation stipulated by CGCSOE in the future.

Slovenian Sovereign Holding will monitor the implementation of CGCSOE by reviewing and analysing the company's Statement of Compliance with CGCSOE. Such Statement of Compliance will be published by companies as a separate part of the annual report. Periodically, SSH will also send to companies a special questionnaire regarding their compliance with CGCSOE, analyse answers provided by companies, and on the basis of these analyses, conduct discussions with the companies as necessary.

Sources of CGCSOE

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

Validity of CGCSOE

Due to changes in the Slovenian legislation and other autonomous legal sources and due to some practical insights from the previous application of CGCSOE, the Code was first partially revised in March 2016, then further in May 2017, November 2019, March 2021, and June 2022, following its initial adoption by the SSH Management Board on 17 December 2014, and the subsequent approval by the SSH Supervisory Board on 19 December 2014. The current revision (December 2023) marks the sixth iteration.

Moving ahead, SSH will consistently evaluate the effectiveness and appropriateness of CGCSOE in relation to the legal framework and the actual business context of companies holding capital assets owned by the State and SSH. It will adjust and enhance CGCSOE as needed, in response to changes in legislation, developments in best practices both at home and abroad, and insights gathered from analyses of how CGCSOE is applied in the operations of companies.

2 DEFINITIONS OF TERMS USED IN CGCSOE

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

- **Accreditation:** is a decision of the SSH Nomination Committee that a potential candidate fulfils conditions and criteria for accreditation and their application is recorded in the pool of potential candidates accredited for members of supervisory boards of SOEs. The accreditation is further regulated in the SSH Asset Management Policy.
- **Governance documents:** are the applicable State Assets Management Strategy and the applicable Assets Management Annual Plan, CGCSOE and the SSH Recommendations and Expectations, which are all adopted in accordance with Chapter 3 of ZSDH-1.
- **Membership rights arising from a capital asset:** encompass property and shareholder rights within a company which arise from the holding of shares or stakes. Specifically, the exercise of membership rights primarily involves participating in the General Meeting, requesting the convening of the General Meeting, engaging in discussion and voting at the General Meeting, asserting the right to access information and conduct inspection, challenging resolutions made at the General Meeting, and the entitlement to initiate legal action on behalf of the company.
- **Stakeholders:** are individuals and interest groups associated with companies who, whether by choice or circumstance, contribute to the capabilities or activities which generate a company's added value. Therefore, they hold potential benefits as well as bear the risks associated with the company. In addition to shareholders or company members, the stakeholders include employees, creditors, customers and citizens and business and social environments of the company.
- **Shareholder:** is a holder of shares in a state-owned enterprise which is organised as a public limited company.
- **The CSRD Directive:** is Directive (EU) No. 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU regarding corporate sustainability reporting, published in the Official Journal of the EU on 16 December 2022.
- **State-owned enterprise (SOE):** is a company in which capital assets are directly held by SSH or the Republic of Slovenia and managed by SSH in accordance with ZSDH-1.
- **Company member:** is a member of a company membership of a limited liability company.
- **Family members and close family members:** are persons as defined in Article 2 of ZSDH-1.
- **State:** is the Republic of Slovenia as the legal entity.

- **One-person company:** is a company organised as a limited liability company with one company member (the founder).
- **A public company:** is an issuer whose securities are listed for trading on a regulated securities market in the Republic of Slovenia, another EU Member State, or a Signatory State of the Treaty on the European Economic Area.
- The **SSH Nomination Committee:** is a consultation body of the SSH Management Board, which, pursuant to ZSDH-1 and SSH Asset Management Policy, carries out the procedures for accreditation and nomination of candidates for members of supervisory bodies of SOEs.
- **Kapitalska družba pokojninskega in invalidskega zavarovanja (KAD):** or in English, the **Pension Fund Management** is a public limited company owned by the Republic of Slovenia whose purpose is to provide additional funds for pension and disability insurance by managing its assets and the assets of the Compulsory Supplementary Pension Insurance Fund.
- **Capital asset of the State or state capital assets:** is a share or shareholding in an individual company which is held by the Republic of Slovenia, SSH or KAD, regardless of the portion of shares or shareholding.
- **CGCSOE:** is the Corporate Governance Code for SOEs.
- **Corporate Governance Code for Non-Public Companies:** is the code which was adopted in May 2016, in cooperation between the Chamber of Commerce and Industry of Slovenia, the Ministry of Economic Development and Technology, and the Slovenian Directors' Association.
- **Annual Asset Management Plan:** is the governance document regarding asset management which is adopted by SSH pursuant to Article 30 of ZSDH-1. The general part of the applicable Asset Management Plan is published on the web site of SSH.
- **Conflict of interest:** A conflict of interest arises when circumstances exist where a private interest of a person influences or creates an impression of affecting the impartial performance of their duties within the company. For a conflict of interest to occur, both circumstances representing the conflict must be cumulatively present – the private interest and the circumstances which indicate an impact or a potential impact on impartial and objective decision-making. Here, an individual's private interests include financial or non-financial benefits for themselves, their family members, and other individuals or legal entities or other entities with whom they have or have had personal, business or political contacts, or an interest which is the result of political or national (non)affection or (ill)favour, including emotional attachments. The definition of the conflict of interest in CGCSOE is consistent with the definition of this concept and term in ZIntPK, which is referred to in Article 59 of ZSDH-1. The interpretation thereof also reasonably takes into account the practice and

systemic explanations of the Commission for the Prevention of Corruption and the relevant case law.

- **Supervisory Board:** is a body of supervision in a company with state capital assets and also applies *mutatis mutandis* for Board of Directors.
- **Assets or capital assets:** are abbreviated terms for state capital assets.
- **Non-public company:** is a company whose securities are not listed for trading on a regulated securities market in the Republic of Slovenia or in another EU Member State or in a Signatory State of the Treaty on the European Economic Area.
- **The independence of a candidate or a member of a supervisory body of a company with state capital assets:** is established as long as the individual is not dependent according to CGCSOE.
- **Nomination:** is a decision by the Nomination Committee which is based on the determination, assessment and evaluation that a potential candidate substantially fits the profile sought, satisfies conditions and criteria for nomination and is therefore a suitable candidate to become a member of the supervisory board of a specific company. The nominated potential candidates are proposed to the SSH Management Board for their selection. The nomination process is further regulated in the SSH Asset Management Policy.
- **Dependency of a candidate or a member of a supervisory body of a company with state capital assets:** is considered given when the following elements of dependency are concurrently present in the candidate or member:
 1. there are circumstances which could lead to a conflict of interest, where a person's private interest affects or appears to affect the impartial performance of their duties in the company;
 2. circumstances leading to a conflict of interest originate from personal, business, or other connections with the company, its Management Board, or any other person/entity or stakeholder which typically has an opposing interest to the company;
 3. the circumstances mentioned above are of a lasting (not merely transient) nature for the individual;
 4. the conflict of interest is relevant. The criteria for assessing the relevance of a conflict of interest particularly include: (i) the type and number of actions and decisions to which the potential conflict of interest (may) relate; (ii) the likelihood of the actual materialisation of the conflict of interest given the circumstances defined above and the authority of the body; (iii) the impact of the conflict of interest on the Supervisory Board Member's ability to exercise objective judgement, and (iv) the subjective characteristics of the individual (in particular, the person's character and past conduct).

The circumstances which create a presumption of dependency are defined in the Appendix 1 to CGCSOE. Presumptions are rebuttable.

- **SSH Asset Management Policy:** is the corporate governance document regarding asset management as prescribed by ZSDH-1 and adopted by the SSH Management Board with the approval by the SSH Supervisory Board. It thoroughly determines the principles, procedures and criteria which are observed by SSH in the corporate governance of companies with state capital assets.
- **Executive Management:** is a term which is used in a generic sense for a management body in a company, regardless of its legal organizational structure.
- **Dominant influence of SSH** is the dominant influence as defined by the Act governing companies.
- **SSH:** is Slovenski državni holding, d. d., or with the English corporate name, the Slovenian Sovereign Holding.
- **Slovenian Corporate Governance Code for Listed Companies:** is the code, which was adopted in its revised form in December 2021, as a result of cooperation between Ljubljana Stock Exchange and the Slovene Directors' Association.
- **State-Owned Assets Management Strategy:** is the governance document regarding asset management which is adopted by the National Assembly of the Republic of Slovenia upon the proposal by the Government of the Republic of Slovenia, pursuant to Article 29 of ZSDH-1.
- **Public-interest entity:** is a company with securities being traded on a regulated securities market, a credit institution as defined by the law regulating banking, or an insurance company and a pension company as defined by the law regulating insurance business. The public-interest entity also includes a company obliged to perform a mandatory audit in which the State or a local community, together or independently, directly or indirectly, hold a majority ownership stake. The public-interest entity may also include another legal entity obliged to perform a mandatory audit if this is stipulated by the law.
- **SSH Management Board:** is a management body in SSH.
- **Large company:** under CGCSOE, a large company is defined as one which fulfils the criteria detailed in Article 55, Paragraph 5 of ZGD-1. Should a specific recommendation of CGCSOE only elaborate on a legal requirement applicable (also) to a company due to its classification as a large company under Article 55, Paragraph 8 of ZGD-1, that company will also be regarded as a large company concerning that recommendation. To avoid doubt, this definition does not extend to other SSH governance documents.
- **Large group:** is one composed of controlling and dependent companies which will be included in the consolidation and, on the balance sheet date of the controlling company on a consolidated

basis, exceeds the threshold of at least two of the following three criteria: (a) total balance sheet: EUR 20,000,000, (b) net revenue: EUR 40,000,000; (c) average number of employees in the financial year: 250.

- **ZGD-1**: is the Companies Act (Official Gazette RS, No. 42/2006), as amended.
- **ZIntPK**: is the Integrity and Prevention of Corruption Act (Official Gazette RS, No. 69/11), as amended.
- **ZSDH-1** is the Slovenian Sovereign Holding Act (Official Gazette RS, No. 25/2014 and 140/ 22).

The text in green marks the recommendations which are addressed to all companies with state capital assets, including public limited companies with state capital assets.

3 CORPORATE GOVERNANCE FRAMEWORK FOR SOEs

Fundamental Goals of SOE

3.1 The fundamental goal of the SOE is to maximise the value of the company and to generate the highest possible returns for the owner in the long term, unless otherwise stipulated in the law or the Articles of Association. To ensure greater transparency in the company's objectives, all fundamental goals are clearly defined in the company's Articles of Association.

3.2 For companies established to deliver public goods or due to other strategic imperatives of the state, this intent is mirrored in the articulation of the company's fundamental objectives, purpose, and activities.

Strategic Objectives

3.3 The SOE shall set clear strategic objectives for its business and development, which must be long-term and sustainable.

3.3.1 The SOE's strategic goals must align with its fundamental objectives.

3.3.2 The SOE's annual plans must align with its strategic goals and represent their concrete realization for the upcoming year.

3.3.3 **Companies which are 100% state-owned consider the goals set forth in the governance documents determined by the State or SSH as their strategic and annual objectives. Companies with partial state ownership should, to the greatest extent possible, align with the objectives set forth in the governance documents determined by the State or SSH, and ensure they are consistent with the company's own goals.**

*Corporate Governance Policy of SOE***3.4 Executive Management of a large and medium-sized enterprise with state capital assets shall formulate and approve their Corporate Governance Policy as a separate document which should contain at least the following elements:**

- a description of all principal governance policies of the company, which reflect the company's objectives, values, and obligations towards the wider social environment;
- the indication of which corporate governance code has been adopted by the company as its reference code, and if or to what extent this code is applied;
- a precise identification of stakeholder groups and relevant stakeholders, and a policy for communicating and engaging with each stakeholder group (owners, creditors, suppliers, customers, employees, the media, analysts, government authorities, local and wider community, etc.);
- the process for informing subsidiaries, shareholders or company members of the Group's strategy, goals and governance standards;
- the policy on transactions between the company and its related companies, including their members of the management and supervisory bodies;
- a commitment by the Supervisory Board to establish a system for identifying conflicts of interest and dependencies among members of the management body and supervisory body, which includes actions proposed for instances when changes in circumstances materially affect their relationship with the company;
- a commitment that the Supervisory Board will assess its own effectiveness and, based on this, adopt measures to improve its efficiency;
- an intention to create any committees of Supervisory Board and a definition of their roles;
- a clear system for the allocation of responsibilities and powers between members of the company's management and supervisory bodies;
- a definition of the company's communication policy, which includes high-quality standards for the creation and disclosure of accounting, financial, and non-financial information. The communication policy can be a separate document. In such a case, the Corporate Governance Policy of the company refers to it in an appropriate manner;
- safeguarding the interests of employees in the company by defining the manner, content, and standards of employee operations and ensuring an adequate level of ethical conduct in the company, including the prevention of discrimination;
- areas of operation where the company adopts measures to respect human rights and equal opportunities.

- 3.4.1 The Corporate Governance Policy of SOE shall be adopted for the future period and is updated by the company to always be compliant with regulations, the company's Article of Association, the State Assets Management Strategy, while applying the following directions in a reasonable manner: (i) Recommendation 3.3.3 of CGCSOE, and current corporate governance guidelines, while considering the specific needs of the company. The Corporate Governance Policy shall include the date of the last update and shall be accessible on the official web site of the company.

SOE and Stakeholders

3.5 Regarding stakeholders, companies with state capital assets responsibly exercise their rights and fulfil their obligations in a manner that is consistent with the company's objectives.

- 3.5.1 Throughout the relationship with representatives of individual stakeholders, the company ensures mutual protection of business secrets and upholds good business practices.

- 3.5.2 When making specific decisions, Executive Management acts in a manner that pursues the objective of maximizing the company's long-term value and fulfilling other fundamental objectives of the company, for the benefit of all shareholders or company members of the company as a whole. In this process, it considers the interests of all other stakeholders of the company and considers their legitimate interests as long as this aligns with the long-term goals and interests of the company. The Executive Management also examines and considers the impact of its decisions from a sustainability perspective, including consequences for human rights, climate change, and the environment.

Corporate Governance Statement

- 3.6 Large and medium-sized companies with state capital assets should include in their business report a Corporate Governance Statement, which also comprises a declaration of compliance with the code(s) they utilize. Public limited companies using the Slovenian Corporate Governance Code for Listed Companies should explain any deviations from the principles and recommendations of CGCSOE which are also addressed to them (clearly marked within CGCSOE), even if they do not use CGCSOE as their reference code. The**

Supervisory Board reviews the Corporate Governance Statement and provides its opinion in the report for the General Meeting.

3.6.1 The Corporate Governance Statement of the company should include at least the following elements:

- a reference to the governance code, which is used by the company, accompanied by details of the public accessibility of the code's text;
- a clear and explicit Statement of Compliance with CGCSOE or other codes, or for public limited companies using another code as a reference, details of deviations from specific principles and recommendations of CGCSOE which are addressed to them (clearly marked within CGCSOE). This should clarify which recommendations of CGCSOE and other codes, if used, the company does not fully adhere to, how the company has deviated from CGCSOE's and other codes' recommendations, the reasons for these deviations, and whether and when it intends to follow individual recommendations of CGCSOE and other codes in the future.
- a description of the company's compliance and integrity system in accordance with CGCSOE and the SSH Recommendations and Expectations;
- a detailed report outlining the implementation and outcomes achieved from the diversity policy over the reporting period. When no diversity policy is implemented by the company, this should be explained in the Corporate Governance Statement. The explanation should specify the timeline and approach for developing a diversity policy by the company;
- all additional information mandated by ZGD-1 as an essential component of the Corporate Governance Statement for audited companies.

3.6.2 Small and micro companies, which do not include a business report in their annual report, should provide a Corporate Governance Statement with elements from this recommendation in a separate section of the annual report.

Regular Annual General Meeting

3.7 The General Meeting shall be informed about the company's annual report and the remuneration of the management and supervisory bodies, make decisions on the allocation of the balance sheet profit, and vote on granting discharge to the management and supervisory bodies. The General Meeting shall decide on

the conferring of a discharge for the management and supervisory bodies with a separate resolution for each body.

Diversity Policy

- 3.8 The Supervisory Board of large and medium-sized companies shall formulate and adopt a diversity policy as a separate governance document. This policy is applied in relation to the composition of the management (for multi-member bodies) and supervisory bodies of the company in terms of gender and other factors, such as age, the stability of the membership over time, and the professional backgrounds of its members. When no diversity policy is implemented by a company, this shall be explained in the Corporate Governance Statement. The explanation shall specify the timeline and approach for developing a diversity policy by the company;**
- 3.8.1 The diversity policy shall include the definition of multiple aspects of diversity in the composition of the management and supervisory bodies, specific goals for each aspect of diversity, and the method of implementing the diversity policy. The general objective of the diversity policy shall be to achieve greater efficiency of the Supervisory Board or Executive Management as a whole, which is the primary criterion in defining aspects of diversity and in setting specific goals. The company shall always include aspects of expert profile and gender in its diversity policy. In addition to improving efficiency, this also aims to achieve balanced representation of both genders in companies with state capital assets. In this, the company shall consider the law, the size of its bodies, the objectives it pursues, the impact on the selection procedures for members of the management or supervisory bodies of the company, and other procedures within the company. Specific goals for representation across different aspects of diversity shall typically be set in a quantitative manner (e.g., at least 40% representation of both genders), or exceptionally, in a descriptive manner (e.g., as equal representation of both genders as possible).
- 3.8.2 The diversity policy shall be implemented particularly through appropriate candidate selection procedures for members of the Supervisory Board and Executive Management. The company's bodies, their working bodies, employee's bodies, and majority and other shareholders shall strive to achieve the objectives of the diversity policy when they are in a position to influence the implementation of the diversity policy within their competencies or rights.

3.8.3 The company shall implement its diversity policy by integrating specific objectives and criteria concerning various aspects of diversity into its internal rules and regulations. These guidelines shall dictate the selection process for members of Executive Management (for multi-member bodies) and supervisory bodies, as well as other internal company procedures.

3.8.4 If the law prescribes a minimum representation of the less represented gender in management or supervisory bodies, any deviation from this legal requirement in new appointments should be justified through a robust selection process. This process should involve a detailed assessment and ranking of candidates according to specific criteria, which demonstrate clearly that the more qualified candidate of the opposite gender was preferred.

SOE and Subsidiaries

3.9 The Executive Management and the Supervisory Board of the controlling company shall ensure the application of CGCSOE in subsidiary companies.

3.9.1 If subsidiary companies provide public goods, perform concessionary activities, carry out public service of general economic interest, or undertake other tasks of national importance, this should be clearly and precisely documented in the Articles of Association of the subsidiary companies.

3.9.2 In cases of mixed ownership, the Articles of Association (of subsidiary companies) should particularly ensure that the definition of competencies among company members does not lead to an inability to make decisions, but rather that all significant decisions can be made based on the majority principle.

4 RELATIONSHIP BETWEEN SOE AND SHAREHOLDERS OR COMPANY MEMBERS, SSH, AND THE STATE

Equal Treatment of Shareholders or Company Members

- 4.1 A company with more than one shareholder or company members shall respect the principle of equal treatment of all shareholders or company members under the same conditions, including access to company information.

Communication with Shareholders or Company Members

- 4.2 In SOEs, communication with shareholders or company members shall be a continuous process and is not limited to General Meetings only. The communication between the company's management and supervisory bodies and shareholders or company members is primarily aimed at addressing issues which are related to the attainment of goals, company's performance and expected results, familiarizing with the company's financial situation and engaging in discussions on strategic matters.

- 4.2.1 The level and intensity of communication between SSH and an individual SOE shall vary based on their legal form of organization, public nature and ownership structure.

- 4.2.2 Communication between the management and supervisory bodies of SOEs and SSH shall mainly occur at periodic meetings, where SSH, as a shareholder or company member, expresses its non-binding opinions and expectations to the companies.

- 4.2.3 In cases where SSH or the State is not the sole shareholder or company member, the SOE shall be obliged to observe the applicable legislation in regard to the necessary and appropriate provision of information to all shareholders or company members.

- 4.2.4 Public limited companies should communicate with shareholders in a manner defined and publicly announced in the company's Shareholders Communication Policy. If the company has communicated non-publicly disclosed information to a particular shareholder outside of the General Meeting, it should publicly announce what was

communicated, thus informing all other interested shareholders who can request the same information.

- 4.2.5 At General Meetings of companies, members of Executive Management and the President or their deputy, and, if agreed upon, individual members of the Supervisory Board, should be available to answer all relevant questions from shareholders or company members.

Independence of SOE's Bodies from SSH and the State

4.3 The management and supervisory bodies of SOEs shall be independent from SSH and the State.

4.4 The exercise of rights of a shareholder or company member, along with SSH's implementation of authorizations and fulfilment of responsibilities and duties in line with the law, CGCSOE, and the adopted legal documents as well as the expression on non-binding opinions, should not be considered as infringing upon the company's independence.

5 POSITION OF SOEs

Leading by Example

5.1 SOEs, particularly those under the majority stake or dominant influence of SSH, shall be dedicated to exemplary operations, acknowledging their responsibility in managing public funds entrusted to them as investments in the company. They must conduct their business in a responsible, ethical, economical, transparent, sustainable manner, and in accordance with governance codes and recommendations of good practice.

Equal Market Position

5.2 All SOEs shall operate and engage in the market on an equal footing with other companies.

5.2.1 SOEs shall be required to adhere to competitive market conditions across all operational areas (regulatory rules, access to financial resources and institutions, etc.).

5.2.2 Obligations and duties of the SOE with regard to public services of general economic interest or other services in the public interest which are publicly attributed to the company by law or by other legal bases must be publicly disclosed.

5.2.3 Financing, restructuring, and comparable actions undertaken by a company predominantly owned by the state or SSH, when dealing with other commercial entities, must adhere to state aid regulations.

6 SUPERVISORY BOARD

Formation of Supervisory Board in SOEs

6.1 In SOEs, a supervisory body shall be commonly instituted to monitor the achievement of the company's fundamental objectives, strategic goals, business objectives, and to carry out additional supervisory tasks. Exceptionally, a supervisory body might not be formed in smaller companies. In such cases, the company members or the General Meeting shall carry out the supervisory duties to an appropriate extent.

DUTIES AND AUTHORITIES OF THE SUPERVISORY BOARD

6.2 The Supervisory Board shall perform its function of supervision over operations and management of the company in accordance with the law and Articles of Association. It shall be responsible for its effective organization and shall also provide advisory support to Executive Management without interfering with its independence and autonomy. The Supervisory Board shall be responsible for

the appointment and discharge of the chairperson and the members of Executive Management at its sole discretion and in accordance with the interest of the company. The Supervisory Board should be involved in the most critical decisions of the company. In addition to instances stipulated by the law, the Supervisory Board should have the authority to decide on consenting to certain decisions and significant transactions. In accordance with regulations, the Supervisory Board shall also be responsible for approving transactions with related parties and, in certain cases, for evaluating conflicts of interest. The Supervisory Board shall meet at least quarterly.

6.2.1 Significant types of business transactions (transactions, investments, and individual deals) which are subject to a consent by the Supervisory Board as stipulated in the Articles of Association or by way of a Supervisory Board's Resolution, shall be based on the company's characteristics. Typically, these include the following types of transactions:

- the long-term business strategy of the company or group;
- the company or group's business and financial plan;
- acquiring, disposing of, or closing significant parts of companies or plants;
- acquiring, disposing of, and encumbering shares and stakes in other companies;
- opening and closing branch offices;
- major investment projects by the company;
- giving and taking loans and credits or acquiring other financial liabilities, except if lending and credit provision are part of the company's regular operations, or in the case of previously approved financial lines for short-term liquidity management;
- granting procuration if it is within Executive Management's authority;
- acquiring and disposing of the company's long-term assets;
- acquiring, disposing of, and encumbering the company's real estate, except if real estate trading is among the company's regular operations, or if such a transaction is executed as a result of a long-term financial liabilities approved by the Supervisory Board;
- long-term leasing of assets or leasing out the company's assets;
- concluding out-of-court and judicial settlements, renouncing claims in legal proceedings, and withdrawing lawsuits;
- providing guarantees, sureties, or warranties to third parties, except when linked to regular business activities, and assuming third-party liabilities, except among group companies.

Where appropriate, threshold values for individual transactions requiring the Supervisory Board's consent shall also be defined.

6.2.2 In groups, the consent of the Supervisory Board shall also be required for the most significant transactions in subsidiary companies of the group.

DUTIES AND RESPONSIBILITIES OF SUPERVISORY BOARD MEMBERS

Primary Responsibilities of Supervisory Board Members

6.3 Supervisory Board members shall be obliged to act in the company's best interest while fulfilling their duties, exercising the diligence of fair and conscientious businessperson (in Slovenian: "vesten in pošten gospodarstvenik"), and safeguarding the business secrets of the company. They should perform their duties in an ethical, honest, and responsible manner, acting in accordance with their obligation to avoid conflicts of interest. In assessing the company's interest, they shall consider the objectives and purpose as outlined in the company's Article of Association.

6.3.1 In making business decisions, for example, when approving management's execution of legal transactions or adopting the Supervisory Board's Rules of Procedure, they shall adhere to the Principle 6.3 6.3 of CGCSOE and shall ensure that the same is applied by Executive Management.

6.3.2 Supervisory Board members should be actively engaged in their role, take part in board meetings, thoroughly review materials for the meetings, and form their independent opinions on all agenda items.

6.3.3 Should any agenda item lack sufficient information, a Supervisory Board member should request additional details, and, if necessary, postpone decision-making until such information is provided.

OPERATIONS OF SUPERVISORY BOARD

Rules of Procedure, Annual Work Plan and Board Meetings

- 6.4 The Supervisory Board shall adopt its rules of procedure, which outline its methods of work.**
- 6.5 At the beginning of the year, the Supervisory Board, and its committees (particularly the Audit Committee) shall adopt an annual work plan for a financial year (Annual Work Plan). The Annual Work Plan shall include the schedule of meetings and the anticipated agenda for each meeting. The Annual Work Plan of the Supervisory Board and its committees should be aligned, ensuring that topics falling within a specific committee's purview are first discussed in detail at the committee meeting. The annual plans of work for Supervisory Boards and its committee should also be aligned with key dates in the financial calendar.**
- 6.5.1 Supervisory Board and committee meetings shall be scheduled during working hours at times suitable given the circumstances. If technical capabilities and the nature of the matters to be discussed permit, Supervisory Board meetings may be conducted remotely using telecommunications means which facilitate such meetings, or in a hybrid manner (with some members attending in person while others participate via audio and video transmission).
- 6.6 As a rule, the Supervisory Board shall also invite members of Executive Management to its meeting. If an agenda item is of a nature where the presence of the Executive Management members is deemed inappropriate or might undermine the Supervisory Board's independent functioning (for instance, in matters such as making decisions on appointing the President of the Supervisory Board, appointing and dismissing the members of Executive Management, forming proposals for new Supervisory Board members or their dismissal, taking decisions on evaluating and compensating Executive Management, carrying out the self-assessment exercise of the Supervisory Board, etc.), then discussions and decisions shall be conducted without the presence of the Executive Management members.**

President of Supervisory Board

- 6.7 The President of the Supervisory Board shall coordinate the Board's activities, ensure the timely and regular convening of meetings, lead the meetings, and represent the Supervisory Board in relations with other stakeholders. Each decision communicated by the President of the Supervisory Board to Executive Management, or third parties shall be preliminary dealt with by the Supervisory Board, or the Audit Committee and a relevant resolution in its regard shall be adopted. This includes signing contracts with members of Executive Management, external auditors, or external experts, where the President of the Supervisory Board represents the company.**
- 6.7.1 The President of the Supervisory Board, in collaboration with the Secretary of the Supervisory Board, shall be responsible for meticulously documenting the proceedings of the Supervisory Board meetings. This documentation includes details of resolutions adopted, individual voting records for non-unanimous decisions, summaries of the discussions, and any remarks or suggestions from Supervisory Board members, as well as any statements they specifically ask to be recorded. Draft minutes shall be provided to the Supervisory Board members within a specified period after the meeting, allowing them to make comments. The minutes shall then be approved at the subsequent meeting.
- 6.7.2 The President of the Supervisory Board should not serve as the President of the Audit Committee. If a Nomination Committee is formed, the President of the Supervisory Board shall be a member or the President of that committee.
- 6.7.3 The President of the Supervisory Board shall maintain regular contact with Executive Management, consulting on the company's most significant matters such as strategy, business planning, progress of major transactions, and issues of compliance and integrity. Executive Management must inform the President of the Supervisory Board about significant events. The President of the Supervisory Board must then inform the Supervisory Board accordingly and convene a Board meeting, when required. The President of the Supervisory Board, or their deputy in their absence, shall attend the company's General Meeting to report on the Supervisory Board's activities over the past financial year.

- 6.7.4 The President of the Supervisory Board shall ensure that all members can contribute to discussions and that sufficient time is available for contemplation and debate before making decisions.

The Secretary of the Supervisory Board and its Committees

- 6.8 As a rule, the Supervisory Board shall appoint a Secretary for the Board and its committees upon the recommendation of Executive Management. The Secretary shall be responsible for providing professional, organizational, and administrative support related to the Board's activities. The Secretary shall act as a professional and organizational aid to the Supervisory Board, its President, and the committees, both during and outside of meetings. The Secretary's primary responsibilities shall include preparing minutes, maintaining the Board's archives, and offering support concerning the convening and progression of meetings.**

COMPOSITION AND APPOINTMENT OF SUPERVISORY BOARD

Composition of Supervisory Board

- 6.9 The Supervisory Board shall be composed in such a manner to ensure responsible oversight and decision-making in the best interest of the company. Regardless of the company's stance on a diversity policy, the composition of the Supervisory Board shall reflect a diverse range of expertise, experience, and skills among its members to ensure the complementarity of knowledge and experience. The appropriate continuity and diversity within the Supervisory Board's composition should be ensured, considering factors like age and gender representation to achieve a heterogeneous mix of members. If the company has adopted a diversity policy, it shall be reflected in the composition of the Supervisory Board. All stakeholders with an influence on the composition of the Supervisory Board, including workers' councils, shall adhere to the rules and recommendations for its proper composition. The number of members of the Supervisory Board shall be defined in the Articles of Association and should reflect the company's operational complexity, the existence and organization of a group, and possible employee participation in the Supervisory Board. In the process for proposing and appointing/electing members of the Supervisory Board, decision-makers shall manage any conflicts of interest in an appropriate**

manner. If the composition of the Supervisory Board is prescribed by law, the statutory rules must also be considered in the selection process. If a member does not attend meetings to a sufficient extent (e.g., attends less than half of the meetings in a given year), the Supervisory Board shall propose their dismissal. A member of the company's Executive Management should not serve on the Supervisory Board of the same company for five years following the end of their term.

Competency Profile, Conditions, and Criteria

6.10 The Supervisory Board shall prepare the Competence Profile for Supervisory Board members. Such Competence Profile shall reflect the Board's overall composition and be published on the company's web site. This profile shall define at least the necessary professional backgrounds and may also include additional competencies. The Board should periodically review and update this profile, especially prior to any expected appointments or alterations in the Supervisory Board's composition.

6.10.1 When formulating the competency profile, the Supervisory Board should ensure the inclusion of experts in finance, corporate governance, company operations, and other professional fields essential for effective oversight, tailored to the company's activities, scale, and other characteristics.

6.11 A member of the Supervisory Board should satisfy the conditions and criteria for election to this office as set forth by the Companies Act (ZGD-1), other relevant regulations and the company's Articles of Association, as well as the conditions and criteria referred to in Article 21, Paragraphs 2,3 and 4 of ZSDH-1 throughout their term of office.

6.12 Supervisory boards which have an Audit Committee must be structured to ensure that the composition of the Audit Committee adheres to the provisions of ZGD-1. This requires that members of the Audit Committee, appointed from the Supervisory Board, possess the necessary qualifications relevant to the audited entity's field of operation.

Independence of Supervisory Board Members and Avoidance of Conflicts of Interest

6.13 All members of the Supervisory Board should maintain independence from the company and its Executive Management. In this context, the Supervisory Board should not include more than half of the representatives of shareholders who have declared themselves as dependent on the shareholder/company member in the Declaration of Independence in Annex 2 of CGCSOE.

6.14 All members can be dependent on clients if necessary to ensure the company's status as an in-house provider of goods and/or services under public procurement rules.

6.15 In decision-making, the members of the Supervisory Board must not prioritize personal interests or exploit business opportunities for their benefit or a family member's benefit. Decisions by all Supervisory Board members must be independent.

6.15.1 Upon appointment, annually and whenever any change occurs, a member of the Supervisory Board shall complete the Declaration of Independence, the form of which is attached as Annex 2 to CGCSOE and which shall also apply to the employee representatives on the Supervisory Board. The Declaration of Independence, completed and signed, shall be published on the company's public web site. Supervisory Board members shall familiarize themselves with the contents of the Declarations of Independence at their meetings or through another appropriate method. In the Declaration of Independence referred to in Appendix 2 to CGCSOE, a member of the Supervisory Board may demonstrate independence despite circumstances listed in Annex 1 of CGCSOE by showing that any conflict of interest is not of a lasting nature or is not relevant. An independent member must immediately notify the Supervisory Board upon the occurrence of any facts that change their compliance with the independence criteria.

6.15.2 Each Supervisory Board member shall take all precautionary measures to avoid any occurrence of conflict of interest, and, where possible, should avoid situations which could lead to such conflicts, especially those outlined in Annex 1 of CGCSOE. A Supervisory Board member shall disclose and clarify to the Supervisory Board or its committee any circumstances that may lead to a conflict of interest. In cases where there is uncertainty about a specific matter requiring action or decision, and it is unclear whether it involves a conflict of interest, the Supervisory Board shall decide

on the matter without the participation of the member potentially affected by the conflict of interest. The member in question shall not participate in discussions or vote on matters where they have a conflict of interest and shall abstain from any other actions or influences in such cases. For this purpose, they shall sign a written declaration of self-exclusion, including an appropriate explanation, or provide an oral statement of self-exclusion with reasoning on the record, which is taken during the Supervisory Board or committee meeting. If effectively safeguarding the company's interest requires that a Supervisory Board member with potential conflicts of interest remains uninformed about the matter's content, additional necessary measures may be adopted besides self-exclusion. These might include advance refusal to receive documents and absence from the meeting discussing the contentious matter. After the discussion is concluded, other decision-makers may invite the member to be present during the vote without having the possibility to exercise their voting rights, if it is assessed that their presence will not influence their decision.

6.16 Significant circumstances leading to a conflict of interest which are not merely transient and cannot be resolved should lead to the termination of the Supervisory Board member's tenure. This is primarily the responsibility of the member where the conflict of interest has arisen.

6.17 If the General Meeting elects Supervisory Board members based on the Supervisory Board's proposal, the Board, in justifying its nomination, shall include information required by law and details about the candidate's memberships in other companies' management or supervisory bodies. The Supervisory Board shall also disclose any circumstances which might lead to a conflict of interest for the member, considering, among others, the circumstances listed in Annex 1 of CGCSOE. In its justification for nominating a candidate, the Supervisory Board must clearly disclose whether the individual meets the independence criteria set forth in CGCSOE and confirm that the candidate selection process adhered to the procedures outlined within CGCSOE.

6.17.1 In the justification for its (voting) proposal, the Supervisory Board shall also include the description of the competency profile of a Supervisory Board member and details about the candidate which enable the shareholders to assess how well the candidate meets the desired profile.

Supervisory Board Member Induction Programme

6.18 Upon the constitution of the Supervisory Board, the commencement of new members' terms of office, or the appointment of special committees within the Supervisory Board, the company shall ensure a quality induction for the members of the Supervisory Board.

SELECTION PROCEDURE FOR SUPERVISORY BOARD CANDIDATES

6.19 The selection procedure for Supervisory Board members and formulating the proposal for the General Meeting resolution on appointing Supervisory Board members shall be transparent and predefined within the company. Unless specified differently in individual recommendations of CGCSOE, the Supervisory Board shall be responsible for the candidate selection procedure and for proposing candidates to the General Meeting. Depending on the ownership structure, the selection procedure typically involves appropriate communication with shareholders or company members who have a predominant influence.

Nomination Committee

6.20 All public companies with state capital assets and large non-public companies with state capital assets with more than one shareholder or company member and where SSH exercises less than the majority of all voting rights, should establish a Nomination Committee (permanent or temporary) as a special committee of the Supervisory Board. This committee should ensure appropriate mechanisms for the evaluation and selection of candidates for members of the Supervisory Board, and adequately address/manage any conflicts of interest which the Supervisory Board may have in preparing proposals for its composition. The Nomination Committee shall carry out the candidate selection procedures and propose a selection of candidates to the Supervisory Board. In other companies where the Nomination Committee is not required, the Supervisory Board itself may, if necessary, carry out the procedures for evaluating and selecting candidates for its members. In one-person companies, the Supervisory Boards shall not create voting proposals for members of the company's Supervisory Board, even if the terms of the members are expiring. In these companies, the founder shall make the appointment decision.

6.20.1 The Nomination Committee of the Supervisory Board shall include at least one-third external members nominated by the majority shareholder or major shareholders unless the law stipulates otherwise.

6.20.2 All members of the Nomination Committee appointed by the Supervisory Board must act in an independent manner and observe confidentiality. In the Nomination Committee, which forms the proposal for candidates representing shareholders or company members, there shall be no employee representatives.

6.20.3 The Nomination Committee may invite major shareholders or company members to propose candidates for the selection procedure or may utilize other recruitment channels or their combination.

6.20.4 The Nomination Committee shall review and evaluate the existing composition of the Supervisory Board. Considering the company's operations, its strategic development direction, and the desired competency profile for the Supervisory Board as defined by the Board itself, alongside the attributes and competences of current members whose terms continue, the Nomination Committee shall identify and define the desired profiles for prospective Supervisory Board members. In determining the sought-after profiles, the Nomination Committee shall consider the recommendations of CGCSOE and ZSDH-1.

6.20.5 During the preparation of proposals for new Supervisory Board members, the Nomination Committee shall form a list of suitable candidates based on the selection procedure.

6.20.6 The Nomination Committee shall mainly play the role of providing expert support to the Supervisory Board when formulating the voting proposals for new Supervisory Board members. The Nomination Committee's proposal for the Supervisory Board, which must independently propose candidates, is not binding. However, the Supervisory Board should carefully examine its recommendations and disclose in the materials for the General Meeting whether it has taken them into account when forming the voting proposal.

6.20.7 If there is no Nomination Committee established in the company, the Recommendations of CGCSOE in points 6.20, 6.20.3, 6.20.4, and 6.20.5 shall apply *mutatis mutandis* to the Supervisory Board.

6.20.8 Immediately following the announcement of the General Meeting that will vote on new members of the Supervisory Board of the SOE based on the Board's recommendation, the President or Secretary of the Supervisory Board shall promptly invite nominees to submit their applications to the SSH Nomination Committee for accreditation and nomination. The SSH Nomination Committee may also invite nominees to submit their application for accreditation and nomination. This recommendation shall not apply if the SSH's candidate proposal was the only recruitment channel and the candidates have already been nominated by the SSH Nomination Committee.

6.20.9 The Supervisory Board of the company with state capital asset shall submit to SSH, upon the SSH's request, the developed competency profile(s) for Supervisory Board members. Profiles submitted in this manner shall be taken into consideration by SSH when preparing the profiles in a procedure carried out in accordance with the SSH Asset Management Policy.

REMUNERATION FOR SUPERVISORY BOARD MEMBERS

6.21 Remuneration for Supervisory Board members shall consist of the payment for the performance of their functions and attendance fees. The payment for the performance of functions shall be composed of the basic payment for the performance of functions and additional payment for special responsibilities held by members. The payment for the performance of functions and attendance fees shall be determined by having regard to the size of the company and its financial condition, and in an appropriate proportion to the tasks carried out by the Supervisory Board members. Within the context of considering the company's size, the remuneration for the Supervisory Board members shall be determined after assessing factors which define the company's operational complexity and the complexity of the tasks of the company's Supervisory Board. In line with the CGCSOE recommendations, SSH shall determine for SOEs the recommended levels of remuneration for performing the function of a member of the Supervisory Board, attendance fees, and arrangements for reimbursement of expenses in the SSH Recommendations and Expectations. The provisions for

remuneration for members of the Supervisory Boards, as specified in the SSH Recommendations and Expectations, along with the CGCSOE recommendations (Principle 6.21 of CGCSOE and its associated recommendations), shall constitute a framework for determining the Remuneration Policy for members of supervisory bodies in SOEs.² In companies where the Remuneration Policy for supervisory bodies has been adopted, remuneration must be determined in accordance with this policy.

6.21.1 The GM resolution proposals on remuneration for Supervisory Board members shall be formulated and submitted to the General Meeting in accordance with the template resolution which is annexed to the SSH Recommendations and Expectations.

6.21.2 Special functions of a member of a Supervisory Board which justify additional payments include in particular the following functions: the position of a President or a Deputy President of the Supervisory Board, or the President, Deputy President or a Member in Supervisor Board's Committees.

6.21.3 The remuneration for Supervisory Board Members shall be predetermined by the General Meeting resolution or in the company's Articles of Association.

6.21.4 The members of the Supervisory Board shall not be entitled to any remuneration in cash or in kind which is not determined by an appropriate resolution of the General Meeting. Notwithstanding, the company may pay for corporate liability insurance premiums (D&O insurance), membership fees in professional organizations, and training in corporate governance or the company's business operations for members of the Supervisory Board, even if not specifically decided by the General Meeting. Such payments shall typically not be taxed as income or benefits for the member of the Supervisory Board as they are of a business-necessary nature unless otherwise explicitly provided by laws or regulations.

² Public limited companies shall also be obliged to consider the provisions of Article 294a of the Companies Act (ZGD-1) when formulating their Remuneration Policy. In non-public companies, the adoption of the Remuneration Policy for supervisory bodies shall not be required.

6.21.5 For non-executive members of the Board of Directors, the CGCSOE recommendations applicable to the Supervisory Board are applied *mutatis mutandis*.

Ongoing Training Obligation

6.22 Throughout their tenure, the Supervisory Board members shall be obliged to continuously educate themselves and take up additional training in areas which are directly related to their duties on the Supervisory Board. The company must provide appropriate educational activities according to their needs and the company's capabilities.

D&O Insurance

6.23 The company should take out Directors and Officers (D&O) liability insurance for the members of the Supervisory Board to protect the company's interests. The insurance should cover an extent that ensures the maximum possible compensation for any costs the company may incur due to events caused by the actions of the Supervisory Board members.

Remuneration of External Committee Members

6.24 The General Meeting's resolution on the remuneration of Supervisory Board members shall not apply to external committee members. The Supervisory Board shall adopt a resolution on the amount of the payment for external members of Supervisory Board's committee and external experts. The remuneration should be defined in the amount commensurate with the usual compensation for work in the relevant professional field. The remuneration for external members of the Supervisory Board's committees shall be composed of attendance fees, the payment for the performance of functions and the reimbursement of expenses. The remuneration should be structured so as to secure the engagement of necessary experts, reflecting the specific nature and rationale of each case while ensuring prudent use of the company's funds and cost justification.

Report of the Supervisory Board for the General Meeting

6.25 The report of the Supervisory Board to the General Meeting should encompass not only the required legal details but also provide comprehensive insights into the Supervisory Board's internal structure, the composition of the Supervisory Board as regards the independence of its members, management of any conflicts of interest, and the Board's procedural operations. Additionally, the report should highlight how self-evaluation has effectively led to any organizational changes. The report shall also articulate the Supervisory Board's stance on the Corporate Governance Statement, especially in relation to the Statement of Compliance with the chosen reference code and CGCSOE, in cases where CGCSOE is not the primary reference code.

EVALUATION OF EFFECTIVENESS OF SUPERVISORY BOARD OPERATIONS

6.26 Supervisory boards of SOEs should annually conduct an effectiveness evaluation of their operations. During the evaluation process, the Supervisory Board is tasked with examining its composition to ensure it meets the requirements for effective oversight. This includes reviewing the quality of supervision, identifying any circumstances that could lead to conflicts of interest for individual members, and evaluating the performance of both individual members and the Supervisory Board as a whole. Additionally, the board should assess the nature of its collaboration with the company's management. During the assessment of its operations, the Supervisory Board shall also evaluate the work of any existing committees. The supervisory bodies of SOEs shall evaluate the effectiveness of their supervision in accordance with the Supervisory Board Efficiency Evaluation Guide, adopted by the Slovenian Director's Association.³

6.26.1 This evaluation process should be conducted in line with recognized best practices in the field. Shareholders or company members should be informed about the execution and progress of the effectiveness evaluation process. Based on the evaluation outcomes, the Supervisory Board shall, if necessary, develop a targeted action plan to enhance its functioning. It shall also promptly enact relevant measures and

³http://www.zdruzenje-ns.si/db/doc/upl/ZNS_PRIROCNIK_final.pdf.

consider the evaluation's insights during its day-to-day operations and in the preparation of proposals for the General Meeting.

6.26.2 Before evaluating the performance of the committees, the Supervisory Board shall request a report on their activities over the past year.

COMMITTEES OF SUPERVISORY BOARD

6.27 The Supervisory Board shall establish specialized committees (in addition to the Audit Committee, common ones based on the needs for effective oversight include Risk, Human Resources, Nomination, Investment, and IT Committees). These committees shall analyse specific issues and advise the Supervisory Board on these matters. While the final decisions remain under the purview of the Supervisory Board, the committee may provide decision proposals. The committee shall enhance the Supervisory Board's effectiveness based on its needs and size.

6.27.1 If the Human Resource Committee is appointed, it should support the Supervisory Board in appointing, remunerating and dismissing members of Executive Management. If the Human Resources Committee also undertakes the tasks of the Nomination Committee (pertaining to matters related to the Supervisory Board), the recommendations of CGCSOE concerning the Nomination Committee should be applied to its composition *mutatis mutandis*.

6.27.2 The Supervisory Board shall adopt the specific Committee's Rules of Procedure which clearly define its purpose, tasks, special responsibilities, time frame, methods of work, the participation of other persons at meetings, etc.

Audit Committee

6.28 Supervisory Boards of companies which are public-interest entities must establish an Audit Committee unless they are small or micro-enterprises, or an exception is provided for under the Companies Act (ZGD-1). At least one member of the Audit Committee should be an independent expert who is qualified in accounting or auditing unless the law stipulates otherwise. The Audit

Committee's responsibilities are as defined by law. Continuity is sought in the composition of the Audit Committee.

- 6.28.1 The Audit Committee shall adhere to best practices for Audit Committee's operation.
- 6.28.2 The Audit Committee should meet at least once a quarter, but no more frequently than necessary to effectively fulfil its tasks.
- 6.28.3 The Audit Committee shall not make final decision on matters within the purview of the Supervisory Board and shall not have direct public interactions in the media or otherwise.
- 6.28.4 The President of the Audit Committee shall receive assistance in administrative matters from the Supervisory Board's Secretary or any other company's personnel who shall be appointed by Executive Management of the company.
- 6.28.5 The Supervisory Board should authorise the Audit Committee to conduct reviews of all activities within its remit, demanding any information, expert explanations, and documents needed. During its meetings, the Audit Commission shall discuss its own material and material prepared by Executive Management, and by an internal or external auditor.
- 6.28.6 An external member of the Audit Committee must be independent and free from any circumstances which could lead to conflicts of interest. The Recommendation 6.15.1 of CGCSOE regarding the completion of the Declaration of Independence referred to in Appendix 2 shall apply to external members of the Audit Committee *mutatis mutandis*. The term of office of an external member of the Audit Committee is not linked to the term of the Supervisory Board.

Collaboration between Executive Management and Supervisory Board

- 6.29 The collaboration between the members of Executive Management and the Supervisory Board should be founded on mutual trust and respect.**
- 6.30 Ensuring that the Supervisory Board is adequately informed shall be a joint responsibility of the Executive Management and the Supervisory Board. The Supervisory Boards should receive such information from management which**

enables them to effectively oversee the company's operations and make informed decisions.

- 6.30.1 Materials for the Supervisory Board's meeting must be provided at least a week in advance unless a different time frame is specified in the Supervisory Board's operating regulations.
- 6.30.2 Executive Management should inform the Supervisory Board in a regular, prompt, and comprehensive manner about all matters relevant to the company's strategy, planning, business progress, risks, and risk management. In cases where business operations deviate from the strategy and plans, Executive Management should report this to the Supervisory Board and explain their reasons. On the other hand, the Supervisory Board must ensure it receives all pertinent information from Executive Management.
- 6.30.3 Open discussion between Executive Management and the Supervisory Board, as well as within each body, is necessary. It is crucial that all members of the management and supervisory bodies adhere to their duty to maintain the confidentiality of information and the company's trade secrets.

7. EXECUTIVE MANAGEMENT

Due Diligence in Managing Company and Leadership

- 7.1 Members of Executive Management are required to perform their leadership duties with the diligence of a fair and conscientious businessperson. They shall manage the company's affairs solely for its benefit, adhering strictly to legal requirements and the established norms of business, finance, and corporate governance. They shall hold joint responsibility for running the company and should strive to reach key decisions through unanimity. Executive Management must implement organizational and other appropriate measures to ensure the company's operations comply with applicable regulations.**

- 7.2 Executive Management shall lead by example, fostering and nurturing a corporate culture that encourages ethical behaviour and a commitment to compliance among all employees as part of their responsibilities. It is their task**

to inspire employees towards common goals, strengthen the company's values through open communication, thereby enhancing the organizational culture, all aimed at increasing productivity and efficiency.

- 7.2.1 Management actions shall be guided by principles of ethical leadership, including honest communication, adherence to ethical standards and values, fairness, and integrity towards all individuals affected by management decisions, respecting their dignity, rights, and ensuring equitable treatment under similar conditions. This includes considering their opinions, ideas, and suggestions in decision-making.
- 7.2.2 Members of Executive Management shall accept full responsibility for their actions and the consequences thereof. When facing allegations of acting contrary to ethical leadership principles, they must be able to refute such concerns or explain justifiable reasons for their actions.
- 7.2.3 Special attention should be paid to avoid causing harm to the company. Decisions should be based on adequate information and risk assessment, oriented exclusively towards the company's interests, free from any conflicts of interest between the decision makers and the company, made in good faith, and with the required diligence. If the company suffers damage due to careless actions by the members of the management or supervisory bodies, compensation must be sought.

Avoiding Conflicts of Interest

- 7.3 When making decisions, members of Executive Management must not prioritize their private interests or exploit the company's business opportunities for their own or a third party's benefit. They must avoid conflicts of interest when performing their functions.**
- 7.3.1 A member of Executive Management shall disclose circumstances which may lead to a conflict of interest to the Supervisory Board and other members of the management body, providing all relevant information. Should doubts arise regarding a potential conflict of interest for a specific member of the management body, the Supervisory Board is responsible for assessing the situation and making a decision. A member of the management body facing circumstances which may lead to a conflict of interest shall not participate in discussions, express opinions or advice, vote on related matters, or engage in any other actions or influence regarding the issue. Such member shall also abstain from preparing proposals and materials related to such decisions. Additionally, self-exclusion or exclusion might involve other measures as

appropriate and feasible in the specific case. Measures might include not being informed about the materials related to the contentious issue. For this, the member of Executive Management shall sign a written declaration of self-exclusion, including an appropriate explanation, or makes a declaration of self-exclusion on the record during an executive management meeting. Especially in sensitive matters, such as protecting competitively sensitive information, or when the presence of the member of the Executive Management concerned by the conflict of interest might disrupt the decision-making process, they should also be excluded from the meeting. Other decision-makers may invite such member of Executive Management to be present at the voting without voting rights, if they assess that their presence won't influence their decision.

7.3.2 A member of Executive Management should obtain the consent of the Supervisory Board before taking up a position on the Supervisory Boards of companies outside the group.

Composition and Organization of Executive Management

7.4 The Supervisory Board or other appointing body must ensure that the members of Executive Management complement each other in knowledge, skills, and experiences and can collaborate in a constructive manner. Additionally, Executive Management shall comply with relevant laws and regulations that mandate diversity in Executive Management's composition, with a particular focus on gender representation. The size of Executive Management must align with the company's size, complexity, and operational requirements. In the case of a multi-member management body, the Supervisory Board appoints the President (CEO, or the General Manager) who is responsible for leading the collective body and ensuring its effectiveness.

7.4.1 Before initiating the selection procedure, the Supervisory Board, in cooperation with the Nomination Committee, if appointed, shall define the conditions, criteria and competency profiles for each of the member of Executive Management. This process shall consider the unique aspects of the company and its industry, the current composition of the management body, and the compatibility of its members and the current company's situation.

7.4.2 The Supervisory Board should not appoint candidates as members of Executive Management who: a) have held a function in a political party in the last six months, b)

perform a function incompatible with being a member of Executive Management according to ZIntPK or have done so in the past six months, c) have been found to have violated integrity requirements as defined by ZIntPK by the Commission for the Prevention of Corruption, d) have ever been convicted of an economic crime or ordered to pay compensation for business damages in connection with supervisory or management roles in companies.

7.4.3 When appointing members of the management body, the Supervisory Board members shall carry full personal responsibility for the professionalism and prudence of the decision independent of any instructions by a third party, including SSH.

7.4.4 In the event of a dismissal of Executive Management or a member of Executive Management, regardless of the reason, any Supervisory Board member who participated in the dismissal vote should not be eligible for appointment to Executive Management, unless more than one year has elapsed since the termination of their role on the Supervisory Board. Similarly, if a Supervisory Board member served as an interim member of the Executive Management in place of the dismissed individual, they should not be considered for a regular position in the management body until at least one year has passed since their interim tenure.

7.5 Executive Management shall be organized to perform all its duties in an effective and efficient manner.

7.6 To ensure the company's operational effectiveness, Executive Management shall strive for proper leadership and secure all essential resources required for the company's operations.

7.7 At least in large companies, a culture of talent recognition and skill development should be actively fostered not only at the second level but also throughout the deeper layers of the organization. Individual employee development plans should define career directions and identify critical competencies needed for current and future success of the organization. Executive Management shall be responsible for motivating employees, fostering a sense of responsibility among the employees and reinforcing desired behaviours. The remuneration system should be based on knowledge, performance, education, and the complexity of work.

STRATEGIC PLANNING AND SUSTAINABLE BUSINESS

7.8 Executive Management shall be obliged to pursue the long-term success of the company by integrating sustainable aspects of business and must be capable of identifying, assessing, and managing key risks and opportunities in business, social, and environmental areas of operation. Respect for human rights, employees' rights, environmental care, and broader societal considerations must be ensured by Executive Management at all levels and areas of the company's operations.

7.9 Executive Management should articulate the company's mission and vision, providing a clear explanation of how the company generates long-term value for its owners, how it contributes to stakeholders, and how it benefits the broader society and the environment. Executive Management shall formulate a comprehensive long-term business strategy by considering the company's fundamental objectives, the purpose of its establishment, and its vision. This strategy should describe methods and ways of involving stakeholders in realizing the company's vision. A section of the company's business report should also be dedicated to reporting on the realization of the company's vision.

7.9.1 The strategy for every large and medium-sized company, as well as small companies whose securities are traded on a regulated securities market, should include a sustainable business strategy. Executive Management should set measurable goals from all sustainability aspects, including environmental, social, and governance aspects. As part of the environmental aspect, Executive Management should prepare short-term and long-term decarbonization plans for the company with goals and measures to reduce greenhouse gas emissions.

7.9.2 The company's strategy should include relevant principles from the National Action Plan of the Republic of Slovenia for the respect of human rights in business. Based on a thorough review of operations, Executive Management should define goals and implementation measures to ensure respect for human rights across the company's entire operation.

7.9.3 Based on the formulated long-term strategy of the company, Executive Management shall prepare an annual business plan for the company.

SUCCESSION PLANNING POLICY

7.10 In collaboration with Executive Management and the Nomination Committee, if appointed, the Supervisory Board of a large company should establish an effective and timely internal succession planning policy. The aim of this policy is to ensure leadership continuity, preserve and develop knowledge and intellectual capital for the company's future, and promote individual growth and development of employees. The objective of the internal succession planning policy is to train potential candidates from the employee pool who could be suitable candidates for taking on executive positions in a company. Succession planning shall identify the key competencies required for a potential member of Executive Management, recognize key personnel suitable for executive roles, criteria for selecting these candidates, and develop a program for nurturing this talent. The Supervisory Board, working in collaboration with Executive Management, shall be responsible for monitoring the development of key personnel and the implementation of the succession program.

SELECTION PROCEDURE FOR EXECUTIVE MANAGEMENT CANDIDATES

7.11 When identifying candidates for Executive Management, consideration must be given not only to meeting legal requirements and the provisions of the founding document but also to the following qualities: professional qualifications, leadership capabilities, management experience, strategic planning ability, communication skills, and personal integrity.

7.11.1 The Supervisory Board must evaluate candidates based on these qualities as outlined in Principle 7.11, aiming, where feasible, to ensure that at least two candidates who meet the Supervisory Board's criteria are included in the final selection.

7.11.2 The Supervisory Board must initiate the candidate selection process well before the term of office of the current member of Executive Management expires to ensure a timely transition of duties and responsibilities to the new Executive Management.

7.11.3 The candidate selection process shall be conducted through one of the following methods:

- a) Direct recruitment:

- personal invitations to apply, based on recommendations from the Supervisory Board or its Nomination Committee, targeting internal candidates (internal succession) and external candidates;
 - identifying suitable candidates in the job market, informing about the vacancy, and encouraging applications with the aid of external professionals (*head-hunting*);
 - in multi-member management teams: proposals from the President of the Management Board or the General Director for the appointment of another member of Executive Management. However, the Supervisory Board shall not be obliged to follow these recommendations (“advisory proposal system”).
- b) Public announcement with a public notice of the vacant management or CEO position in the appropriate media.
- c) A combination of public announcement and direct recruitment: both or all recruitment channels and selection methods are carried out simultaneously.

7.11.4 The choice of method or combination thereof best suited to the given situation shall depend on the company itself, its industry, market conditions, and any particular circumstances. The assistance of external or internal experts is possible for all recruitment channels when selecting a candidate for Executive Management or the managing director position. Each candidate must receive equal consideration and participate in identical selection procedures throughout the entire process until a final decision is reached.

Executive Management Remuneration

7.12 The remuneration of Executive Management should be provided in line with the remuneration policy for management bodies, if such is adopted. The remuneration must reflect the responsibilities of Executive Management members and the financial condition of the company. The structure of remuneration should incentivise Executive Management members to pursue the company’s long-term success, development, sustainable operations, and ensure its viability. Particularly, the variable component of remuneration, which is based on both financial and non-financial criteria, plays a key role in promoting these objectives. Detailed guidelines for formulating remuneration policies and structuring remuneration for management bodies are provided in the SSH Recommendations and Expectations.

8. TRANSPARENCY IN OPERATIONS AND REPORTING

8.1 SOEs shall implement high standards of operational transparency and disclosure, including the preparation of high-quality accounting and business reports. Reporting of SOEs must be timely, accurate, consistent, verifiable, understandable, concise, and transparent, and must comply with the law, the EU Commission's delegated regulation, CGCSOE, SSH Recommendations and Expectations, and the company's adopted internal policies and regulations in both content and form.

Sustainability Reporting

8.2 All large companies, as well as medium-sized and small companies whose securities are traded on a regulated securities market, shall include a sustainability report in their business report. This report shall contain all the information necessary to understand the company's impact on sustainability matters and how these matters affect the company's development, performance, and position. The sustainability report includes legally defined information that companies are required to report on. The controlling company of a large group shall prepare a consolidated sustainability report, applying the recommendations for sustainability reporting as appropriate. This is included in its consolidated business report when required. Provisions of the law, or directly the CSRD directive until the adoption of the law, shall apply to exemptions from and facilitations of sustainability reporting.

8.2.1 Medium and small companies, whose securities are not traded on a regulated securities market, shall adjust the scope of their sustainability reporting to their capabilities, activities, and company size. In any case, they shall report on significant

sustainability matters and goals and stakeholder relations, incorporating relevant content into their annual report.

- 8.2.2 Companies may also refer to other international documents which serve as a guide in interpreting the concept of sustainability, including: Agenda 2030, OECD Guidelines for Multinational Enterprises, OECD Guidelines on Due Diligence for Responsible Business Conduct, providing guidelines for internationally operating companies in meeting supply chain responsibilities, UN Guiding Principles on Business and Human Rights, UN Global Compact, guidelines of the Task Force on Climate-related Financial Disclosures (TCFD), guidelines of the Task Force on Nature-related Financial Disclosures (TNFD).

Reporting on Composition, Remuneration of Management and Supervisory Bodies, and Operation of Supervisory Bodies and Their Committees

8.3 The company shall report on the membership composition of the management and supervisory bodies in its annual report, specifically, in the Corporate Governance Statement, in accordance with Appendix 3 of CGCSOE.

8.4 In the annual report, the company shall clearly and specifically disclose earnings and income received from other rights for each member of management and supervisory bodies, specifically, structured according to the types of remuneration and income received from other rights in accordance with Appendix 4 of CGCSOE.

8.5 The controlling company in the Group shall present the data from the Recommendation 8.4 for all subsidiaries companies in the Group within the consolidated annual report. If the group comprises more than five subsidiary companies, the reporting by the controlling company on remuneration within the group shall cover (only) the five largest companies, measured by the company's revenues. The report should also disclose the remuneration of external members of committees of the Supervisory Board. Public limited companies and those non-public companies limited by shares which opt to apply Article 294b of ZGD- 1 concerning the reporting of remuneration of the management and supervisory bodies should prepare a separate remuneration report in

accordance with said legal provision and submit it to the General Meeting in the same manner as the annual report.

8.6 Similarly, the company should disclose other operational details of the supervisory body and its committees in the annual report, including the attendance of individual supervisory body members at specific meetings. The disclosure shall also cover the operating costs of the supervisory body, such as costs for legal opinions, translation costs, travel expenses, education costs, fees for hiring special experts, D&O insurance, etc.

Financial Calendar

8.7 SOEs shall establish a financial calendar prior to the onset of the new financial year, or no later than January of the current financial year. This calendar shall detail the projected dates for significant company announcements throughout the year, including shareholder meetings, dates for dividend distributions, and the release of annual and interim reports. The financial calendar shall be published and accessible to the public on web site of the company. The company shall design the financial calendar to meet the key expectations of SSH regarding reporting deadlines, particularly concerning the assessment of business performance in the current year and plans for the coming year.

9. AUDIT AND INTERNAL CONTROL SYSTEM

Audit of the Company's Financial Statements

9.1 A state-owned enterprise (SOE), mandated by the Companies Act (ZGD-1) to have its annual report reviewed by an auditor, shall conduct auditor selection process. This process aims to appoint an auditing firm committed to delivering an independent and impartial audit of the company's financial statements and other sections of the annual report which are required to be audited by law. The selected firm shall maintain the highest standards of professional ethics and adhere to established auditing principles and norms.

9.1.1 The Supervisory Body or the relevant committee shall verify the responsiveness of the management bodies to the observations in the letter to Executive Management which is prepared by the auditor during the pre-audit or post-audit phases.

9.1.2 The company shall be required to change its auditing firm at least once every nine years and the key auditing company at least once every seven years unless the legislation specifies otherwise for certain categories of companies. If the auditing firm is changed more frequently, the Audit Committee, or in its absence, the Supervisory Board, must provide a rationale for not renewing the auditing contract. The replaced auditing firm and the replaced key auditing company shall be prohibited from performing mandatory audits for at least the next two years following the termination of services, unless different regulations apply for specific company categories. The General Meeting shall be advised to appoint the auditor of the financial statements for a three-year term. If the Audit Committee does not recommend renewing the contract with the previous external auditor, the Audit Committee shall propose at least two new options for the auditing service providers to the Supervisory Board and provide justifications for each.

Risk management system.

9.2 The company must establish an effective system of internal controls and risk management and provide insurance for key risks as necessary.

9.2.1 The Executive Management is responsible for ensuring proper organization and qualified personnel for timely detection and assessment of risks, as well as appropriate management of the risks which the company faces in its operations.

9.2.2 The Supervisory Board and the Audit Committee, if one is established, should regularly familiarize themselves with the company's system of internal controls and risk management and verify their adequacy and improvements.

Internal Audit

9.3 The company should ensure all conditions necessary for the independent and effective operation of internal audit. Its primary task is to provide unbiased and relevant recommendations and advice in the areas of organizational

management, risk management, and internal controls, with the aim to contribute to their improvement. Internal audit reviews should be carried out in accordance with the work plans adopted by the internal audit function.

9.3.1 Large SOEs should establish an internal audit function and conduct internal audit reviews with their own staff within the internal audit department. Medium-sized companies should carry out internal audit activities with external providers unless the assessed risks necessitate the constant involvement of an internal auditor, particularly if it is a public interest entity. Small companies should conduct internal audits in areas of identified significant risks by using external providers. In group companies, where permitted by law, the internal audit function can be carried out by the internal audit service of the parent company or the group's internal audit department.

9.3.2 Internal auditing should be performed in accordance with the Hierarchy of Internal Auditing Rules adopted by the Slovenian Institute of Auditing. This hierarchy establishes the compliance priority and methodology with the applicable and binding legal and professional standards, as well as the ethical behaviour expected of internal auditors in Slovenia.

9.3.3 The independence of internal auditors should be ensured, regardless of whether internal audit activity is carried out in-house or with the help of external service providers.

9.3.4 An adequate number and competency of internal auditors should be ensured (and/or necessary external providers should be hired) based on the complexity and riskiness of the company's operations. The head and other individuals carrying out internal audit activities should have characteristics and experience necessary for performing internal auditing tasks in accordance with best practices and high ethical standards of internal auditing.

9.3.5 Recommendations from internal auditors should be implemented within the agreed deadlines.

9.3.6 The internal assessments of the quality of the internal audit activity should be carried out annually. The external assessment of the quality of the internal audit activity should be carried out at least once every five years.

9.3.7 The internal audit is accountable by way of its function (in terms of the content) and shall report to the Audit Committee of the Supervisory Board or to the Supervisory Board of the company, and in terms of the administration, to Executive Management of the company. The Supervisory Board of the company and the Audit Committee shall be expected to do the following:

- ensure that the company maintains an appropriate internal audit function or assesses the need for such in medium and small companies. The necessity for an internal audit function shall be assessed at least once a year and additionally upon any significant changes in the company's circumstances, operating conditions, or any marked increase in business risk.
- in companies with an established internal audit activity (in-house or outsourced), they shall be expected to:
 - formulate a position concerning the organizational placement of the internal audit function and the conditions necessary for its independent operation, as well as regarding the authority and responsibilities of internal auditors;
 - approve the appointment, dismissal, and remuneration of the head of internal audit;
 - consent to the charter defining the purpose, significance, and tasks of the internal audit;
 - approve the annual and multi-year internal audit work plans, which should be strategically developed based on comprehensive risk assessments;
 - approve the budget allocated for the operation of internal audit;
 - give consent to contracts made with external service providers for internal auditing, as well as any modifications or terminations of such contracts;
 - review the annual report on the activities of the internal audit and regularly become acquainted with interim reports, significant findings, and recommendations;
 - monitor the implementation of recommendations made by the internal audit within the set deadlines;
 - determine the appropriate frequency for conducting external quality assessments of the internal audit activity. The relevant body should also review the findings and recommendations arising from both internal and external quality assessments and oversee the execution of these recommendations to enhance the efficiency of the internal audit function;
 - directly communicate with the head of the internal audit;
 - make appropriate inquiries with the Management Board of the company and the head of internal audit to determine if there are any inappropriate limitations regarding the scope of work or resources.

10 ADOPTION OF CODE OF ETHICS

10.1 A state-owned enterprise should adopt and implement the Code of Ethics in which the ethical principles of ethics and rules of conduct are defined for the company's leadership and all employees. This Code should apply to the entire scope of the company's activities and consider the specificities of its operations. The Code of Ethics can be established at the level of the controlling company and adopted across all group companies unless they have their own specific Code. The aim of adhering to the Code of Ethics is to enhance the reputation of both the employees and the entire company.

10.1.1 At a minimum, the company's Code of Ethics should include the following elements:

- Basic corporate values and principles of the company.**
- Areas of responsibility.**
 - Responsible conduct of the management bodies towards employees and the company:**
 - Exemplary role model by the company's leadership.**
 - Responsible attitude towards all employees and a responsible attitude and a fair and respectful social dialogue with employee representatives on the works council or with employee trustees and representative trade unions. This includes the provision of timely information to which they are entitled under applicable law or other commitments. Responsibility should be primarily manifested as an effort by all stakeholders to improve working conditions for employees, to reward employees in an incentive-based manner, to increase employee productivity and to reduce work-related injuries and illnesses.**
 - Respecting commitments made to employees, employee representatives on the works council or employee trustees and representative trade unions (labour law, collective agreements, other commitments and agreements such as the Participation Agreement).**
 - Strict observance of trade union rights and the status of employees' and trade union's representatives.**
 - Striving for the education, personal and career development of employees.**
 - Stimulating and motivating employees.**
 - Responsible attitude by employees towards the company:**
 - Avoiding employees' conflicts of interest between their work in the company and their personal affairs or affairs of their relatives.**

- Employees' attitude towards company's assets, a responsible management of company's assets.
- Protection of business secrets and other confidential information of the company.
- Operation in accordance with general interests of the company.
- Active response to detected unethical or illegal conduct or suspicions of alleged irregularities in the company.
- Responsible attitude of the company towards clients, buyers, suppliers and company members.
- Responsible attitude of the company towards company's shareholders or company members:
 - Functioning of the company in the direction of increasing added value for the owners.
 - Prudent use of company's assets.
- Responsible attitude of the company towards the wider society:
 - Adherence to legislation and the company's internal rules and regulations, particularly with regard to the protection of competition rules and rules regarding securities trading.
 - Strict policy of zero tolerance towards corrupt actions and behaviours.
 - Rules and limitations regarding the acceptance of gifts.
 - Appropriate conduct towards official authorities and their representatives.
 - Respect for human rights, both in regard to the recruitment and in relation to employees.
 - Sustainable business practices and social responsibility.
 - Assistance to local communities and humanitarian activities of the company.
- Responsible attitude of the company towards the media:
 - Fair interaction with the media.
 - Information of the public on significant events in the operations of the company.
- Good practices in interpersonal relationships within the company.

The company's leadership should give appropriate attention to the implementation of the Code of Ethics. The Code of Ethics should be known and accessible to all employees within the company, and its public disclosure is recommended. Periodic internal communication activities should be organised with regard to the

implementation of the provisions of the Code of Ethics. Internal procedures for detected violations of the Code of Ethics should be anticipated in advance.

10.1.2 The Supervisory Board shall be acquainted with the company's Code of Ethics.

11 CORPORATE COMPLIANCE AND BUSINESS INTEGRITY

11.1 The fundamental principles for the operation of SOEs must include commitments to compliance and integrity, transparent operation and zero tolerance towards corruption, illegal and unethical conduct by employees, members of management and supervisory bodies.

11.2 To reinforce compliance and integrity, while considering consider the unique aspects of their respective industries and operations, companies should, in addition to existing laws on integrity and prevention of corruption, consider to the greatest possible extent reference documents and best practices which emphasize the importance of compliance and integrity. These may include guidelines from the Commission for the Prevention of Corruption, Slovenian Corporate Integrity Guidelines, and anti-corruption principles for state-owned enterprises, among others.

11.3 For SOEs where SSH has a majority stake or prevailing influence, more detailed recommendations on compliance and integrity are provided in the SSH Recommendations and Expectations.

11.4 For other SOEs with more than 50 employees, it is recommended to:

11.4.1 include the work post or the position of the Chief Compliance Officer (or the Chief Integrity Officer) in their organisational structure or in their job classification, and identify potential risks for corruption, and unethical and illegal activities;

11.4.2 prepare a comprehensive risk management plan and define ongoing and/or one-time measures to manage these risks (the formulation of the "Integrity Plan" or the "Anti-Corruption Program");

11.4.3 the company's Integrity Plan or Anti-Corruption Programme comprehensively outlines risks and measures across key operational areas. These areas include procurement processes, identifying and managing conflicts of interest, regulating the acceptance of gifts, preventing trading based on inside information, overseeing lobbying activities,

safeguarding business secrets, and implementing transparent and fair practices in staffing executive or senior roles. It also establishes a system for reporting irregularities and protecting whistleblower and set up a regular reporting system to management and supervisory bodies about received and addressed reports of irregularities and the measures taken. Other areas can also be included, depending on the specifics of their operations, and identified risks;

- 11.4.4 special attention shall be dedicated to education and training for all levels in an SOE (employees, management, supervisory bodies) regarding the compliance integrity;
- 11.4.5 in large companies, the organizational structure should incorporate a role for the Chief Compliance Officer, or, based on the business's size and specific needs, a dedicated unit for compliance and integrity functions shall be created;
- 11.4.6 the Chief Compliance Officer should operate autonomously and independently, be well-educated, and have relevant experience. To ensure unimpeded functioning, they should be provided with necessary paid professional assistance, appropriate material resources, and authority as needed. Depending on the subject matter in question, the Chief Compliance Officer should have an autonomous right to report to the appropriate management and supervisory bodies within the company, and the right to report to external supervisory bodies.

11.5 SOEs with fewer than 50 employees should conduct compliance and integrity activities in accordance with applicable legislation and the recommendations of CGCSOE. Its implementation should be reasonably tailored to the company's business activities, size, and workforce.

12 TRANSITIONAL PROVISIONS

The Recommendation 8.2 regarding the preparation of the sustainability report and the consolidated sustainability report shall apply to certain types of companies within the deadlines set by the Corporate Sustainability Reporting Directive (CSRD) or the law.

13 ENTRY INTO FORCE AND APPLICATION OF CGCSOE

The Corporate Governance Code for SOEs (CGCSOE) was initially adopted by SSH on 17 December 2014, and the Supervisory Board consented on it on 19 December 2014.

The CGCSOE and any amendments and supplements shall enter into force on the date of the SSH Supervisory Board's consent and are to be applied from the date specified with each

amendment. The CGCSOE and its amendments and supplements are published on the SSH web site.

The latest amendment and supplement to CGCSOE, which was granted the consent by the SSH Supervisory Board on 12 December 2023, shall come into effect on 1 January 2024.

Slovenian Sovereign Holding also considers CGCSOE in its operations as appropriate.

Ljubljana, 12 December 2023

SSH Management Board

Žiga Debeljak
President of Management Board

Janez Tomšič
Member of Management Board

APPENDIX 1: CIRCUMSTANCES POTENTIALLY LEADING TO CONFLICTS OF INTEREST - ASSUMPTIONS OF DEPENDENCE

Examples of circumstances which can lead to conflicts of interest and create an assumption of dependence for a member of the Supervisory Board include as follows:

- a) The individual is an executive director or a member of a management board or of the related company and has held such position in the last five years.
- b) The individual is employed by the company or has been employed by the company for the last two years, except if they were elected to the Supervisory Board as part of a worker representation system required by law and were not a senior employee.
- c) The individual receives significant additional income from the company or from its related company, other than compensation for roles as president, deputy-president or membership in the Supervisory Board and its committees.
- d) The individual is a majority shareholder or represents one.
- e) The individual has or has had during the last year significant business dealings with the company or its related company, directly or as a company member, shareholder, director, or a senior employee of an entity with such relationship. Business dealings include the position of a supplier of goods or services (including financial, legal, consulting, or advisory services), the position of a significant client and the position of organisations receiving significant financial contribution from the company or its Group.
- f) The individual is or has been in the past three years a company member or an employee of the current or former external auditor of the company or of a company related to the external auditor.
- g) The individual is an executive director or a member of the Management Board of another company in which an executive director or a member of the Management Board is a Supervisory Board member or is otherwise connected with the company's executive directors or members of the Management Board through participation in other companies or bodies.
- h) The individual has been a member of the same Supervisory Board for more than three terms of office (or for more than 12 years when the Articles of Association of the company specify a term of office of less than four years).
- i) The individual is a close family member of the members of the Management Board or individuals in positions mentioned in points from a) to g).
- j) The individual is a member of the extended executive management team of a related company.

- k) The individual has participated in the preparation of the content for the proposal of the company's annual report.
- l) The individual is in a business or competitive relationship with the company through their regular employment.
- m) The individual is a member of a supervisory body in a competing company.
- n) The individual has a business relationship with the company or its related entity (directly or indirectly through related persons - these are considered to be close family members, an employer, other entities related with the Supervisory Board Member through the capital or by way of the governance or otherwise).
- o) The individual is economically, personally or in any other way related with the company or its Executive Management.

APPENDIX 2: DECLARATION OF INDEPENDENCE

DECLARATION OF INDEPENDENCE AND NO-CONFLICT OF INTEREST STATEMENT
of the Member of Supervisory Board/Supervisory Board's Committee of the following
company: _____⁴

In accordance with the Recommendation 6.15.1 of the Corporate Governance Code for SOEs (hereinafter referred to as: "CGCSOE"), and considering the definition of dependence or independence from CGCSOE, I, the undersigned _____ hereby declare my (non)dependence, specifically in regard to the existence of circumstances referred to in Annex 1 of CGCSOE and any other potential circumstances related to my role as a member of the Supervisory Board/Supervisory Board Committee of the company: _____.

I declare my position on individual circumstances which may lead to a conflict of interest in relation to my role as a member of the Supervisory Board in the said company as follows (please indicate whether the statement is true or false):

a) I do not hold and have not held the position of an executive director or a member of the Management Board/Executive Management of the company or its related company in the last five years.

TRUE FALSE

b) I am not employed by the Company or by its related company and I have not held such a position for the last two years.⁵

TRUE FALSE

c) I do not receive any significant additional income from the company or its related company, other than the payment I receive for performing the function as the member/President of the Supervisory Board or the member/President of the Supervisory Board's Committee. Such additional income also includes any participation in stock options or any other performance-related pay schemes; such income does not include unacceptable amounts of compensation under retirement schemes (including deferred compensation) for past service in the company (provided that such compensation is in no way dependant on the continuation of service)

TRUE FALSE

⁴This Declaration also applies *mutatis mutandis* to the members of the Management Board.
⁵If your answer is "FALSE ", but there is an exception in your case: "except in case where the Supervisory Board Member is not senior management officer and has been elected to Board of Directors or the Supervisory Board within the scope of the employee representation system acknowledged by the law, which simultaneously ensures adequate protection against illegal dismissal and other forms of unfair treatment" you should mark your answer as "TRUE" and provide an explanation below.

d) I am not a majority shareholder/company member and neither do I represent one (the control is determined by reference to cases referred to in Article 1(1) of Council Directive 83/349/EEC(1)).

TRUE FALSE

e) I do not have, nor have had in the last year, significant business dealings with the company or its related company either directly or as a company member, shareholder, director, or a senior manager of an entity with such relationship. Business dealings include the role of a supplier of goods or services (including financial, legal, consulting, or advisory services), the position of a significant client and the role of an organisation receiving significant financial contributions from the company or its Group.

TRUE FALSE

f) I am not, nor have been in the last three years, a company member, or an employee of the current or former external auditor of the company or a company related to the external auditor.

TRUE FALSE

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

TRUE FALSE

h) I have not served on the Supervisory Board for more than three terms of office (or for more than 12 years when the Articles of Association of the company specified a term of office of less than four years).

TRUE FALSE

i) I am not a close family member of members of the Management Board /Executive Management or individuals who hold positions mentioned in points from a) to g).

TRUE FALSE

j) I am not a member of the extended Executive Management of a related company.

TRUE FALSE

k) I have not participated in the preparation of the content for the proposal of the company's annual report.

TRUE FALSE

l) I am not in a business or competitive relationship with the company through the company/another legal entity/sole trader/my regular employment (the employer).⁶

TRUE FALSE

m) I am not a member of the supervisory body in a competing company.⁷

TRUE FALSE

n) I do not have any business relationship with the company or its related entity (directly or indirectly through related persons - these are considered to be close family members, an employer, other persons related with the Supervisory Board Member through the capital or by way of the governance or otherwise).⁸

TRUE FALSE

o) I am not economically, personally or in any other way related with the company or its Executive Management.

TRUE FALSE

p) There are no other circumstances which would place me in a position of dependence.

TRUE FALSE

⁶In the event your selected response is "FALSE", please continue to provide the following information about the legal transaction in this declaration: type of contract, date of agreement, duration of the contract, contracting parties (individuals), value of the contract, payments made under this contract, details of the account number and the bank of the contracting party, responsible individuals of the contracting party, and the date when the legal transaction was approved by the company's Supervisory Board.

⁷In case your answer is "FALSE": (1) specify the name of the competing company, its core business and, when needed, add a short explanation on the reasons for competition. Additionally, (2) indicate whether the other company is in any business or competitive relationship with the company you oversee.

⁸In the event your selected response is "FALSE", please proceed to provide the following information about the legal transaction in this declaration: type of contract, date of agreement, duration of the contract, contracting parties (individuals), value of the contract, payments made under this contract, details of the account number and the bank of the contracting party, responsible individuals of the contracting party, and the date when the legal transaction was approved by the company's Supervisory Board.

Please explain if your answer to points b), l), m), n) or p) has been selected as "FALSE":

Considering the circumstances presented which may lead to conflicts of interest and the accompanying justifications, I declare myself as:

A) an independent⁹ member of the Supervisory Board /the Supervisory Board's Committee,
(Please, tick as appropriate).

A1) all statements stated under points a) to p) are true.

A2) although some statements stated under points a) to p) are false.¹⁰

⁹**Dependency of a candidate or a member of a supervisory board of a SOE:** is considered given when the following elements of dependency elements are concurrently present in the candidate or member:

1. there are circumstances which could lead to a conflict of interest, where the individual's private interest affects or appears to affect the impartial performance of their duties in the company,
2. circumstances leading to a conflict of interest originate from personal, business, or other connections with the company, its Management Board, or any other person/entity or stakeholder which typically has an opposing interest to the company,
3. the circumstances mentioned above are of a lasting (not merely transient) nature for the individual,
4. the conflict of interest is relevant. The criteria for assessing the relevance of a conflict of interest particularly include: (i) the type and number of actions and decisions to which the potential conflict of interest (may) relate; (ii) the likelihood of the actual materialisation of the conflict of interest given the circumstances defined above and the authority of the body; (iii) the impact of the conflict of interest on the Supervisory Board Member's ability to exercise objective judgement, and (iv) the subjective characteristics of the individual (in particular, the person's character and past conduct).

The individual who is not dependant is independent.

¹⁰ The Code, in Recommendation 6.15.1, stipulates that a member of the Supervisory Board, in the Declaration of Independence as per Annex 2 of the CGCSOE, may demonstrate their independence despite the existence of circumstances outlined in Annex 1 of the CGCSOE by demonstrating that the conflict of interest is not of a lasting nature or is not relevant.

When A2) has been selected, please subsequently circle the reason(s) why, despite the existence of circumstances which may lead to conflicts of interest as detailed in points a) to p), you do not consider yourself a dependent member (*circle one or several reasons*):

- the conflict of interest is not of a lasting but only of transitional (temporary) character,
- the potential conflict interest is irrelevant regarding the type and the number of actions and decisions to which potential conflict of interest relates (or may relate),
- the conflict of interest is irrelevant considering the likelihood of actual realisation of conflict of interest,
- the conflict of interest is irrelevant considering its impact on the ability of the member of Supervisory Board to make objective judgement,
- the conflict of interest is irrelevant due to my subjective characteristics (in particular, the character and my conduct in the past),
- the conflict of interest is irrelevant because my independence is based on relevant legal basis (for example the law, the Articles of Association - subsequently specify the appropriate legal document):

When one or more reasons have been circled, please provide a descriptive explanation with all significant circumstances or legal bases as to why the conflict of interest is not of a lasting nature or is irrelevant:

B) a dependent member of the Supervisory Board/the Supervisory Board Committee.

If, despite affirming (selecting "TRUE" for your response) to all statements under points a) to j), you consider yourself a dependent member of the Supervisory Board/the Supervisory Board's Committee due to a relevant legal basis (e.g., law, the Articles of Association), please specify which legal basis applies (*cite the act*):

ADDITIONAL INFORMATION: Regardless of whether you consider yourself a dependent or independent member of the Supervisory Board/the Supervisory Board's Committee, please

also disclose any other circumstances which might place you in a position of conflict of interest and explain the significance of each:

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

Date: _____ Signature _____

