



**SLOVENSKI DRŽAVNI HOLDING, d. d.**

# RECOMMENDATIONS AND EXPECTATIONS OF SLOVENIAN SOVEREIGN HOLDING

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## INTRODUCTION

The Slovenian Sovereign Holding Act (Official Gazette of RS, No. 25/2014, hereinafter referred to as: "ZSDH-1") entered into force on 26 April 2014. This Act regulates the status and the operation of Slovenian Sovereign Holding (hereinafter referred to as: "SSH") and the management of capital assets of the State. As stipulated by Article 4 of ZSDH-1, the objectives in managing state asset include increasing the value of assets, generating the highest possible returns for the owners and attaining other potential strategic objectives from assets which are defined as strategic by way of governance documents. The ZSDH-1 also defines the principles in managing state assets (i.e., the principle of responsibility and due care, the principle of independence, the principle of transparency and the principle of economy), and legal documents for managing state asset (these are: the State Assets Management Strategy, the Assets Management Annual Plan, the Asset Management Policy and the Corporate Governance Code for SOEs).

To a great extent, ZSDH-1 and the above mentioned legal documents concerning asset management regulate the subject matter that relates to the corporate governance of companies with capital assets of the State. Attaining corporate governance objectives and putting in practice the principles for the corporate governance of state capital assets dictate the need that some narrower issues, which do not pertain to statutorily defined documents regarding asset management due to their specific content and nature, be regulated by special legal documents. The publication of special legal documents, which are addressed to companies with capital assets of the state, is also envisaged by Article 32, Paragraph 4 of ZSDH-1.

By means of the Recommendations and Expectations of Slovenian Sovereign Holding (hereinafter referred to as: "SSH Recommendation and Expectations"), characterized by a predetermined and clear framework and public publication, SSH communicates to SOES some specific recommendations and expectations which SSH anticipates to be observed by SOEs.

SSH Recommendations and Expectations are not an innovation of the corporate governance system of SOEs; similar documents were adopted by Slovenska odškodninska družba, d. d., (hereinafter referred to as: "SOD"), and the Capital Assets Management Agency of the Republic of Slovenia (hereinafter referred to as: "AUKN"), both predecessors of SSH. The number of individual recommendations and expectations from SSH Recommendations and Expectations has been reduced in regard to the number of recommendations and expectations determined in the documents produced by SOD and AUKN; in fact, recommendations and expectations of a general nature in

terms of their content have been transposed into the Corporate Governance Code for SOEs.

**When, in regard to an individual recommendation and expectation, it is not stipulated otherwise or when it is not otherwise clear from the context, SSH Recommendations and Expectations are addressed to:**

- all companies with capital assets of the State regardless of the shareholding and the share of voting rights held by the State or SSH in a company and regardless of the legal organisational form of the company;**
- daughter companies in a group in which the position of the mother company is held by a company with state capital assets.**

**In accordance with Article 2 of ZSDH-1, companies with capital assets of the State are legal entities which are the issuers of securities owned by SSH, and companies which are the issuers of securities owned by the Republic of Slovenia and managed by SSH. In accordance with Article 19 of ZSDH-1, SSH is responsible for managing all capital 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, and of assets in the Bank Asset Management Company. Capital assets are equity securities or shareholdings.**

**SSH Recommendation and Expectations *per se* do not imply the exercise of rights of a shareholder in companies with capital assets of the State and as such do not impose any obligation on companies, regardless of a potentially preferred form of action of a recommendation or expectation. SSH Recommendations and Expectations have been adopted in good faith and their implementation shall contribute to raise the quality of corporate governance and performance of companies with capital assets of the State. Therefore, SSH expects that its addressees will act in accordance with the document. A company with state capital assets should observe this document by applying the “comply-or-explain” principle, and disclose how the said document has been observed in their Business Report. It should state justified reasons in cases when an individual recommendation and expectation has not been observed.**

## 1. Three-year business planning of company/group

- 1.1 A company with capital assets of the State should prepare, adopt and submit to SSH relevant business plans in a timely manner. If a company with capital assets of the State is a controlling company in a Group, a draft business plan and a business plan are also produced for a group. The draft business plan and the business plan should be submitted to SSH by the controlling company. Draft business plans should be submitted to SSH every year not later than by 10 September, and the approved plans by 15 October, in a printed and electronic forms, in accordance with SSH's operational instructions. SSH will determine in which cases draft business plans and business plans should be prepared and submitted to SSH for controlled companies in a Group, by means of operational instructions, In any case and without any special operational instructions, the draft business plan and the business plan for controlled companies from the Group should be submitted to SSH, if SSH exercises 100% share of voting rights in the controlled company.
- 1.2 SSH expects that the draft business plan (i.e., a business plan which has been adopted as the draft plan by the management and it has been presented to the supervisory board) will include data referred to in Item 1.3 of this Recommendation, or at least the following:
- revenue planning;
  - EBIT planning;
  - EBITDA planning,
  - the expected EBITDA margin;
  - ROE planning,
  - planning of all indicators of a company/group in accordance with applicable Criteria for Measuring Performance of SOEs,
  - a presentation of all large investments planned,
  - an indication of key goals of a company/group for the following financial year.
- 1.3 SSH expects that business plans, which have been approved by company's bodies, will enable a direct comparison with the content and data from periodic reports and will include at least the following data (for companies, Groups, and for individual controlled companies):
- revenue planning; an overview and demonstrations of main transactions with tables/graphs,
  - a detailed presentation of the planned structure of sales by the type of transactions, and markets,

- a plan regarding the movement of the buying and selling prices (when applicable),
- a presentation of all larger investments planned: presentation, description and explanation
- a cost plan with the cost breakdown by types, descriptions and rationale, at least, and including the planned total sponsorship and donation costs,
- planning of potential acquisitions, sales,
- a plan of the number of employees, the structure and the movement in the number of employees,
- a presentation of risks identified for the planning period, particularly in regard to operational, legal, liquidity, currency and other market risks as well as a short presentation of measures for managing these risks,
- income statement projection,
- balance sheet projection with notes,
- in case of groups, consolidated financial statement projections; a consolidated balance sheet projection and a consolidated income statement projection,
- a plan including key financial data and indicators, return on assets (ROA), return on equity (ROE), and added value per employee,
- EBIT planning,
- EBITDA planning,
- the expected EBITDA margin,
- a plan of all indicators of a company/group in accordance with applicable Criteria for Measuring Performance of SOEs,
- a planned group structure and a presentation of the management,
  
- a dividend amount planned to be paid-out,
- results planned in regard to the achievement of non-financial goals of a company/group,
- a short assessment of the future situation in the market and in regard to the competition (for the planning period) and a direct comparison with the competition (some comparable competitors in Slovenia and elsewhere in Europe should be included in the assessment) by presenting key financial data and indicators; it should be an integral part of the annual business plan,
- a presentation of situation in regard to existing and planned new debt and a time plan for its repayment.

#### 1.4 A company should always prepare a draft business plan for;

- the draft business plan for the next financial year - annual plan,

- business plans for the next financial year (monthly, quarterly/annual plans, subject to SSH's operational instructions),and
  - for the next two consecutive financial years (annual plan).
- 1.5 The business plan should be realistic, feasible, ambitious, taking into account seasonal influences (as far as possible); it should be presented to employees and should enable a comparison with the goals achieved. In order to provide for the better understanding of the business plan, an adequate reasoning for all significant deviations from usual movements should be given.
- 1.6 Data of confidential nature so defined by some special laws (for example, in the field of banking and insurance business) may be excluded from the draft business plan. Listed companies with more than one shareholder should adopt the Shareholder Communication Policy which, observing the principle of equal treatment of shareholders, enables shareholders to access information on company's operation in an extent that is greater than required by law.

**Reasoning:**

According to SSH, companies with capital assets of the State mostly have a properly developed business planning system which is why the Recommendation No.1 is mainly intended to provide information to SSH on the operation planned by companies and groups. SSH may carry out obligations imposed by ZSDH-1 only in this manner, which among other matters, also includes the production of Asset Management Annual Report under Article 30 of ZSDH-1, and pursue asset management goals defined Article 4 of ZSDH-1, together with the principle of diligence defined in Article 5 of ZSDH-1 and the principle of economy defined in Article 9 of ZSDH-1.

For the purpose of having a single record and a suitable programme for monitoring the business performance of companies, companies are expected to use suitable forms and proposals needed for developing business plans (for parts envisaged by SSH), and to observe SSH's operational instructions.

SSH expects all companies to observe the expectation on producing a three-year business plan and to submit data to SSH. Some data which form the part of a special statutory regime on protection of confidential data (banks and insurance firms) may be excluded. Listed companies, which are subject to stricter legislation on equal treatment of shareholders, should develop an adequate system of communication with shareholders which should be regulated by the Shareholder Communication Policy. The

said system should enable other shareholders to access information which are submitted to SSH in accordance with this Recommendation and Recommendation No. 2 on periodic reporting.

## **2. Periodic reporting on performance of company/group**

2.1 SSH expects from companies to produce the relevant periodic reports on performance of a company or a group in a timely manner (not later than the 30th day following the expiry of the reporting period or up to the 60th day following the expiry of the reporting period for a group), and submit them to SSH, in a printed and electronic form, in accordance with SSH's operational instructions. The periodic plan for the Group should be submitted to SSH by the controlling company. SSH will determine when the periodic report for controlled companies in the Group should be developed and submitted to SSH in SSH's operational instructions. In any case and without any special operational instructions, the periodic report for all controlled companies from the Group should be submitted to SSH, if SSH exercises 100% share of voting rights in the controlled company. SSH expects that by the beginning of 2018, companies will establish the system which will enable the reporting on operational performance for the Group and companies within the Group be carried out not later than by the 30th day after the expiry of the reporting period. Monthly reporting shall commence on 1 January 2018.

2.2 The Periodic Report on operational performance (of a company, a group or an individual controlled company) should include at least:

- the presentation and the review of the business environment,
- the short description of significant events,
- a short evaluation of the company's market position,
- a presentation of the structure of sales by the type of transactions, and by markets,
- a presentation of the number of employees, the structure and the movement in the number of employees,
- the total amount of costs incurred and presentation of the cost structure (labour costs, costs of material and services - by type, costs for sponsorship and donations, etc.),
- the total amount of donated monies,
- an indication of risks which have been realised and a short presentation of measures which have been implemented to manage these risks or which have been abandoned,



- the indication and presentation of newly obtained sources of financing and implemented investments, including the presentation of financial obligations with maturity dates and the methods for their settlement,
- the presentation of existing and new financial instruments (also derived instruments) which have been obtained in a reporting period,
- results which have been achieved in regard to non-financial goals of a company/group with an explanatory note on reasons for potential deviations from these goals,
- the income statement for the reporting period, a comparison with the profit or loss planned and the profit or loss generated in the previous year, including an explanatory note on potential deviations from plans,
- the balance sheet as of the last date of the reporting period, including the comparison of the current position with the position as of 31 December of the past year, including an explanatory note on reasons for potential deviations from the position planned by individual balance sheet items.
- the statement of cash flows,
- in case of a group, the consolidated financial statements; the consolidated balance sheet and the consolidated income statement,
- a clear organisational structure of a group,
- a competitor analysis (some comparable competitors from Slovenia and elsewhere from Europe should be included) with a presentation of key financial data and indicators. This analysis should be added to the report as one of the chapters once a year.

2.3 Unless a wider scope of data to be reported is stipulated by SSH's operational instructions the monthly report on performance should include at least the following:

- the income statement for the reporting period, a comparison with the profit or loss planned and the profit or loss generated in the previous year, including an explanatory note on potential deviations from plans,
- the balance sheet as of the last date of the reporting period, including the comparison of the current position with the position as of 31 December of the past year, including an explanatory note on reasons for potential deviations from the position planned by individual balance sheet items.

2.4 Periodic reports must be understandable, they must refer to important issues; they must be reliable and consistent and they must enable a comparison between the goals set for the current period and those set for previous periods; they should provide a realistic and true view of the situation of a company/group. The reports

should be reviewed and signed by the management of a company who is responsible for accuracy, completeness and regularity of reports.

- 2.5 The requirement for reporting may exclude data of confidential nature in accordance with special laws (particularly in regard to banking and insurance business). Listed companies with more than one shareholder should adopt the Shareholder Communication Policy which, observing the principle of equal treatment of shareholders, enables shareholders to access information on company's operation in an extent that is greater than required by law.
- 2.6 Occasionally or when appropriate, SSH will organise a meeting with representatives of the company to discuss the reported data on the performance of a company or a group.
- 2.7 SSH will communicate to companies the dynamics for the publication of reports applicable for an individual company/group (i.e. annual, mid-term, quarterly reporting) by means of operational instructions.

**Reasoning:**

The Recommendation No. 2 is intended for the provision of (additional) information to SSH on the performance of companies and groups. Only in this manner may SSH efficiently carry out obligations imposed by ZSDH-1, in particular, pursue asset management goals defined in Article 4 of ZSDH-1, together with the principle of diligence defined in Article 5 of ZSDH-1 and the principle of economy defined in Article 9 of ZSDH-1, and to verify the satisfaction of performance criteria for companies with capital assets of the State in accordance with Article 17, Paragraph 1 of ZSDH-1.

For the purpose of having a single record and organizing SSH's data for monitoring the business performance of companies, companies are expected to use suitable forms and proposals needed for developing business plans (for parts envisaged by SSH), and to fully observe SSH's operational instructions.

### **3. Transparency of procedures for concluding transactions which affect company's expenses (commissioning of goods and services, sponsorship and donations)**

- 3.1 A company shall establish suitable platforms which will ensure that company's operation as regards the conclusion of transactions which affect company's expenses (commissioning of goods and services, sponsorship and donations) are transparent, economic and competitive-driven; suitable supervision over these platforms should be provided for.
- 3.2 In regard to sponsorship transactions, companies should take into account the principle of balance, the principle of objective eligibility of sponsorship activities in regard to the expected economic and non-economic benefits for a company, and the principle of sufficient diversification. As regards sponsorship decisions, companies should take into account local customs, customs in a certain line of business and the conduct of comparable companies.
- 3.3 The principle of social responsibility should also be taken into account in transactions involving donations.
- 3.4 As regards other transactions involving company's expenses, if the commissioning of goods and services is not regulated by way of the law regulating public procurement, SSH recommends that transactions be concluded in a transparent manner, observing the principle of having in place the selection criteria which are properly weighted and determined in advance, in addition to having obtained comparable bids. SSH recommends that a special commission be established for carrying out these processes; such commission will be responsible for selecting the most suitable provider of goods or services, or to require another, more appropriate method of selection.
- 3.5 In order to achieve the greatest possible level of transparency, SSH recommends that all transactions involving sponsorship and donations be stated on a company's web site immediately after the agreement on transaction is concluded; a reference to the eligible beneficiaries should be presented, together with the value of the transaction concluded, or another suitable method for ensuring transparency should be chosen.

- 3.6 Immediately following the conclusion of a contract which has the legal nature of a contract of mandate (of a general, special or framework nature) or a contract with the legal nature of a service contract the subject of which are intellectual services, a company, in the capacity of the ordering party, must publicly publish data on the selected contractor and the type of the transaction (for example, a contract on legal or financial advisory services, the production of an opinion or an expert opinion). Once a year, companies shall publish data on the total value of transactions referred to in this Recommendation; the value of transaction must be broken down by the type of transaction in this announcement.
- 3.7 A company is recommended to avoid concluding flat rate contracts unless a clear economic justification is given.
- 3.8 A company should publicly announce information referred to in this Recommendation through their own web site. Announcements should be accessible on their web site for at least 5 years following their publication.
- 3.9 This recommendation does not interfere in any way with company's obligations in accordance with regulations. In exceptional circumstances, a company may decide not to act in accordance with this Recommendation if a publication of the information could impose a serious threat to the position of the company in the market, if significant damage might be incurred to the company or due to any other serious and justified reasons. In order to ensure transparency, SSH expects that an explanatory note be published about information which have been excluded from publication, together with the reasons for their exclusion.

### **Reasoning:**

By means of Recommendation No. 3, SSH provides guidelines to companies for their conduct in connection with the conclusion of transactions which affect company's expenses in order to ensure that such conduct is in line with the required standard of diligence (the diligence of a prudent and fair businessman, in Slovene: "*skrbnost vestnega in poštenega gospodarstvenika*"). Companies are thus directed to pursue greater transparency in this field since transparency is one of the strongest mechanisms for managing the risk of incurring some damage to a company. In addition, transparency in this field forces decision-makers to make prudent decisions as regards company's expenses; it enhances the owner's trust and confidence in management bodies of a company and has a positive influence on decisions made by potential investors.

## 4. Cost optimisation

- 4.1 SSH expects from the members of management and supervisory bodies to prudently oversee the levels of costs incurred by a company and to ensure that there is a proper balance between the costs and the generated revenue and business processes.
- 4.2 SSH expects that a company will carry out activities necessary for the optimisation of labour costs, taking into account the relevant dialogue with social partners. The activities which are required *inter alia* include the assessment of a relevant number of employees who are needed to carry out well-organised business processes in a company and relevant modifications of underlying contracts (including collective agreements) and other legal documents. Relevant measures which aim at labour cost optimisation should include all company levels, i.e., management bodies, employees and other persons who carry out work on the basis of other legal basis (for example, copyright agreement, service agreement).
- 4.3 SSH expects from the bodies of management and supervision to actively strive for the optimisation of labour costs, in accordance with their powers, and to achieve such optimisation in 2017. It is expected that the implementation of this Recommendation will be suitably included in the Annual Plan of a company/group, particularly in regard to the following:
- 4.3.1 labour costs should be rationalised so that labour costs are to be adjusted to the company's revenue, profit and to SSH's expectations in regard to the return on equity and dividend yield.
- 4.3.2 In regard to employees, and, by analogy, in regard to other persons carrying out work on other legal bases, the following is expected:
- the wage bill be kept at the level for the preceding year, except in exceptional cases (such as, for example: significant reorganisation measures, the changes in the company's legal form of organisation, expansion of operation and/or activities; significant improvements in business processes and operations);

- the Christmas bonus is not to be paid in companies which have been recapitalized by the State in the past three years, or by companies in which the State holds a majority shareholding; further on, this expectation applies to companies generating a loss or to companies in which operating results have failed to attain the planned results. In other companies, if the Christmas bonus is decided to be paid out, it should be equal for all employees and it should not exceed the minimum wage;
- the same as written in the preceding indent applies to the 13th wage payment and similar pay-outs; whereby, as regards the remaining companies, if such a wage is decided to be paid out, the amount of the payment due to an individual employee may differ but it should not exceed the amount of the minimum wage attributable to the individual employee;
- the holiday pay is paid out in accordance with collective agreement applicable for a company. As regards the collective bargaining on the amount of the holiday pay, companies should achieve such agreement that the holiday pay amount is subject to performance results and the financial position of a company. The above said recommendation should be reasonably observed when making the decision on the holiday pay amount, if collective agreement regulating the holiday pay amount does not apply for a company.

4.4 A company for itself, whereas a controlling company for the group and for all controlled companies in the group, should publicly publish the information on the execution of payments referred to in item 4.2.2. of this document on their web site; this information should be published within 10 days following the execution of these payments and should include the indication of the total amount of individual type of payments, legal bases for payments and the methodology used for the determination of the sum paid out to individuals.

4.5 A company should publicly publish the full text of the binding collective agreements and agreements with representatives of employees that refer to the payment for the work carried out, for the company, whereas the controlling company in the group should do so for all controlled companies in the group.

**Reasoning:**

In light of a generally poor economic and financial situation, particularly due to past capital increases which were financed from the State's budget and in order to provide for stable operations and to achieve suitable performance results and to meet expectations envisaged by SSH, the bodies of management and supervision must handle company's costs, including labour costs, with the greatest possible diligence, striving for their optimisation. The stability of companies in which the State and SSH hold their shareholding is important not only from the aspect of the ownership function and the return on equity but also from the point of view of the stability and the development of the Slovenian economy.

A prudent and responsible conduct pursued by the bodies of management and supervision and the associated efforts to adopt suitable measures in connection with the operation of a company/ group is a subject of regular assessment of the work carried out by the responsible bodies of a company and, therefore, the subject of the assessment made by the General Meeting/founder when making a decision on conferring a discharge or declaring no-confidence.

The minimum amount of holiday pay is determined by the law, whereas the maximum amount (at least in theory) is not limited. SSH expects that the holiday pay amount (which exceeds the statutorily required minimum) will depend on performance results and the financial position of a company which must be taken into account when collective agreements are concluded; in the absence thereof, performance results and company's financial position must be considered when the management adopts specific business decisions.

## **5. Quality and excellence in operation of company/group**

5.1 SSH expects from large state-owned companies to carry out self-assessment processes by observing the proven European EFQM excellence model.<sup>1</sup> A company should develop and submit to SSH the relevant self-assessment report for the preceding financial year in the electronic form. A large state-owned

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<sup>1</sup> For more on EFQM model see the following links:

[http://www.mirs.gov.si/si/delovna\\_podrocja/poslovna\\_odlicnost\\_prspo/model\\_odlicnosti\\_efqm/](http://www.mirs.gov.si/si/delovna_podrocja/poslovna_odlicnost_prspo/model_odlicnosti_efqm/)  
and  
<http://www.efqm.org/>.

enterprise which is a controlling company in a group should prepare such a report for the entire group and submit it to SSH.

5.2 The self-assessment report should include the following:

- short-term and medium-term goals desired to be achieved by the management of a company in regard to the quality and standards of business excellence (for example, improvements in individual fields of work, the target number of points achieved, participating in the competition to obtain the Business Excellence Prize of the Republic of Slovenia, etc.),
- self-assessment results,
- an action plan including measures and systems for improving quality and business excellence,
- standpoints by a supervisory board of a company made after the report has been discussed.

5.3 The report should be understandable and transparent and should refer to important and significant matters. In addition, the report should enable a comparison in regard to efficiency or inefficiency and effectiveness of a company as compared to previous years and they should present a current and realistic view of the position of a company/group in regard to the quality and business excellence systems.

5.4 SSH expects that the self-assessment report will be firstly dealt by the bodies of the supervision of companies which will take relevant standpoints and consistently oversee the implementation of measures and the company's action plan towards quality and business excellence.

### **Reasoning:**

The proven European model of business excellence – EFQM – by the European Foundation for Quality Management from Brussels provides a framework of management leading to constant improvement. This is a tool which integrates all elements of the organizational management systems (these are: leadership, HRM,<sup>2</sup> sustainable development, partnerships&resources, and others) and enables a review of current advantages and growth opportunities. The model which promotes cooperation and innovation is used by more than 35,000 organisations, including the best and the most respectable organisations across Europe. By means of the nine model criteria, the

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<sup>2</sup>Human Resource Management.



cause-and-effect relationships can be understood and analysed. These nine criteria cover what an organisation does, how it does it and what are the results that the organisation achieves. The EFQM model is based on an assumption that excellent results in operation, with partners, employees and within the company are achieved by strong leadership which is a driver for policy and strategy, employees, partnerships and resources. The EFQM model of excellence provides a framework for assessing the efficiency of operations, identifying key advantages and their improvements, integrating and harmonising existing tools, procedures and processes and eliminating any duplication. It introduces a mind-set that promotes contemplative analysis and stimulates constant improvement. The results brought forth by the EFQM model show which measures really contribute to achieving results, what areas should be given more attention and which approaches must be abandoned.

In accordance with the Republic of Slovenia's Business Excellence Award Act (Official Gazette of the Republic of Slovenia, No. 22/98, as amended in Nos. 55/03, 83/03 and 92/07), the Republic of Slovenia has committed itself to encourage enterprises and individuals in the private and public sectors to use efficient business models that lead to a greater competitiveness of products and services and better performance of organisations. The aim for using efficient management models is to help the Slovenian economy in achieving global competitiveness.

By way of the above mentioned recommendation, the aim of SSH is to achieve constant improvement of operation of organisations as a whole in the direction of greater effectiveness, efficiency, competitiveness and sustainable development and in the final phase, in the quality and excellency. However, this constant improvement may only be achieved if companies are assessed and suitable measures are implemented on the basis of such assessments.

SSH will examine and analyse the information received from companies in detail, comparing them to other data and information and goals, and thus regularly and objectively monitor the performance of the operation of companies.

## **6. General Meeting of Shareholders of Company**

SSH recommends to the management board of a company to take into account the recommendations mentioned below when convening and running General Meetings of shareholders. These recommendations shall apply to a one-person company by analogy.

## **Convocation of AGM**

- 6.1 A company should publicly publish the performance results achieved in an individual year not later than six months after the end of a financial year.
- 6.2 A management board of a company is expected to publish the notice on the convocation of the General Meeting as soon as possible, at least within the period of 14 days following the receipt of a request to convene the General Meeting when such request is submitted by a shareholder in accordance with the Companies Act (Official Gazette of the Republic of Slovenia, No. 42/06 and subsequent).

## **Accessibility of material and information for shareholders**

- 6.3 A company should publish full explanatory material for the AGM agenda items on its web site as of the day of publication of the notice on the convocation of the General Meeting.

## **Questions raised by shareholders**

- 6.4 When a company receives questions from a shareholder or shareholders or their request requiring it to provide an answer or explanation about company's operation, the company should reply as soon as possible and publicly publish well-founded, reliable, clear and comprehensive answers.
- 6.5 If a shareholder has addressed a question to a company and the question has not been suitably and publicly replied to by the company by the time the notice on the convocation of the General Meeting is published, an item discussing such a question should be included on the AGM agenda, or the discussion of such a question should be included in one of the already planned items on the AGM agenda.

## **Counter-proposals**

- 6.6 A counter proposal of a shareholder should be published by a company on its web site within a period of two business days following its receipt, unless a counter proposal has been received by the company in the last two business days prior to the General Meeting.

## **Annual Report**

- 6.7 A company should take a stand about its satisfaction of recommendations and expectations referred to in this document in the Corporate Governance Statement.

## **Instrument to discharge the management or supervisory board members**

- 6.8 As a rule, the General Meeting decides on the conferring of a discharge only to those members of the management and supervisory bodies who carry out their function at the time of the General Meeting's decision-making.
- 6.9 A company which is organised as a limited liability company should not include the conferring of a discharge to the management and the supervisory bodies of the company on the agenda of the convened General Meeting, unless this is explicitly stipulated by Articles of Association or the contract of members. In this case, the following text should be added to the General Meeting Resolution on the conferring of a discharge: "*Claims related to liability for damages may also be enforced against persons who have been granted a discharge.*"

## **Reasoning:**

A standpoint has been established in the German theory and practice that a General Meeting decides about conferring a discharge only in regard to members of the management and supervisory bodies who continue to exercise their function at the time of the General Meeting's decision making. The term used in this Recommendation is generally used in the sense that a General Meeting may grant a discharge also to members of the management and supervisory bodies who no longer perform their functions at the time of the General Meeting's decision-making. However, situations must be prevented when the decision-making about the conferring of a discharge would lead to a situation that a General Meeting rejects the proposal for conferring a discharge to former members who do not hold any functions at the time of the General Meeting's decision-making.