

Pursuant to Article 30 of Articles of Association of Slovenian Sovereign Holding, at its 172th regular session held on 3 April 2018, the Management Board of Slovenian Sovereign Holding, adopted the following

RULES ON SUPERVISORY BOARD MEMBER SELECTION

Rules on Supervisory Board Member Selection (Conditions, Criteria, Procedures and Evaluation for Determining Suitability and Selecting Potential Candidates for Members of Supervisory Bodies of Companies with State's Capital Assets)

I. General provisions

Article 1

These Rules (hereinafter referred to as: the »Rules«) stipulate in detail the conditions and criteria and some aspects of the procedure for evaluating, determining the suitability and selecting potential candidates for members of supervisory bodies of companies with State's capital assets. In this manner, the Rules provide for the implementation of rules stipulated in the act governing Slovenian Sovereign Holding (hereinafter referred to as: "SSH") and in the SSH Asset Management Policy (hereinafter referred to as: "the Asset Management Policy").

The terms "the first evaluation phase, the second evaluation phase and third evaluation phase" have the same meaning as defined in the Asset Management Policy.

II. The first phase of evaluation of potential candidates within the accreditation procedure (conditions, criteria and supporting documents for accreditation)

Article 2

A potential candidate must submit a full application with all appendices as stipulated by the public invitation, within the stated deadline, if any.

The list of documents and the types of declarations to be submitted for accreditation (standardised application) are determined in Appendix 1 of these Rules.

Within the first evaluation phase, a potential candidate must fulfil and demonstrate all of the following conditions stipulated by the law: that he or she is

- a person who, within the period of the last five years from the time of application, has not been finally convicted of a criminal offence in relation to the economy, labour relations and social security, legal transactions, property, the environment, physical space and environmental goods within the last five years, and/or a period of more than two years has passed since the completion of a sentence served in relation to the above (Article 255 of ZGD-1);
- a person who, during the candidacy, is not subject to a preventive measure prohibiting the pursuit of his or her profession (Article 255 of ZGD-1);
- a person who, when acting as a member of the management or supervisory body of a company against which bankruptcy proceedings has been instituted, has been adjudged liable to repay damages to the creditors in accordance with the provisions of Companies Act – 1, and two years have passed since the court ruling became final (Article 255 of ZGD-1);
- a person who is not a member of a supervisory or management body in three or more companies (Article 273 of ZGD–1);
- a person who is not a member of a management or supervisory body in a company in which Slovenian Sovereign Holding has a majority shareholding or prevailing influence (Article 21 of Slovenian Sovereign Holding Act);
- a person who does not have, or in the previous six months has not performed a function in a political party to which she or he was selected or appointed (Article 21 of Slovenian Sovereign Holding Act).

Supporting documents: a candidate's declaration on the fulfilment of accreditation conditions.

In the first evaluation phase, the potential candidate must fulfil and demonstrate the satisfaction of the following criteria:

a) Formal education:

at least specialist degree obtained after completing higher vocational educational programmes, higher vocational education degree or university degree (the First Cycle of Bologna Process), or, when specifically required by the SSH Management Board, university degree or Master's degree (the Second Cycle of Bologna Process).

Supporting document: a copy of the certificate on the education obtained.

b. Knowledge, skills and experience:

- In general, at least 3 years of relevant work experience related to management or participation in management or supervisory bodies or project management.

Supporting documents: relevant statements in the Curriculum Vitae and its attached appendices.

c. Knowledge of powers and duties of a Supervisory Board and of rights and obligations of a supervisory board member:

- knowledge of rights and obligations of a supervisory board member, and
- the knowledge in regard to competences, responsibility and accountability and functioning of supervisory boards.

Supporting document: a certificate on the acquisition of the knowledge in regard to competences, responsibility and accountability and functioning of supervisory boards.

III. The second phase of evaluation of potential candidates within the nomination procedure (criteria and supporting documents for selecting a candidate into the nomination procedure)

Article 3

In the second evaluation phase, a potential candidate must:

- to the greatest extent possible, satisfy the profile which is being sought, and
- there must be grounds justifying that a potential candidate may give a positive contribution to the efficiency of the work carried out by a supervisory board.

Supporting document:

- relevant statements in the Curriculum Vitae and its attached appendices.
- a motivational letter by a potential candidate.

IV. The third phase of evaluation of potential candidates within the nomination procedure (conditions, criteria and supporting documents for accreditation)

Article 4

Within the third evaluation phase, a potential candidate must fulfil and demonstrate the satisfaction of all of the following conditions stipulated by the law;

- all those to be fulfilled in the first and the second evaluation phase, and additionally,
 - a person must not be a member of the management or the supervisory bodies of the same company (Article 255 of ZGD-1);

- a person must not be a member of the management or the supervisory bodies of its daughter company (Article 273 of ZGD-1);
- a person must not be a holder of procuration or an authorised person of this company (Article 273 of ZGD-1);
- a person must not be a member of the management board of another company with share capital in which a member of the management board of this company is on the supervisory board (Article 273 of ZGD-1);
- if so determined in the Articles of Association or other articles of incorporation, a person fulfils conditions laid down in the Articles of Association (Article 273 of ZGD-1);
- by assuming the position a member of a supervisory board, a potential candidate would not violate a competition ban in terms of Article 41 of ZGD-1;
- a person must not be in any direct business relationship with a company for which he or she is a candidate, or with its daughter companies, except in cases of the sale of regular products and services in line with general terms applicable to all subjects in the market (Article 21 of Slovenian Sovereign Holding Act-1);
- a person must not be a member of supervisory or management bodies and an employee employed for an indefinite or fixed time period with legal entities which are in any kind of business relationship with the company, the supervisory board for which they are candidates or the company's daughter companies, except in cases of the sale of regular products and services according to the general terms applicable to all subjects in the market (Article 21 of Slovenian Sovereign Holding Act-1);
- a person must not perform a function which, according to the act governing the integrity and prevention of corruption, under ZSDH-1 or another act, is incompatible with membership within a supervisory body or corporate governance body, and who has not performed such a function in the previous six months (Article 21 of Slovenian Sovereign Holding Act-1).

Supporting documents:

- relevant statements in the Curriculum Vitae and attached appendices.
- a declaration of a (potential) candidate for a supervisory board member on fulfilling conditions for nomination and his/her consent for nomination and evaluation, a declaration on independence and absence of conflict of interest, and a declaration on personal integrity and business ethics;
- an interview report by the Nomination Committee.

A potential candidate must fulfil the following criteria (Article 21, Paragraph 4 of ZSDH-1):

- is characterised by personal integrity and business ethics;
- has experience confirmed by business success and good repute;
- possesses comprehensive business and other appropriate expertise;
- has knowledge of the rights and obligations of members of supervisory boards;

- is able to consider particularly the long-term interest of the company in his/her work and decision-making and subject to this possible different personal or individual interests;
- is available during the performance of his/her function;
- is capable of effective communication and working in a team;
- is not economically, personally or in any other way related to the company or its management board;
- is not subject to any potential conflict of interest;
- significantly matches the target profile.

Evaluation methods;

- review of statements in the Curriculum Vitae and analysis of appendices,
- a structured interview,
- a declaration on the potential candidate's impartiality and the absence of conflict of interest;
- a declaration on personal integrity and business ethics, other declarations from the template published by SSH on the SSH's web site.

V. Criteria for assessing the satisfaction of individual conditions referred to in Article 21, Paragraph 4 of ZSDH-1

Criteria regarding personal integrity and business ethics

Article 5

A potential candidate fully satisfies the criteria regarding personal integrity and business ethics when he/she:

- demonstrates a reasoned approach to moral dilemmas;
- provides a theoretical explanation of the notion of personal integrity;
- from past experience, can identify instances of personal integrity being challenged and account for such cases, giving proper analysis of the consequences arising from such instances;
- is capable of dealing in a self-critical manner with situations in which he/she may be involved and which present a certain moral dilemma;
- is capable of understanding his/her own limitations in regard to his/her expertise and consequences of such limitations for the ethical conduct of a company.

A potential candidate partially satisfies the criteria when he/she answers to the above stated questions in an adequate but not convincing manner or with long breaks for consideration.

A potential candidate does not satisfy the criteria regarding personal integrity and business ethics when, during an interview, he/she:

- points out to life situations in which he/she has not acted in accordance with the expected business ethics;
- demonstrates lack of understanding of ethical conduct, declining ethical social norms, business etiquette, business ethics (for example, is willing to misuse competition data which have been mistakenly submitted by a supplier)
- uncritically insists on one solution for moral dilemmas encountered, and rejects and fails to understand conflict of values
- it is perceived that he /she has failed to understand the concept of the abuse of right.

In addition to the above stated circumstances, which are determined by the Nomination Committee during an interview, it may be additionally determined that a potential candidate fails to satisfy the criteria on the basis of the assessment of procedures and circumstances in which he/she was involved (charges, criminal investigation, law-suits, inspections, criminal proceedings, tax procedures, procedures before the disciplinary bodies of personal and public law, and other).

It is deemed to be a conclusive presumption that a potential candidate fails to satisfy the criteria regarding personal integrity and business ethics when a final charge for criminal offence prosecuted *ex officio* has been filed against such candidate.

Criteria regarding business success and good repute

Article 6

The Nomination Committee assesses the criteria regarding business success and good repute as fully satisfied when a potential candidate:

- is or was an important shareholder, legal representative or a member of the supervisory body of a company;
- a potential candidate is or was an executive officer of an important area of work or a manager of a large company,
- a potential candidate holds an award conferred by an important business association,
- it is clear from public records on a company of which a potential candidate is an owner or co-owner that the company is profitable/viable.

The criteria regarding business success is assessed as partially satisfied in the following cases:

- when a potential candidate was not active in real sector but he/she has a proven record of having implemented a demanding project or projects;

- when a company referred to in the last indent of the preceding paragraph does not operate with profit.

Considering the circumstances (big scope of operations, successful resolution of a company, extraordinary expenditures), the Nomination Committee may assess that a potential candidate satisfies the criteria regardless of the above stated.

Irrespective of the satisfaction of the criteria, the Nomination Committee may assess that a potential candidate is not successful in business when it is assessed that he/she is responsible for the bankruptcy of a company, for long-lasting blockade of the company's bank accounts or for a significant deterioration of a company's rating and for the status of a tax defaulter.

It is deemed by the Nomination Committee that a potential candidate fails to satisfy the criteria regarding personal integrity and business ethics when he/she:

- was found in the process of refusal or withdrawal of the membership in a professional association on account of ethical grounds.
- was sanctioned with severe punishment for disciplinary violation;
- was adjudged to be guilty of defaulting on tax liabilities,
- when it is clear from the circumstances that he/she avoids assuming duties, accepting responsibilities, etc.,
- when it is clear from the circumstances that a potential candidate is justifiably reported as a person responsible for immoral, unethical or other reprehensible actions which particularly include actions not pursued within the meaning of fair business practice.

Criteria regarding professional expertise and experience

Article 7

When evaluating a potential candidate from the aspect of the candidate's satisfaction of criteria regarding professional expertise and experience, the Nomination Committee takes into account the following:

- whether a potential candidate has undergone any supplementary training in his/her discipline or if a candidate expands his/her knowledge to complementary areas (for example, constant training in financial, auditing, accounting, legal, HR, managerial or leadership knowledge);;
- a candidates possesses a comprehensive knowledge supported with reference projects and adequate expertise;
- a candidate possesses a knowledge of at least one widely spoken world language;

- a candidate possesses a reference-supported international orientation and multicultural experience supporting the professional and business profile of an individual;

The assessment of professional expertise, experience and interest for the membership in a Supervisory Board by Nomination is based on an interview conducted with a potential candidate. The criteria are deemed to be fully satisfied when a potential candidate:

- gives answers in a self-initiative manner, gives initiatives and insights on the operation of a company which exceeds general knowledge of an industry,
- demonstrates his/her preparation for the interview by referring to publicly accessible documentation of a target company, such as an annual report;
- demonstrates the knowledge of data from the annual report or handles other publicly accessible documentation in an analytical manner and makes proper strategically relevant conclusions;
- knows how to position a company within a competition framework of an industry and understands industry-specific indicators;
- gives an argument-based presentation of the typical challenges in accounting, auditing, technical or legal fields to be expected in regard to a target company.

The above stated criteria are partially satisfied by a potential candidate who satisfies conditions referred to in Paragraph 1 but:

- gives answers on an industry in a general manner, failing to show any prior preparation to answer questions on a target company, and/or
- fails to demonstrate long-term experience in a the area of competence.

The criteria are not satisfied by a potential candidate who:

- does not possess any proper education or experience form the area of competence,
- fails to understand the role of a member of a supervisory board or the significance of a target company,
- fails to demonstrate knowledge with respect of terms usual for the area of competence for which he/she has been proposed.

Knowledge of rights and obligations of a supervisory board member

Article 8

In the assessment of the criteria regarding the knowledge of rights and obligations of a supervisory board member referred to in Article 21, Paragraph 4, Indent 6 of ZSDH-1, the Nomination Committee must take into consideration the following criteria:

It is deemed by the Nomination Committee that a potential candidate fully satisfies the criteria when such knowledge is demonstrated:

- by Qualification Certificate issued by the Slovenian Directors' Association;
- by a certificate of participation in training organised for members of supervisory boards or by a test pass certificate issued by an institution registered for carrying out such educational activities.

A potential candidate who is a foreign national and who has demonstrated his/her long-term activity in the sector concerned abroad, may demonstrate the satisfaction of this condition by means of his/her successful and long-lasting membership in supervisory boards of foreign business entities. In such case, the Nomination Committee shall verify the understanding of the role of a member of a supervisory board in the continental legal systems. A potential candidate must demonstrate a written certificate stating that he/she is or was a member of supervisory board(s) of a foreign business entity or entities by means of an extract from a business or court register or by means of a certificate by a business entity confirming his membership in the supervisory board of the said company.

Regardless of the above stated, the Nomination Committee may assess that a potential candidate has failed to satisfy the condition when his/her actions or answers given during an interview clearly show his/her lack of understanding of the role, rights and obligations of members of a supervisory board.

Criteria regarding potential conflict of interest and availability during the performance of function

Article 9

The Nomination Committee shall also assess if a potential candidate is capable of taking into consideration long-term interest of the company, putting them before any other interest, including private interest. In this regard, the Nomination Committee shall assess the circumstances of employment and other functions held by a potential candidate.

The Nomination Committee must take a stance in regard to the work load undertaken by a potential candidate in various board functions while taking into consideration other familiar circumstances of the said candidate.

The Nomination Committee may consider a potential candidate not being available when, in addition to regular employment, such candidate holds such a number of functions and duties that, at the discretion of the Nomination Committee, the performance of the function of the supervisory board member may adversely affect the said candidate's duties, presenting the likelihood that the candidate will not commit himself/herself to the function of the supervisory board member as expected. In regard to potential candidates who are being re-elected, the Nomination Committee shall usually verify their membership participation and cooperation during their previous terms. The Nomination Committee must in particular take a stand in regard to the grounds for the third appointment of a potential candidate for a supervisory board member with the same company.

The Nomination Committee shall assess the existence of any potential and actual conflict of interests.

As a rule, a potential candidate shall fail to satisfy the criteria regarding conflict of interest when such conflict of interest actually exist or when such conflict of interest exist with respect of one of his/her family member.

A potential candidate shall fail to satisfy the criteria regarding conflict of interest when it is likely that potential conflict of interest will be expressed in so many cases of voting at supervisory board meetings that it would place disproportional burden on the work and duties of other members of the supervisory board.

The Nomination Committee may consider a potential candidate not being available when, in addition to regular employment, such candidate holds such a number of functions and duties that, at the discretion of the Nomination Committee, the performance of the function of the supervisory board member may adversely affect the said candidate's duties. In regard to potential candidates who are being re-elected, the Nomination Committee shall usually verify their membership participation and cooperation during their previous terms. The Nomination Committee must in particular take a stand in regard to the grounds for the third appointment of a potential candidate for a supervisory board member with the same company.

Criteria regarding team work

Article 10

A potential candidate fully satisfies the criteria regarding his/her ability to work in team when, during an interview, he/she:

- demonstrates that he/she has efficiently worked in various teams;
- is willing and capable of assuming various roles considering individual circumstances;
- is capable of resolving conflict situations in an effective manner;
- takes into consideration opinion of other team members, tending towards complex search for solutions;
- is capable of clear and concise communication based on facts and focused on answering the question;
- is capable of assuming collective responsibility.

A potential candidate fails to satisfy the criteria when he/she:

- demonstrates strong focus on his/her own interests and objectives, shows exaggerated competitiveness preventing reasonable group dynamics;
- demonstrates lack of empathy, failing to show sufficient assertiveness in communication and is not able to articulate clearly and fails to address the key point of a problem,
- is easily influenced and not independent-minded.

Article 11

If a candidacy refers to a membership in the supervisory or management boards of a company with special conditions laid down in the law (for example, banking, insurance companies, and similar), the Nomination Committee shall verify additional conditions and criteria in regard to a potential candidate.

VI. Conditions and criteria for potential candidates proposed by SSH for the membership in supervisory boards of banks owned or managed by SSH

The following regulations shall apply for determining the suitability of potential candidates proposed by SSH for membership in supervisory boards of banks owned or managed by SSH:

- Decision by the Bank of Slovenia on Application of the European Banking Authority Guidelines of 23 June 2015 on assessment of the suitability of members of management body and key function holders (hereinafter referred to as: the "EBA Guidelines");

- The EBA Guidelines of 22 November 2012 on assessment of the suitability of members of management body and key function holders, and
- Article 91 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

Until their entry into force on 30 June 2018, Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU (ESMA and EBA Guidelines) shall apply *mutatis mutandis*. Following their entry into force, the ESMA and EBA Guidelines shall entirely replace the EBA Guidelines in the application of these Rules.

VII. Final provisions

Article 12

These Rules shall be adopted and shall enter into force when adopted by the Management Board of Slovenian Sovereign Holding.

With the day of entry into force of these Rules, the Rules on conditions, procedures and assessment criteria for determining the suitability of candidates for corporate governance bodies of companies with State's capital assets of 4 October 2016 is hereby repealed.

Lidia Glavina
President of the
Management Board
of Slovenian Sovereign
Holding



APPENDICES

APPENDIX I: List of mandatory documents to be submitted for taking part in the procedure for the entry in the register of accredited potential candidates for a member of supervisory bodies

Open public invitation to register in the register of accredited potential candidates for a member of supervisory bodies, published on the web site of SSH is based on the application system through the software Portal KK SSDH or in another manner as stipulated in Chapter 15.2.2 of the Asset Management Policy.

Regardless of the recruitment channel, at least the following documents must be submitted by a candidate:

1. Curriculum Vitae

For the presentation of the education and carrier, a potential candidate must use the Europass CV template found at the following link:

http://www.europass.si/dokumenti_europass/europass_zivljenjepis.aspx. It should be filled in in accordance with instructions and the following highlights:

- **personal information** (first name, surname, address, mobile number, e-mail address, date of birth);
- **work experience** presented in reverse chronological order (the most recent at the top) with the main activities and responsibilities held (job post, responsibility for business performance), actual reference to results and the most important achievements as well as the size of teams directly or indirectly managed, including the territory of operations;
- **schools and programmes undertaken at educational institutions** which have been successfully completed by a candidate, together with the academic or professional titles obtained and the date of completion of each education and training programme. If a candidate is currently taking up any form of formal education (for example, post-graduate study programme), the anticipated deadline for the completion of the study should be mentioned;
- **copies of supporting documents** should be attached (a photocopy of a diploma of university degree or higher education degree is mandatory);
- **other educational programmes and additional training** in the discipline and/or in the area of corporate governance supervision (for example, programmes for improving financial, auditing, accounting, legal, HR, technical, managerial or leadership knowledge);
- participation in training for obtaining supervisory skills and a reference to organisation providing such training to a candidate, as well as a potential qualification certificate issued for a member of supervisory board if obtained by a candidate.

- **other knowledge obtained and competence:**
- other language skills (in line with the Europass assessment table:
- http://europass.cedefop.europa.eu/img/dynamic/c1347/type.FileContent.file/ELPTemplate_sl_SI.doc), computer skills, knowledge of IT systems and other important business knowledge and other competences.

2. A certificate issued by education institution by way of which the candidate demonstrates his/her knowledge obtained in regard to competences, responsibilities and functioning of supervisory boards

3. Certificate on education obtained

4. Motivation letter comprising approximately one A4 page which contains the following elements :

- a motive for the candidacy;
- the substantiation of the candidacy with a presentation of previous references;
- added value for the industry/company/area of work in which a candidate wishes to operate.

5. Candidate's declarations upon the accreditation candidacy:

- **Declaration on personal consent on the use of personal data** in the supervisory board members accreditation process (mandatory use of the form sheet published on the SSH's web site);
- **A declaration on a candidacy for accreditation** as a member of supervisory board (mandatory use of the form sheet published on the SSH's web site);
- **A declaration on fulfilling conditions for accreditation** (mandatory use of the form sheet published on the SSH's web site).

APPENDIX II: List of mandatory documents to be submitted for taking part in the procedure for the nomination of accredited potential candidate for a member of supervisory body of company under management

The invitation for supplementing the application in line with special requirements which have been verified in nomination procedure generally includes at least the invitation to submit the following **declarations upon the candidacy for a member of a supervisory or management board in a certain company**:

- a) A declaration of a (potential) candidate for a supervisory board member on fulfilling conditions for nomination and his/her consent for nomination/ evaluation** (mandatory use of the form sheet published on the SSH's web site),
- b) A declaration on independence and absence of conflict of interest** (mandatory use of the form sheet published on the SSH's web site)
- c) A declaration of a (potential) candidacy for a supervisory board member on personal integrity and business ethics** (mandatory use of the form published on the SSH's web site),