



SLOVENSKI DRŽAVNI HOLDING, d. d.

SLOVENIAN SOVEREIGN HOLDING ASSET MANAGEMENT POLICY

Ljubljana, March 2019

SSH first adopted the SSH Asset Management Policy on 19 December 2014. The first amendments and modifications to the SSH Annual Assets Management Policy were adopted in December 2016 and the second amendments and modifications in July 2018, while, additional amendments and modifications were adopted in March 2019.

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TERMS AND DEFINITIONS

Accreditation: is a decision of the Nomination Committee that a potential candidate satisfies conditions and criteria for accreditation (the first evaluation phase) and his/her application is recorded in the pool of potential accredited candidates for members of supervisory bodies of SOEs.

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

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

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

BAMC: is Bad Asset Management Company.

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

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

Capital asset of the State: is a share or a shareholding in an individual company which is held by the Republic of Slovenia, SSH or KAD, regardless of the portion of shares or shareholding.

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

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

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

Conflict of interest: there is a conflict of interest when circumstances have arisen in which a private interest of a person influences or creates an impression of having an influence on the impartiality of the said person in performing the said person's duties in a company. The private interests are profits or non-material gains for the said person, his/her family members and for other individuals or legal entities or other entities with which the said person has or has had personal, business or political contacts or interests which are a result of political or national (non)affection or (ill)favour, including emotional attachments. The definition of the conflict of interest in this Asset Management Policy is compliant with the definition of this term in ZIntPK which is referred to in Article 59 of ZSDH-1; in its interpretation, the practice of the Commission for the Prevention of Corruption and the case law in this regard is also taken into consideration *mutatis mutandis*.

Autonomy of a candidate or a member of a supervisory board of a company with State's capital assets and autonomy of a member of the Nomination Committee: A person who is not dependant under this Asset Management Policy is autonomous.

Nomination: is the decision by the Nomination Committee which is based on the determination, evaluation and the judgement that a potential candidate satisfies conditions and criteria set for the nomination (the third evaluation phase) and that he/she is a suitable candidate for a member of supervisory body of a specific company. If there are more candidates for a vacancy of a member of a Supervisory Board, the selection of candidates is also performed (the selection of the most suitable candidates). The potential nominated candidates are proposed to the SSH Management Board for the selection.

Dependency of member of Nomination Committee: the dependency of a member of a Supervisory Board under this Asset Management Policy shall apply *mutatis mutandis* to the dependency of a member of the Nomination Committee.

Dependency of a candidate or a member of a supervisory board of a company with State's capital assets: is given when the following dependency elements are simultaneously satisfied:

1. there is a potential conflict of interest on the part of a candidate or a member of the supervisory board of a company with State's capital assets and on the part of this company,
2. potential conflict of interest arises from personal, business or any other relation with a company, the Management Board of a company or any other person/entity or a stakeholder who, as a rule, has contradictory interest,
3. potential conflict of interest is of a lasting (and not only transitional) character, and
4. potential conflict of interest is relevant. The criteria for the assessment of the relevance of potential conflict of interest may be, in particular: the type and the number of decisions and actions to which it (may) refer to, the probability of its actual realisation and the subjective characteristics of a person (especially, the character and past conduct of a person).

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

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

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

Potential conflict of interest: there is a conflict of interest when circumstances have arisen in which a private interest of a person may influence the impartiality of the said person in performing the said person's duties in a company. The private interests are profits or non-material gains for the said person, his/her family members and for other individuals or legal entities or other entities with which the said person has or has had personal, business or

political contacts or interests which are a result of political or national (non)affection or (ill)favour, including emotional attachments.

Prevailing influence of SSH: there is a prevailing influence when SSH has directly or indirectly, individually or jointly, the majority shareholding of the subscribed capital, the majority of voting rights or the right to appoint or dismiss the majority of the members of the Management or the Supervisory Boards.

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

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

RS: is the Republic of Slovenia.

State Assets Management Strategy or Strategy: is the legal document regarding asset management which is adopted by the National Assembly of the Republic of Slovenia upon the proposal by the Government of the Republic of Slovenia, pursuant to Article 29 of ZSDH-1. The currently applicable State Assets Management Strategy was adopted in the form of the Ordinance on the State Assets Management Strategy (Official Gazette RS, No. 53/2015) by the National Assembly of the Republic of Slovenia on 17 July 2015.

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

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

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

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

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

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

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

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

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

PART I: GENERAL FRAMEWORK OF ASSET MANAGEMENT POLICY

1. INTRODUCTION

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

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

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

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

- ZSDH-1,
- ZGD-1,
- ZIntPK,
- ZPPDFT-1,
- ZTFI,
- Articles of Association of Slovenian Sovereign Holding,
- Annual Report of Slovenian Sovereign Holding,
- State Assets Management Strategy,
- Annual Asset Management Plan,
- Corporate Governance Code for SOEs,¹

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

- Rules on Supervisory Board Member Selection: Conditions, Criteria, Procedures and Evaluation for Determining Suitability and Selecting Potential Candidates for Members of Supervisory Bodies of Companies with State's Capital Assets,
- Platform of Slovenian Sovereign Holding for Voting on General Meetings,
- Slovenian Sovereign Holding Recommendations and Expectations.²

2. SLOVENIAN SOVEREIGN HOLDING

SSH establishment

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

SSH Status

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

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

At the time of the adoption of the revised Asset Management Policy, SSH is the controlling company of the following subsidiaries - PS ZA AVTO, d.o.o.; ELEKTROOPTIKA, d. d., Ljubljana; and GIO, d. o. o., Ljubljana - in liquidation.

Purpose of SSH's Establishment

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

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

SSH Objectives

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

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

SSH objectives include a transparent operation by SSH which will set an example of good corporate governance as well as legally correct, prudent, responsible and ethical conduct in accordance with the highest expectations and standards.

Special attention will be dedicated to measures for strengthening integrity and responsibility and for limiting corruption risks, conflict of interest and abuse of information in managing capital assets of the State.

A very important part of the activities performed by SSH is directed towards the establishment of adequate corporate governance related expectations towards companies with the State's capital assets, and the verification of the companies' realization of set expectations. The expected level of corporate governance in SOEs is at least the level envisaged by the law and the Corporate Governance Code for SOEs. In accordance with the law, SSH has adopted criteria for measuring the performance of companies with the State's capital assets which have been specified for individual companies in the Annual Asset Management Plan. The above mentioned documents include SSH's expectations from companies with State's capital assets as regards their operations. Some special expectations are communicated to SOEs by means of SSH Recommendations and Expectations. Those enterprises whose shares are the subject of the sale are expected to provide full cooperation during the sale process, in accordance with the law.

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

Main Areas of Operation of SSH

The operation of SSH encompasses several main areas:

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

This also include the management of the portfolio of liquid assets intended for the provision of the Company's current liquidity.

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

- Settlement of liabilities arising from compensation: on behalf of and for the account of RS, SSH performs duties stipulated by special laws also regulating the method of the financing of these duties. SSH enforces final decisions on the determination of compensation for confiscated property pursuant to the abrogation of the penalty of confiscation of property (ZIOOZP), it issues and enforces decisions on the compensations to war and post-war violence victims (ZSPOZ), and enforces written settlements and final decisions to beneficiaries for the reimbursement of investments made into in the public telecommunications network (ZVVJTO).

SSH Values

integrity and legality; trust and respect, role model leadership, autonomy, objectivity and impartiality.

3. PRINCIPLES OF CAPITAL ASSET MANAGEMENT

SSH observes principles which are laid down and defined in terms of their content by ZSDH-

1. They are the following principles for the management of the State's capital assets:

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

4. CODE OF REFERENCE

As a code of reference, SSH uses the applicable Corporate Governance Code for SOEs.

5. GROUPS OF STAKEHOLDERS AND COMMUNICATION AND COOPERATION STRATEGY

5.1 Shareholder

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

Due to state ownership and various roles played by state authorities, SSH's communication with its sole shareholder is a specific one. The communication rules are mostly regulated by ZSDH-1. The state communicates its expectations from SSH in regard to state assets management by virtue of the State Assets Management Strategy. Any additional communication between the state authorities and SSH is conducted in a manner compliant with Article 7 of ZSDH-1. In accordance with Article 41, Paragraph 3 of ZSDH-1, the SSH Supervisory Board's sessions may also be attended by the ministers responsible for finance and the economy and the President of the parliamentary Commission for Public Finance Control who each receive an invitation, all materials for each session, and minutes of the Supervisory Board sessions.

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

- publications on the SSH public web site in accordance with Article 64 of ZSDH-1,
- SSH Annual Report reported to the National Assembly of the Republic of Slovenia, in accordance with Article 67 of ZSDH-1,
- a quarterly report to the Government of the Republic of Slovenia, a courtesy copy of which is also submitted to the Commission for Public Finance Control of the National Assembly of the Republic of Slovenia,

- announcements on the SEOnet system,
- SSH Management Board's press releases,
- participation of SSH representatives in conferences organised at home and abroad.

5.2 Regulatory and state authorities

SSH maintains a constructive dialogue with regulatory and state authorities, consulting them on individual legal or actual issues and takes their positions in consideration when making its decision.

5.3 Members of supervisory bodies of companies with State's capital assets

SSH's duties in connection with the recruitment of members for supervisory bodies of SOEs are among the most important duties and responsibilities of SSH. SSH will communicate with members of supervisory boards of the above mentioned companies in a manner which will respect the independence of the supervisory board members. Expression of potential proposals, viewpoints or opinions on the part of SSH does not represent a non-permitted pressure upon the members of supervisory boards. The purpose of the expression of proposals, viewpoints and opinions on the part of SSH is that the members of supervisory boards of companies with State's capital assets, based on various viewpoints and opinions, adopt the best solution according to their judgement, while taking into account the goals of the company and the company's position. SSH will also pursue the improvement of the quality of corporate governance of companies with State's capital assets by organising educational events for members of supervisory boards of companies with State's capital assets.

5.4 Management boards of companies with capital assets of the State

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

5.5 SSH employees

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

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

5.6 The Expert Committee for Economic and Social Affairs (ECESA)

SSH takes initiatives and opinions provided by ECESA in relation to economic and social affairs of companies under SSH management. The SSH Management Board mainly informs the said Committee on the management of assets in companies under SSH's management, on the plan for their disposal and on other affairs in connection with the economic and social affairs. The SSH Management Board is not obliged to take ECESA's opinions into consideration in individual matters, however, it is obliged to clarify its actions and positions in cases in which they deviate from the positions and initiatives given by ECESA.

5.7 Citizens and the media

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

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

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

In certain companies with State's capital assets, SSH holds the prevailing influence in terms of ZSDH-1. In legal terms, the fact regarding the "prevailing influence" is important in connection with several provisions of ZSDH-1, specifically:

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

- under Article 71, Paragraph 1 of ZSDH-1;
- under Article 90 of ZSDH-1.

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

The members of the SSH Management Board and Supervisory Board must act in solely the interest of the Republic of Slovenia and SSH. A member of the Management or Supervisory Boards who has been prevented from the execution of his/her duties for any reasons, particularly due to pressures against his/her autonomous or independent decision-making or due to passivity and lack of action by the remaining members of the management or supervisory boards, must inform members of the body in which he/she operates of this fact in a documented manner, in accordance with Article 57, Paragraph 1 of ZSDH-1

Members of the SSH Management and Supervisory Boards are not obliged to follow the instructions of state authorities or third persons. When performing their duties, they have to act independently and impartially.

SSH Supervisory Board

Members of the SSH Supervisory Board inform the Supervisory Board of any conflict of interest which has arisen or might arise in the implementation of or in relation to the implementation of their function. In addition, each Supervisory Board member must inform the Supervisory Board of his/her potential membership in supervisory boards or management bodies of other companies. In case of any potential conflict of interest, a member of SSH Supervisory Board shall act in accordance with the provisions of ZSDH-1 and internal legal documents of SSH.

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

SSH Management Board

Members of the Management Board must inform the Supervisory Board of any conflict of interest which has arisen or might arise in the implementation of or in relation to the implementation of their function. In case of any potential conflict of interest, a member of SSH Management Board shall act in accordance with the provisions of ZSDH-1 and internal legal documents of SSH.

8. COMMITMENT BY SUPERVISORY BOARD FOR EVALUATING ITS OWN EFFICIENCY

In accordance with the Board Evaluation Manual adopted by the Slovenian Directors' Association, the SSH Supervisory Board will evaluate its own performance and efficiency and provide the results in the Report for General Meeting, specifically, the extent to which the self-assessment which has been performed has contributed to the changes in the functioning of the Supervisory Board.

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

9. RESPONSIBILITY AND POWER DISTRIBUTION SYSTEM BETWEEN MEMBERS OF SSH MANAGEMENT AND SUPERVISORY BOARDS

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

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

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

10. PROTECTION OF EMPLOYEES' INTEREST

For the implementation of common goals and interests of the work and the capital, the employees cooperate with their employer through Employees' Council. ZSDH-1 explicitly stipulates that the provisions of the act regulating the participation of employees in the management do not apply for the SSH Supervisory Board.

SSH promotes and enables the education and training of its employees, taking various forms and including internal and external formal forms of training and education.

All employees should have the possibilities for additional training with the aim of optimising business processes.

SSH desires to create positive working atmosphere among its employees and well-being at work. All actions interfering with or hurting the integrity and personality of employees are rejected and actions are taken in case of any violations. Adequate measures are taken to protect the employees against any harassment and other repetitive or systematic negative action worthy of reprimand and humiliating conduct or behaviour against employees at the work post or in relation to the work post.

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

The fundamental values and the basic principles of acceptable conduct by employees at SSH are regulated by the Code of Ethics of Slovenian Sovereign Holding.

PART II SPECIAL SECTION OF MANAGEMENT POLICY

11. RECORDING AND DISCLOSURE OF DECISIONS MADE AT GENERAL MEETINGS OF COMPANIES AND RESOLUTIONS MADE BY FOUNDER

Article 1

(Voting instruction and Voting Report)

A person authorised by SSH shall vote at a general meeting of a company with State's capital assets in accordance with written voting instructions signed by two members of SSH Management Board.

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

Article 2

(Keeping of Voting Reports)

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

Article 3

(Public disclosure of SSH activity at AGMs)

SSH shall publicly disclose its operations at each general meeting. Disclosures must be publicly published on the SSH's web site two days after the general meeting, or two days after the authorised person may provide full material, considering the circumstances. The disclosures must explicitly state the name of a company, the time when the general meeting has been held, the details about the agenda and whether SSH has voted on resolution proposals and how. A statement shall be attached to each disclosure, in which it is declared

whether the SSH activity at a GM was in line with ZSDH-1 and the legal documents regarding asset management.

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

12. DIVIDEND POLICY GUIDELINES

Article 4

(Distribution of Profit for Appropriation)

SSH shall individually consider each proposal for the distribution of profit for appropriation of a company with State's capital assets. SSH shall make a stand regarding the proposals taking into consideration several various factors: the adopted dividend policy of an individual company, the development plans of a company and the intensity of the investment activity, the amount of retained profits from the previous year, tax aspect, the required capital adequacy, the situation in the industry in which the company operates, the mitigation of the effects of the financial crisis and other factors.

In case when at the General Meeting of a company with State's capital assets the distribution of profit for appropriation is decided upon in a manner that instead of a monetary dividend non-monetary funds are to be distributed in the form of shares of equity stakes held by the company in another company, the provisions of this Asset Management Policy referring to the acquisition of capital assets shall apply *mutatis mutandis*.

Article 5

(Transfer of Remaining Part of Profit for Appropriation)

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

13. RECRUITMENT AND HIRING OF EXTERNAL SERVICE PROVIDERS

Article 6 (Recruitment)

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

When SSH recruits new employees, a vacancy must be publicly published except in cases stipulated by the law. In the case of public invitation to apply for a job vacancy, a Committee is appointed to open and review the applications and to carry out the selection procedure of candidates who have applied for the job.

The duties of the Committee for opening and reviewing job applications and for carrying out the selection procedure shall mainly include the reviewing and recording of the job applications submitted, the verifying of the timeliness and the completeness of applications, the verifying of the satisfaction of formal requirements and criteria and the eliminating of applications which have not been submitted in time or in full or from which it is clear that a candidate does not satisfy the formal requirements and criteria, and the development of a questions of substance for an interview and the carrying out of interviews with candidates. The Committee proposes to the SSH Management Board a short-list of candidates for the job.

In case when several candidates for the job satisfy all requirements and criteria, interviews with candidates shall be carried out. A formal note shall be taken of any interview. The same or comparable questions shall be made to candidates in regard to the area of work covered by the intended employment in a manner that answers by candidates can be adequately scored. SSH Management Board shall make a decision on the basis of the Committee's proposal.

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

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

Article 6a (Out-sourcing)

Considering the subject matter of the (public) procurement and its value, SSH shall outsource services using the procedure stipulated by the applicable law regulating public procurement, or the procedure stipulated by SSH's internal legal documents regulating the procurement of goods and services. Not later than in 5 days following the execution of the agreement with a contractor, SSH shall publish significant elements of an advisory agreement on its web site.

In its Chapter 16 (Section 6), the Asset Management Policy includes special provisions in regard to financial and other advisors in the managing of processes for the sale, acquisition or other transfers of assets or other financial instruments, in which regard it is the matter of services that represent an exception under the applicable law regulating public procurement, or the value of the service does not exceed the limit value laid down by this law.

14. NOMINATION COMMITTEE AND CANDIDACY PROCEDURES

14.1 Nomination Committee

Article 7

(Position and Duties of Nomination Committee)

The Nomination Committee is a mandatory consultation body of the SSH Management Board whose members are appointed by the SSH Management Board for the period of four years, pursuant to Article 48 of ZSDH-1 and in accordance with this Asset Management Policy (hereinafter referred to as: the "Nomination Committee"). The functioning of the Nomination Committee shall be regulated in the Nomination Committee's Rules of Procedure.

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

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

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

The SSH Management Board shall conclude an agreement on the performance of a duty of a member of the Nomination Committee with external members of the Nomination Committee

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

Within the candidacy procedure, when assessing the meeting of requirements and criteria on the part of an individual candidate, the Nomination Committee shall take into account statements and supporting documents submitted by a potential candidate, statements and an impression of a potential candidate obtained during the interview if carried out, and other facts and evidence which are generally known or which have been determined by the Nomination Committee based on publicly accessible data. A formal note is made by the Nomination Committee on taking into consideration generally known facts and facts on the basis of publicly accessible data, or the note is included in the Nomination Report. Generally known facts and supporting documents shall be collected by the Nomination Committee or the SSH's expert staff on the basis of a consent by a candidate which has been submitted on a form which shall form Appendix to the accreditation application.

Article 8 (Composition of Nomination Committee)

The Nomination Committee shall consist of three members.

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

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

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

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

- corporate governance,

- HR management or
- operations of supervisory boards.

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

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

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

- at least university education or high professional education (Bologna second cycle degree);
- as a rule, has at least 6 years of experience in the professional field for which he/she has been appointed into the Nomination Committee, or was a member of the supervisory board of a medium-size or large company for 6 years if he/she is a member of the Nomination Committee who is an expert in the field of operations of supervisory boards;
- is characterised for personal integrity;
- his/her expertise is supported by successful performance and reputation from the professional field for which he/she has been appointed into the Nomination Committee (for example, in an organisation or an organisational unit managed by a candidate, or outside this organisation, his/her work is perceived as professional; published scientific expert articles in domestic and foreign professional publications);
- is very well familiar with duties and competences of the supervisory board as a corporate body and the rights and obligations as well as the position of an individual member of the supervisory board;
- is autonomous in a relationship with the third parties.

Article 10

(Appointment Procedure for a Member of Nomination Committee)

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

The SSH Management Board shall publish the report on the appointment of Nomination Committee's members on its public web site.

Article 11

(Attachment of SSH Management Board to Nomination Proposal by Nomination Committee)

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

14.2 Candidacy procedure

14.2.1 Generally on candidacy procedure

Article 12

(Term and Structure of Candidacy Procedure)

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

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

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

Article 13

(Goals of Candidacy Procedure)

Goals of Candidacy Procedure are:

- providing the compliance of candidates for supervisory board members of companies with State's capital asset with requisite requirements and criteria and the selecting the most suitable candidates,
- providing a uniform, organised, objective and transparent candidacy procedure which ensures the traceability of actions and decisions taken in an individual phase of the candidacy procedure;
- improving the efficiency of supervisory boards of companies with State's capital assets;

- indirectly improving the management and operations and provide for a responsible conduct on the part of companies with State’s capital assets;
- formulating and implementing systemic solutions regarding corporate governance in line with the OECD principles.

Article 14

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

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

14.2.2 Recruitment procedure

Article 15

(Recruitment Procedure)

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

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

Article 16

(Recruitment Channels)

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

General recruitment channels are not connected with personnel needs in relation to the supervisory board of an individual company but they are intended to attract candidates into the accreditation system (registration in the Database of accredited potential candidates for members of supervisory boards of companies with State’s capital assets).

Special recruitment channels are linked to any personnel need for a supervisory board of an individual company. Special recruitment channels are used if, according to the assessment of the Nomination Committee or the SSH Management Board, this is beneficial for the goal(s) of the candidacy procedure. The accreditation is mandatory also in cases when special recruitment channels are used whereby a decision on accreditation may be adopted inside the nomination procedure. Upon a request by a candidate, a candidate who has been invited to take part in the candidacy procedure on the basis of special recruitment channels, and then accredited, is not registered in the Database of accredited potential candidates data base. In this case the decision on accreditation shall only include a statement that a potential candidate satisfies the accreditation requirements and criteria (1st evaluation phase).

Article 17
(General Recruitment Channels)

General Recruitment Channels are as follows:

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

Article 18
(Special Recruitment Channels)

Special Recruitment Channels are as follows:

- public invitation published on SSH web site and in the media with tailor-made specific profile requirements;
- candidates invited by members of SSH Management Board (on a standardised forms);
- candidates proposed by the Supervisory Board in the convocation of the General Meeting.

Article 19
(Submission of Applications)

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

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

Article 20
(Protocols and Forms)

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

14.2.3 Accreditation Procedure

Article 21
(Accreditation Procedure)

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

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

- the applications submitted by potential candidates;
- regulated protocols and
- uniform application forms.

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

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

Potential candidates with accreditation shall be registered in the database of accredited potential candidates for members of supervisory bodies of companies with State's capital assets held within SSH and in accordance with the legal provisions regarding personal data protection. The Nomination Committee shall also keep a list of persons whose accreditation has been refused or revoked.

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

A potential candidate is informed about accreditation, of the refusal or of the revocation of the accreditation to the e-mail address stated in the application.

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

14.2.4 Nomination procedure

Article 22

(Nomination Procedure and Complementing Nomination Procedure)

The nomination procedure is initiated when the need arises to make a proposal on or to vote about a member of the supervisory board of an actual company. A specific need shall be stated by the SSH Management Board on a standardised form (an order to commence the nomination procedure). On this form, the SSH Management Board shall define the profile required and it may also propose to list potential candidates essentially matching that profile to be listed in the candidacy procedure (special recruitment channel) and state the time period for the execution of the order which generally should not be shorter than 10 business days. The SSH Management Board shall define the required profile by describing the role and the expertise and experience which are necessary for performing of the function of a supervisory board member of an individual company. In this case, the profile developed by the supervisory board

of a company with State's capital assets, or by its Nomination Committee shall mostly be taken into account if such profile is submitted to the SSH Management Board. The SSH Management Board must strive to obtain the profile developed by the supervisory board of an individual company in due time, as well as to take into consideration the requirement that a supervisory board is heterogeneous (for example, age, gender, international element) and that it is composed of members who mutually complement themselves in terms of their professional knowledge and competences in order to obtain a supervisory board which, as a whole, possesses experts from the following areas: finance, corporate governance, the company's core business and other professional areas which are necessary for an efficient supervisory board according to the activity, the size of operations and other characteristics of the company (for example, controlling, legal issues and HR). The profile shall be developed for each position in a supervisory board separately.

The nomination of members of supervisory board shall be conducted in three standardised channels which match the three potential approaches:

- a regular replacement procedure, considering the course of the mandate (usual and planned replacements, a procedure which is usually initiated 3 to 6 months prior to the expiry of the mandate);
- an intervention replacement procedure, considering emergency circumstances (the procedure is a result of extraordinary circumstances such as a resignation or a death of a member of the supervisory or management boards, and an unplanned replacement of members of the supervisory or management boards due to incompetence, supervisory board member's poor work results, the loss of trust or conflict of interest of a supervisory board member);
- a procedure in a company with State's capital assets which is in a partial ownership of SSH, the Republic of Slovenia (the procedure includes companies with a partial state ownership where the rights of other shareholders must be observed; in these procedures, the Nomination Committee must particularly take into account profiles developed by a supervisory board of an actual company, or its Nomination Committee).

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

Article 23
(Purpose of Nomination Procedure)

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

Article 24 (Criteria for Evaluation and Determining Suitability)

The criteria for evaluating and determining the suitability of a candidate are, in one part, criteria which refer to certain relevant circumstances and situations in connection with a potential candidate that are identifiable (for example, independence, lack of potential conflict of interest, availability in terms of time), secondly, competences which are based on provable elements of the assessment (for example, relevant knowledge, understanding of rights and obligations of a member of a Supervisory Board), and in the third part, they include soft characteristics and skills which are harder to determine and are subject to evaluation (for example, personal integrity, business ethics, reputation, efficiency in regard to communication skills and to team work) and which the Nomination Committee determines based on the motivation letter, on a general knowledge of a candidate's characteristics and of competences, and by way of a structured interview. A profile for a specific vacancy in a supervisory board shall serve as one of the main criteria for evaluating and determining the suitability of a candidate. In any case, even when not explicitly defined in the invitation to apply for a vacancy or within the SSH's internal legal documents, in the nomination procedure and according to the rules of the discipline, the Nomination Committee may also assess other competences of potential candidates which are usually assessed in such staff-related procedures (for example, capability to cooperate with others, character, motivation, values, capability of critical judgement and problem solving).

Article 25 (Actions in Nomination Procedure)

Nomination procedure includes the following activities:

- determining the optimum target profile for a member(s) of a supervisory board of an actual company;
- classifying potential candidates in the nomination procedure;
- candidates selected for the nomination procedure are invited to supplement their application in line with requirements verified in the nomination procedure;
- supplementing the application by a potential candidate and submitting a consent by the potential candidate for the nomination;
- verifying whether potential candidates satisfy stipulated requirements and excluding candidates failing to satisfying them;
- as a rule, carrying out a structured interview with a candidate;

- evaluating and determining the suitability of candidates in regard to the stipulated target profile and other criteria;
- producing a report with an explanatory note.

Article 26

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

Prior to the assessment who of the potential accredited candidates for a supervisory board member of a company is selected for the nomination procedure, the Nomination Committee shall verify whether a profile, which has been prepared by the SSH Management Board for a certain vacancy in a supervisory board, has been defined in an optimum manner in regard to the guidelines for the profile definition as referred to in Article 22 of this Asset Management Policy, and in regard to other rules of the discipline. If this profile is adequate, the Nomination Committee shall continue the nomination procedure, but in case the profile is not adequate or must be supplemented, the Nomination Committee communicates this to the SSH Management Board, together with proposals for amendments and modifications of a profile. This decision on the final profile shall be made by the SSH Management Board.

On the basis of the profile and reasons stated by a candidate in the motivational letter as to why a candidate desires to carry out the function of a member of a supervisory board, the Nomination Committee shall carry out a preliminary selection from among the potential candidates who have been accredited, on the basis of which it selects the accredited potential candidates for the nomination procedure (the 2nd evaluation phase). Potential candidates proposed for the candidacy procedure by the SSH Management Board shall always be listed for the nomination procedure in which regard, taking into consideration Article 22 of this Asset Management Policy, the SSH Management Board must pay attention that these candidates essentially match the sought-for profile.

Article 26 (a)

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

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

Article 27

(Invitation to Supplement Application)

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

Article 28
(Interview with Potential Candidates)

As a rule, the Nomination Committee shall carry out a structured interview with potential candidates, which, at the invitation by the President of the Nomination Committee, may be attended by the Chief Compliance Officer.

The interview shall exceptionally not be carried out, particularly in the following cases;

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

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

Article 29
(Exclusion, Evaluation, Determining Suitability and Selection)

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

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

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

Article 30 (Nomination Report and Likely Assessment)

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

The Nomination Committee may assess candidates as suitable or unsuitable.

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

If more potential candidates are nominated, the SSH Management Board shall select, at its discretion (and in accordance with the stipulated prudence) candidates, specifically, so many as there are vacant posts in an individual supervisory board of a company with State's capital assets. In exceptional circumstances when justified by the case, the SSH Management Board may select several candidates for an individual vacant post (subsidiary linking of candidates in a voting proposal).

If there are several vacant posts in a supervisory board which will be voted upon at the general meeting, the SSH Management Board shall be bound to observe the developed profiles. This means that potential candidates, who have been nominated by the Nomination Committee for an individual vacant post of a supervisory board member, must not be selected by the Management Board for another vacant post of a supervisory board member.

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

SSH shall inform a candidate whether he/she has been nominated (with the option of informing him/her on the e-mail address provided in the application).

Article 31
(Voting on Candidates)

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

14.3 Candidate Selection Based on Independent Decision by SSH Management Board

Article 32

(Extraordinary Candidacy Procedure)

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

The extraordinary candidacy procedure shall always include the following procedures:

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

Article 33

(Conditions for Implementing Extraordinary Candidacy Procedure)

The extraordinary candidacy procedure may be carried out:

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

The reasoned assessment by the SSH Management Board shall be documented in writing.

Article 34

(Extraordinary Recruitment Procedure)

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

Article 35
(Extraordinary Recruitment Channel)

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

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

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

Article 36
(Evaluation Procedure)

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

Individual action within the evaluation process may, instead of SSH Management Board, be carried out by persons employed at SSH who hold at least a university degree or a Bologna second cycle degree and at least 5 years of adequate work experience. Each action must be carried out by at least two such persons and a report on the implementation of actions must be written.

The evaluation procedure shall include:

- determining the optimum target profile for a member(s) of a supervisory board of an actual company;

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

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

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

Article 36 (a)
(Register of Members of Supervisory Bodies)

Expert services of SSH shall keep a register of members of supervisory bodies of SOEs which include the data on their term of office, on their activities and other data as defined in the Rules on Procedures and Measures for Personal Data Protection.

15. DISMISSAL OF SUPERVISORY BOARD MEMBER

Article 37

(Public Disclosure of Reason for Dismissal)

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

16. PROCEDURES FOR ACQUISITION AND DISPOSITION OF CAPITAL ASSETS

The Chapter No. 16 of this Asset Management Policy includes the following sections and sub-sections:

- 16.1 General Provisions
- 16.2 Disposition of capital assets
- 16.3 Methods of sale of capital assets
- 16.4 Communication on disposition of capital assets
- 16.5 Sale process
 - 16.5.1 Sale of majority capital assets
 - 16.5.2 Sale of minority capital assets
 - 16.5.3 Special provisions in regard to sale process of capital assets
- 16.6 Managing sale process
- 16.7 Special provisions in regard to financial institutions and other advisors in the processes for the disposal and acquisition of capital assets
- 16.8 Acquisition of capital assets
 - 16.8.1 Process for acquisition of capital assets
- 16.9 Acquisition of liabilities
- 16.10 Encumbrance of capital assets

16.1 General provisions

Article 38 (Contents of Chapter)

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

This Chapter of Asset Management Policy shall also regulate the acquisition and disposition of liabilities.

The provisions of this Asset Management Policy shall not apply for the sale of shares traded on a regulated market of securities in the Republic of Slovenia in cases of transactions for balancing the liquidity within the scope of SSH financial management and a transaction is carried out as a single or a multiple direct instruction through a certified stock broker in accordance with valid regulations. In this case the SSH Management Board, upon a proposal by a responsible internal SSH's organisational unit or upon a proposal by a responsible person or a group appointed by the SSH Management Board shall adopt a decision on the transfer of capital assets or its part to the SSH's portfolio of liquid assets. The responsible organisational unit, a person or a group shall then carry out the sale process in accordance with the provisions of an internal SSH Rules of Procedures regulating the investment policy of the SSH's portfolio of liquid assets and in accordance with applicable rules on securities trading,

Article 38 (a) (Use of Language)

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

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

16.2 Disposition of capital assets

Article 39 (General)

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

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

Article 40 (Minimum Shareholding)

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

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

SSH may freely dispose of portfolio assets.

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

Minimum shareholdings laid down in this Article shall be calculated as a ratio between shares and voting rights of the Republic of Slovenia, SSH and of their related persons, and total shares with voting rights in a company in which the Republic of Slovenia, SSH and their related persons hold a shareholding in accordance with the act regulating companies and the legal documents of individual companies. When an agency whose operation is stipulated by the law regulating the financial instruments market, deprives RS and SSH of voting rights, this shall not influence the minimum shareholdings stipulated in this Article. The register on

shareholdings in assets held by SSH and the Republic of Slovenia is kept by the SSH's internal organisational unit responsible for asset management.

Article 41
(Consent for Disposal by Supervisory Board)

The SSH Management Board shall be obliged to obtain a prior consent granted by the SSH Supervisory Board for the disposition of capital assets of SSH and RS which exceed Euro 5 (five) million of the audited book-keeping value in regard to the issuer's book which is determined on the basis of the ownership stake held by SSH and/or RS in the company's share capital, and which is the subject of the disposal. The term "the audited book-keeping value" shall refer to the latest available audited value of the share capital of the company in question.

The agreement on disposing of assets referred to in the preceding Paragraph may be concluded under conditions precedent, i.e., that the consent by the SSH Supervisory Board shall be granted for its conclusion.

Article 42
(Goals of Disposition)

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

Within the scope of rules of the European law on state aid, the following goals shall also be observed as goals for the disposition of assets: attaining macroeconomic goals of the State, particularly attaining permanent and stable economic growth, improving the quality and capacity of public services, and ensuring more successful and competitive economic system in the State, further existence and development of companies, new investment opportunities, entering new markets and preserving and increasing posts in domestic economy.

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

Article 43
(Sale of Capital Assets of KAD)

In case of the process for the sale of capital assets held by SSH or the Republic of Slovenia, such process shall be integrated with the process of the sale of capital assets of KAD held in the same company. The process, on behalf and for the account of KAD, shall be managed by

SSH at its own discretion and with the diligence of a prudent and fair businessman (in Slovenian: "*vestni in pošten gospodarstvenik*").

The relations between SSH and KAD in relation to the running of an individual sale process referred to in the preceding Paragraph shall be regulated by way of a special agreement concluded by and between SSH and KAD. The basic principles and basic premises of this Asset Management Policy shall apply in this process.

Article 44
(Capital Assets Disposition Methods)

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

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

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

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

The provisions of this Asset Management Policy shall be applied *mutatis mutandis* to the sale of blocks of shares as defined by the rules of the regulated financial securities market in

accordance with methods of sale referred to in Article 45, Paragraph 1 of this Asset Management Policy.

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

SSH shall strive to be involved in the process as much as possible by a company running the capital increase process (by being informed on the progress of the process and by harmonising some important aspects of the process with SSH), considering the circumstances. When a company in which SSH and RS, separately or collectively, holds a majority stake authorises SSH to carry out on its behalf certain actions in the capital increase process, SSH shall apply *mutatis mutandis* the provisions of this Asset Management Policy on the process for the sale of capital assets.

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

16.3 Methods of Sale of and of Swap of Capital Assets

Article 45
(Methods of Sale of and of Swap of Capital Assets)

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

- public offering is implemented as a public invitation addressed to an indefinite or identifiable circle of persons to purchase shares upon terms and conditions published in advance and which includes all material elements of a contract, or
- a public auction which is implemented as a public sale under terms and conditions of sale published in advance whereby the purchase agreement is concluded with a bidder who fulfils the conditions and offers the highest price above the call price, or
- a competitive tendering which is implemented as an invitation addressed to an indefinite or identifiable circle of persons to submit a tender to purchase certain assets under the published conditions, or
- the offering of securities to the public in accordance with the law governing the financial instruments market.

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

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

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

16.4 Communication on Disposition of Capital Assets

Article 46 (Publicity Measures)

Public offering and public competitive tendering for the purchase of capital assets shall be published in a daily newspaper which is issued in the territory of the entire Republic of Slovenia, on the SSH website and in foreign public media in accordance with the guidelines of the European Commission if this is proposed by a group in charge of a sale process or is so decided by the SSH Management Board.

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

As a rule, only information on significant agreements concluded in regard to the disposal of capital assets shall be published on the public web sites of SSH and of the Ljubljana Stock Exchange (SEOnet), in line with the provisions of ZTFI in regard to regulated information and with the internal legal document regulating reporting.

In line with the provisions of ZDIJZ, data from the contracts concluded for advisory and other copyright or intellectual services undertaken within the process for the acquisition and disposition of capital assets shall be published.

Article 47

(Information on Changes of Significant Shareholdings)

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

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

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

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

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

Article 48

(Notification of Management of Company which is Subject of Sale)

Prior to the initiation of the sale process or not later than at the date of the public publication of an Invitation for Expression of Interest (or prior to any other equivalent action of the same scope), SSH shall inform of the intended sale the management of a company whose shares and shareholdings in the amount of at least 10% are the subject of a sale. At the same time SSH advises the management that in connection with the process of sale the provisions of the applicable Worker Participation in Management Act are observed in matters regarding the notification of employee.

Upon the disposition of capital assets (that is, upon the signing of agreements on disposition), the SSH Management Board shall inform the management of a company whose capital assets are the subject of a disposition that the Purchase and Sale Agreement has been executed, specifically, inviting the management to immediately inform employees.

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

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

16.5 Sale Process

Article 50
(General)

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

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

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

16.5.1 Sale of Majority Capital Assets

Article 51 (Term of Majority Capital Assets)

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

In the case of the Joint Sale, the majority capital assets are also deemed to be that capital assets where the share of voting rights attributable to SSH and/or the Republic of Slovenia and/or KAD, which are the subject of a sale, does not individually exceed 50 % while simultaneously together with shareholdings of other sellers represents more than a 50% shareholding in the share capital of a company, or more than 50% of the voting rights in this company, and, simultaneously, the value of capital assets held by SSH and/or the Republic of Slovenia, which are the subject of a sale, exceeds EUR 5 million.

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

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

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

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

Article 52
(Actions in Sale Process)

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

- the obtaining of the necessary consents by SSH bodies and other institutions in accordance with the law and SSH Articles of Associations;
- the conclusion of an agreement with sellers with whom SSH manages the process for the sale of capital assets;
- the conclusion of an agreement on the arrangement of mutual relations or on mutual cooperation between SSH (and other sellers in case of the Joint Sale) and a company in which capital assets are being sold;
- the procedure for the selection advisors (financial, legal advisors and similar);
- the implementation of due diligence of a company in which capital assets are being sold;
- the implementation of the appraisal by an independent external accredited appraiser in business valuations;
- market research and determination of a long list of investors;
- the preparation of a proposal regarding one of the most suitable sale methods set in Article 45;
- the preparation of non-disclosure agreement (hereinafter referred to as: "NDA");
- the preparation of a Teaser (a document submitted to potential investors);
- the preparation of other documentation related to the sale.

Activities of the sale process may be:

- collection of expressions of interest;
- after the signing of the NDA by the interested parties, the submission of the Information Memorandum, together with the first Process Letter;
- a presentation of the company in which capital assets are being sold on the part of its management;
- the opening of a virtual data room (hereinafter referred to as: ("VDR") in which detailed business, legal and financial information of the company are held;
- the preparation of the draft of the capital asset disposal agreement;
- the preparation of counter-offers, the preparation of answers to proposals, the preparation of negotiation elements;

- the collection and evaluation of non-binding and binding offers;
- negotiations with potential investors and harmonisation of the purchase and sale agreement;
- executing a contract and realising contractual provisions (payment of the purchase price, transfer of shares, etc.).

Article 53 (Due Diligence)

Due diligence shall be carried out in the case of the sale of majority capital assets.

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

Due diligence shall generally be carried out by an external expert institution upon the order of the seller, or sellers in case of the Joint Sale. The process for the selection of an external due diligence provider shall be managed by the responsible organisational unit of SSH or by a responsible person or a group appointed by the SSH Management Board, specifically, in a manner stipulated in the next Article. In complex cases, when so determined by the SSH Management Board, the process for the selection of an external due diligence provider shall be run by the group in charge of a sale process assisted by a financial advisor.

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

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

Article 54 (Valuation)

The valuation within the sale process of majority capital assets shall be carried out by an independent external accredited appraiser in business valuations who either holds a licence issued by the Slovene Institute of Auditors or a licence by the American Society of Appraisers

or any other relevant licence recognised by the EU and which ensures that the valuation will be carried out under International Valuation Standards (IVS).

The process for the selection of an external accredited appraiser in business valuations shall be managed by a responsible internal organisational unit of SSH or by a responsible person appointed by the SSH Management Board. A special committee may also be appointed upon a proposal given by the responsible units or persons for the purpose of carrying out the process for the selection of an external accredited appraiser in business valuations; its duties shall include the preparation of the invitation to submit an offer, the formulation of the list of the invitation's recipients, the determination of the criteria for the selection of a provider, the collection and the evaluation of offers and the proposals submitted to the Management Board on the final selection of a provider. In addition to running the process for the selection of an external accredited appraiser in business valuations, the responsible organisational unit of SSH, a responsible person or a group shall also be in charge for the performance of all activities necessary for obtaining the report on the business valuation (making the contact with a company which is the subject of the valuation, assistance in the performance of services, etc.) and the organisation of the presentation of a business valuation report. A business valuation report should be presented to the members of the group in charge of the sale process and/or to the asset manager and to the SSH Management Board.

The valuation cut-off date of capital assets should not be longer than 12 months in regard to the date of the conclusion of a Purchase and Sale Agreement.

When the valuation cut-off date of capital assets is longer than 12 months but not more than 24 months, the internal valuation of capital assets may be performed. When a significant deviations in the operation of a company being appraised and consequently the internal valuation significantly deviates from the last valuation by external authorised appraiser, a new independent external valuation by an accredited appraiser of company's value is commissioned. When an original valuation has been negative and it is determined that the operations has not significantly improved or they have deteriorated and as a result, the internal valuation remains negative, a new independent external valuation by an accredited appraiser of company's value is not required.

16.5.2 Sale of Minority Capital Assets

Article 55 (Term of Minority Capital Assets)

The minority capital assets shall be those assets in which the shareholding or the number of shares in the ownership of SSH and/or the Republic of Slovenia and/or KAD, which form the subject of the sale of capital assets, do not exceed a 50% shareholding in the share capital of the company, or do not exceed 50% of voting rights in this company, and capital assets which

fail to meet conditions referred to in Article 51, Paragraphs 2 and 3, in connection with Paragraph 5 of this Asset Management Policy.

Article 56
(Actions in Sale Process)

The process for the sale of minority capital assets shall be composed of preparatory (preliminary) actions which mainly include a valuation.

Activities of the sale process of minority capital assets shall mainly include the following:

- the obtaining of the necessary consents by SSH bodies and other institutions in accordance with the law and SSH Articles of Associations;
- collecting offers under the selected method of sale;
- reviewing offers and their assessment;
- negotiating with potential buyers of capital assets;
- the harmonisation of a Sale and Purchase Agreement;
- executing a contract and realising contractual provisions (payment of the purchase price, transfer of shares, etc.).

Article 57
(Valuation)

The internal valuation of the value of capital assets, in accordance with internal legal documents on instructions regarding internal valuation of capital assets, shall be carried out by a responsible internal organisational unit or by a responsible person or a group appointed by the SSH Management Board, when, according to the last audited balance sheet of a company, the last book-value of capital assets held by SSH and/or RS and/or KAD does not exceed EUR 5 million. In this case the audited book-value refers to the value of shareholdings held by SSH and/or RS and/or KAD in the share capital of a company which is the subject of a disposition in regard to the last audited value of equity of this company. An internal organisational unit, a person or a group carrying out a valuation is obliged to present the valuation to the asset manager and to the members of the group in charge of the sale process.

The appraisal by an independent external accredited appraiser is carried out in all cases except in a case referred to in the preceding paragraph, in which regard Article 55 of this Asset Management Policy is taken into account in the selection of the independent external accredited appraiser.

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

The valuation cut-off date of capital assets should not be longer than 12 months in regard to the date of the conclusion of a purchase and sale agreement.

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

16.5.3 Special Provisions in Regard to Process of Sale of Capital Assets

Article 58

(Sale Below the Minimum Appraised Value)

Capital assets must not be sold below the minimum appraised value determined in the capital assets valuation report which is made either by an authorised appraiser of companies or by the internal organisational unit of SSH, a person or a group appointed by the SSH Management Board for the development of the internal valuation.

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

Article 59

(Published Invitations Result in No Offers Submitted)

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

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

Article 60

(Payment-free Divestiture or Divestiture for Symbolic Price).

A payment-free divestiture of capital assets held by the Republic of Slovenia and/or SSH may exceptionally be possible, or alternatively, a divestiture for a symbolic price, when their value is assessed as being below or equal to zero. A proposal which is developed by a capital asset manager includes an assessment of direct and indirect benefits of a payment-free disposition of capital assets.

Article 61

(Entry of New Offeror in Process)

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

SSH shall treat an offeror as a serious offerer who submits with his offer additional supporting documents which comply with the phase of the sale process (for example, letters by banks during the phase of non-binding offers, bank guarantees during the phase of binding offers, supporting evidence on ownership).

16.6 Managing Sale Process

Article 62

(Group in Charge of Sale Process)

As a rule, a group in charge of a sale process shall run and coordinate the process for the sale of capital assets (hereinafter referred to as: the "Group") which has been appointed by the SSH Management Board for the sale of specific capital assets. The number of the Group members shall be subject to the complexity of the sale process and the value of assets on sale. When required, the members of the Management Board are also appointed to the Group. In extraordinary cases when the Group has not been appointed, the tasks in relation to the sale process shall be carried out by the manager of the capital asset.

In case of Joint Sale, in addition to SSH's employees, the Group shall also be composed of members of other holders of capital assets.

Members of the Group shall be appointed by the SSH Management Board by way of a resolution.

Article 63
(Duties of the Group)

In relation to the process of the sale of capital assets, the Group shall be expected to carry out the following duties:

- manage and coordinate the process for sale of an individual capital asset;
- provide an opinion to the SSH Management Board on the need for engaging an external advisor in the process of sale (a financial, a legal or other advisors);
- run the process for the selection of external advisors in accordance with Chapter 16.7 herein;
- notify the responsible organisational unit on the need to initiate the process for the selection of the providers of due diligence and capital asset valuation;
- manage and supervise the work carried out by external advisors;
- review draft reports on due diligence and valuation of capital assets if commissioned by SSH or in the case of a Joint Sale, it is commissioned by sellers together with SSH;
- prepare a draft of the text for the public invitation for submitting offers, a draft of the text for a public auction invitation;
- in case of the sale process with competitive tendering, prepare a proposal for the implementation of a one-phase or two-phase tendering procedure;
- participate in negotiations with selected offerors or sellers;
- prepare a draft contract for the sale of capital assets;
- prepare, review and approve all other proposals of documents in relation to the sale process.

If an advisor is authorised by SSH for the management of the sale process in accordance with Chapter 16.7 of this Asset Management Policy, the implementation of individual duties referred to in the preceding paragraph shall be transferred to the said advisor. The Group must supervise the progress of the process in a case of advisor assisted process management and take a stand to the proposals by the advisor for the implementation of individual significant actions.

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

Article 64
(Sale Process Folder)

A capital asset manager, together with other members of the Group, shall document the management of the process for the sale of capital assets in a sale process folder.

The content of the sale process folder shall be determined by the SSH internal legal document which regulates the documenting of business events related to the sale of capital assets and the content of the sale process folder.

Article 65
(Reporting to SSH Management Board)

The Group shall regularly inform the SSH Management Board on sale activities.

Article 66
(Role of SSH Management Board in Process of Sale)

In relation to the process for the sale of capital assets, the SSH Management Board shall approve more significant sale related documents upon the proposal of the Group, and in particular:

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

Article 67
(Conflict of Interest)

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

Article 68
(Confidentiality)

In regard to the data about the progress of the sale process and data on a company which is the subject of the sale, the members of the Group shall be obliged to act in accordance with the law and SSH's internal legal documents, and particularly in accordance with Article 56 of ZSDH-1, Articles 39 and 40 of ZGD-1 and internal legal document regulating the confidentiality.

Article 69
(Inside Information)

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

Article 70
(Proposal for the Sale of Capital Assets)

A capital asset manager, in cooperation with other members of the Group, shall develop a proposal for the sale of capital assets which shall be submitted to the SSH Management Board for its approval.

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

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

- the description of the sale process;

- performance results of a company whose capital assets are being sold;
- the ownership structure of a company whose capital assets are being sold;
- a summary of a valuation in regard to capital assets by stating the minimum and the maximum value assessed for the capital assets;
- a review of offers;
- estimated costs of the sale process;
- information on the implementation of due diligence of a company in which capital assets are being sold;
- main data on a buyer, in accordance with Article 74 or a summary of a written opinion given by the officer for the prevention of money-laundering and financing of terrorism (MLRO), stating that the customer due diligence has been performed;
- significant elements of a Sale and Purchase Agreement when, during the discussion of a proposal, these are known;
- the justification of the proposal for the sale.

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

Article 71 (Conclusion of Sale and Purchase Agreement)

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

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

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

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

Article 73 (Obligation to Apply Anti-Corruption Clause)

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

Article 74
(Customer Due Diligence under ZPPDFT-1)

In the process for the sale of capital assets, applying the diligence and prudence of a fair businesses, SSH shall carry out all customer due diligence measures as stipulated by the Prevention of Money Laundering and Terrorist Financing Act (hereinafter referred to as: "ZPPDFT-1") and internal legal document regulating this subject matter. SSH will especially determine the actual ownership of buyers, specifically, to determine a beneficial owner - a private individual.

During a process of sale, SSH will inform potential investors in an appropriate manner, directly or indirectly (for example, through financial or legal advisors), on SSH's obligation to carry out customer due diligence measures under ZPPDFT-1 and under internal legal document.

For the purpose of timely and efficient implementation of the measure to verify the identity of a beneficial owner, in process letters (in case of the sale of majority capital assets) or in another appropriate manner, SSH will invite potential investors (buyers) to present their ownership structure and in case of a dispersed ownership, they will be invited to submit a suitable documentation on the basis of which it will be possible to verify the identity of the buyer's beneficial owner up to a private individual whose shareholding in the new owner (a buyer) represents more than 25% of the shareholding, of voting or other rights.

The Group and/or the officer for the prevention of money-laundering and financing of terrorism (hereinafter referred to as: the "Money Laundering Reporting Officer (MLRO)") shall be in charge for carrying out the customer due diligence measures, specifically, in accordance with their duties and responsibilities stipulated in regard to the implementation of an individual measure by an internal legal document.

Following the closure of a customer due diligence, the MLRO shall draw up a written opinion stating that in case of a sale of capital assets the customer due diligence has been duly and fully carried out. The said opinion shall be kept in the sale process folder.

For the avoidance of doubt, SSH must carry out a full customer due diligence under ZPPDFT-1 prior to concluding an agreement on the sale of capital assets. When it is not possible for SSH to carry out a full customer due diligence within the scope stipulated by the internal legal

document, an agreement on the sale of capital assets cannot be concluded. It is not necessary to carry out the customer due diligence in cases when the value of a transaction does not exceed EUR 15,000 and in other cases stipulated by ZPPDFT-1 and in the internal legal document.

Article 75
(Custodian of Contract)

In regard to the custody of Sale and Purchase Agreements, the internal legal document shall apply which regulates the appointment of administrators and the performance of administration over contracts.

Article 76
(Completion of Process)

The process of the sale of capital assets shall be completed:

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

16.7 Special provisions in regard to financial institutions and other advisors in the processes for the disposal and acquisition of capital assets

Article 77
(Reasons for Engaging Advisors)

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

- 1 when it is the matter of the disposition or acquisition of capital assets with the scope and complexity which exceeds the capacity of the SSH's staff and the engagement of the External Advisor is necessary for the good quality of the implementation of a transaction and such practice is common in the market;
- 2 when it is the matter of the performance of due diligence, valuation, restructuring of a company and similar activities for which specialist knowledge is required which cannot be provided for by SSH and its own employees;

- 3 in a case when legal opinions are to be obtained for the processes of disposition or acquisition of capital assets for which highly specialised expert knowledge is required which cannot be ensured from within SSH.

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

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

Article 78 (Procedure for Selection of Advisors)

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

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

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

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

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

The Working Group or the Head shall submit the description of offers received, together with minutes from which the evaluation of an individual offer is provided, to the SSH Management Board which shall make a final decision on the selection of an advisor by virtue of a resolution.

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

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

Upon the existence of justified reasons (for example, economic efficiency, time efficiency) the Working Group may propose to the SSH Management Board to have additional services be carried out by the same External Advisor who has been selected for rendering original services under criteria referred to in this Article. In this case a new process for the selection of the External Advisor to carry out additional services under this Article shall not be performed.

Article 79

(Publication of Significant Elements of Advisory Agreement)

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

16.8 Acquisition of Capital Assets

Article 80

(Basis for Acquisition)

SSH shall adopt a decision on acquisition of capital assets on the basis of a process carried out for acquisition of capital assets in which necessary activities are performed and the suitable information basis for making a decision are provided.

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

SSH shall carry out the process for the acquisition of capital assets also in case when such acquisition of capital assets is not explicitly envisaged by the Assets Management Strategy when it is assessed that the acquisition of capital assets for the ownership of SSH and/or RS,

taking into consideration the principle of prudent and fair businessman, is reasonable and in the interests of SSH or RS and SSH has the necessary financial funds or these have been allocated for in the State's budget. In this case, the process for the acquisition of capital assets shall be implemented on the basis of the Asset Management Annual Plan.

A written initiative for the acquisition of capital assets for the ownership of RS may also be given by the Government by way of a resolution, in which regard all necessary activities shall be carried out by SSH while taking into consideration this Asset Management Policy.

Article 81 (Capital Assets Acquisition Methods)

The acquisition of capital assets for the ownership of SSH and/or RS shall be carried out for consideration or payment-free.

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

16.8.1 Process for Acquisition of Capital Assets

Article 82 (Initiation of Process)

The launch of the process for the acquisition of capital assets may start when the acquisition of capital assets for the ownership of SSH or for the ownership of RS is envisaged in the Annual Asset Management Plan. When the Annual Asset Management Plan includes a general authorisation for the acquisition of capital assets up to a certain amount or value of assets, the acquisition of capital assets within the scope of the highest amount or value is deemed to be envisaged in the Annual Asset Management Plan. When the Annual Asset Management Plan includes a general authorisation for SSH to run a process for the acquisition (or activities in connection with the acquisition) of capital assets in case when the acquisition of certain capital assets have been previously substantively decided upon by the Government by virtue of a resolution, the acquisition of capital assets, the necessity of which has been decided by the Government, is deemed to be envisaged in the Annual Asset Management Plan.

When the acquisition of capital assets is not envisaged in the Annual Asset Management Plan or the said Plan does not include a general authorisation referred to in the preceding Paragraph of this Asset Management Policy, and the Government adopts a decision on the necessity of

the acquisition of certain capital assets, SSH shall deal with such decision as an initiative referred to in Article 80, Paragraph 4 of this Asset Management Policy.

SSH shall approach the preparation of separate Annual Asset Management Plan for a company whose capital assets are the subject of the acquisition and neither SSH nor RS hold any ownership stakes in such a company, if and when such capital assets will actually be acquired and when they will come under SSH's management.

Prior to the launch of the process for the acquisition of capital assets for the ownership of RS, the Ministry of Finance must submit a prior written confirmation that sufficient financial funds are available in the budget for SSH to acquire certain capital assets or that these funds will be available to SSH not later than at the moment of executing the transaction.

Article 83 (Reasonable Application of Provisions)

The provisions of this Asset Management Policy which apply to the disposal, running the process for the sale of capital assets, shall also apply *mutatis mutandis* to the process for acquiring capital assets.

If SSH acquires capital assets on its own behalf and on behalf and for the account of RS, the provisions of this Chapter of Asset Management Policy shall apply.

Article 84 (Due Diligence)

As a rule, due diligence of a company in which SSH shall acquire capital assets for compensation shall be carried out prior to the acquisition of capital assets.

Due diligence is the investigation of economic, financial, legal and/or organisational situation in a company in which capital assets are being acquired by SSH, in accordance with the rules of the discipline.

When appropriate, considering the circumstances of a case, in addition to financial, legal and organisational situation in a company, other investigation shall also be carried out (tax-related, ecological, technical and similar investigations).

A due diligence shall exceptionally not be carried out prior to the acquisition of capital assets, when so decided by the SSH Management Board and when justified reasons for its omission exist (for example, the acquisition of assets of smaller value, the acquisition of shares of public limited companies or of companies already owned by SSH or RS, and similar reasons). When

making a decision on admissibility or inadmissibility of a decision to carry out due diligence, SSH shall mainly take account of the principle of economic efficiency.

Due diligence is generally carried out by an external expert institution selected by the SSH Management Board under the process referred to in Article 57 of this Asset Management Policy.

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

Article 85

(Obligation to Make Take-over Bid or Notify Concentration of Undertakings)

Prior to the acquisition of capital assets, SSH must verify whether the acquisition of capital assets may result in the obligation to make a take-over bid under the law regulating take-overs and whether, prior to acquiring the capital assets, the concentration of undertakings must be notified under the law regulating the control of concentrations.

Article 86

(Valuation)

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

Article 87

(Decision on Acquisition of Capital Assets)

After the completion of the process for the acquisition of capital assets, SSH shall make a final decision on the acquisition of capital assets owned by SSH and/or RS when it is assessed that, in accordance with the standard of a prudent and fair businessman, the acquisition is reasonable which particularly includes the assessment on the return on investment, on risks and purchase price, and in regard to strategic assets also the satisfaction of strategic goals mainly defined by the State Assets Management Strategy.

Article 88
(Payment-free Acquisition)

Capital assets may be acquired payment-free, unless such acquisition incurs higher costs or if the holding of such capital assets is subject to conditions which might arise disproportional liabilities for SSH or RS in regard to the benefits of the payment-free acquisition.

Article 89
(Consent by Supervisory Board for Acquisition of Capital Assets)

The SSH Management Board is obliged to obtain a consent by the SSH Supervisory Board for the acquisition of capital assets owned by SSH and/or RS when their value exceeds Euro 5 (five) million of the audited book-keeping value in regard to the issuer's book which is determined on the basis of the ownership stake which is the subject of the acquisition on the part of SSH and/or RS in the company's share capital. The term "the audited book-keeping value" shall refer to the latest available audited value of the share capital of the company in question.

The agreement on acquisition of capital assets referred to in the preceding Paragraph may be concluded under conditions precedent, i.e., that the consent by the SSH Supervisory Board should be granted for its conclusion.

16.9 Acquisition of Receivables

Article 90
(Conditions for Acquiring Receivables)

SSH may acquire receivables solely on its own behalf and for its own account, specifically, under the following conditions:

- it is the matter of acquisition of receivables within the scope of the insolvency proceedings initiated against a target company or outside insolvency proceedings when the acquisition of receivables is a measure to attain a successful restructuring of a company or a group, or it is a measure to protect the position of SSH or RS in the capacity of an owner or a creditor;
- the aim of the acquisition of receivables is the financial recovery of a target company or a group and/or the perseverance or the improvement of the position of SSH and/or RS as the existing owner or a creditor in the target company;

- for SSH to partially or fully convert receivables in ownership stakes in a target company, unless the restructuring plan envisages or requires another approach (for example, a partial or full sale of receivables, debt rescheduling, conclusion of an agreement with a debtor on the settlement of liabilities applying the option of a partial remission of debt),
- for the purpose of implementing the Assets Management Strategy or other sectoral strategies adopted by the RS Government, subject to condition that the necessary financial funds are made available for without any threats to SSH's liquidity position.

The process for the acquisition of capital assets may start when the acquisition of capital assets for the ownership of SSH is envisaged in the Annual Asset Management Plan for a respective financial year.

Article 90 (a)
(Notice)

At the moment of the acquisition of receivables of a target company, SSH must notify a target company and a debtor on the change of a creditor.

Article 91
(Consent of Supervisory Board)

A prior consent by the SSH Supervisory Board must be obtained for each acquisition of receivables of a target company which amounts to more than EUR 5 million.

Article 92
(Reasonable Application of Provisions)

The provisions of this Asset Management Policy which apply to the process for acquiring capital assets shall apply *mutatis mutandis* for the process for acquiring receivables, in particular those provisions which regulate due diligence, valuations (both of receivables as well as of their collateral) and provisions in regard to the obligation to make a take-over bid or notify concentration of undertakings.

16.10 Encumbrance of Capital Assets

Article 93 (Consent of Supervisory Board)

In accordance with Article 47, Paragraph 1 of ZSDH-1 and Article 11 of the Articles of Association of SSH, in addition to cases set in Articles 41, 89 and 93 of this Asset Management Policy, the SSH Management Board shall need a consent granted by the SSH Supervisory Board for legal transactions in relation to third-party guarantee, regardless of the nominal value of an individual transaction.

Article 94 (Encumbrance with Pledges and other Rights In Rem)

Shareholdings which do not attain the minimum stock holding in accordance with the Article 40 of this Asset Management Policy must not be encumbered with a pledge or any other rights, neither can any agreements or transaction be made, which may result in the obligation to dispose of these shareholdings or to make equitable interest by third parties on these shareholdings.

17. PROCESSES FOR RESTRUCTURING OF SOEs

17.1 General provisions

Article 95 (Role of SSH in Corporate Restructuring)

Restructuring of an SOE may be business turnaround or financial restructuring or a combination of both forms.

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

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

An SOE shall carry out all actions which are usual and necessary for an effective restructuring.³

SSH, in the capacity of a prudent and active shareholder or a company member shall take part in the restructuring of an SOE, specifically, with all the necessary and beneficial measures, mainly with the purpose to attain the objectives of state assets management as defined by the Assets Management Strategy and the Annual Asset Management Plan.

17.2 Running Restructuring Process

Article 96 (Custodian or Restructuring Group)

Subject to a specific restructuring case and the role of RS or SSH in the restructuring process, the process for restructuring a company with capital assets of the State shall be monitored,

³ Usual/possible main activities and processes to be carried out in the process of out-of-the-court restructuring (not necessarily all of them and not necessarily under the order provided below) are:

1. the conclusion of a Standstill Agreement which enables further steps and decisions to be taken on the basis of full and true information;
2. due diligence of company's operations by an independent expert which may be segmental (legal, financial, organisational, etc.) or comprehensive, or an independent business review be made which enables to obtain a reliable assessment of the current condition of a company, reasons for the current conditions and also an analysis of options to restore company's competitiveness, identification of viable parts; envisaged key measures and the feasibility of restructuring;
3. the appointment of a procurator-holder, a Chief Restructuring Officer, changes in a supervisory board, intensified reporting;
4. verification of options and activities to obtain state-aid or other financial schemes for companies under restructuring; verification of the willingness on the part of stakeholders to take part in restructuring;
5. the financial restructuring plan must be comprehensive, transparent and feasible and it must include measures, projections of financial statements for 3 to 5 years, the plan for the repayment of liabilities;
6. valuation of company's assets, debt and collateral given to creditors;
7. the viability study with an assessment of company's performance in the future, including the likelihood of the feasibility of a business plan and its sufficiency for generating returns and repaying creditors and financing the growth of a debtor;
8. the presentation of a scenario which involves company's bankruptcy;
9. the provision of the necessary liquid funds for the operation of a company during restructuring (for example, the sale of underutilized assets, a bridge loan; all of the above mentioned is usually feasible only after reaching the consolidation of creditors' collateral; granting a Super Senior Status to a new loan, and similar measures);
10. the execution of a Non-Disclosure Agreement; the debtor's obtainment of consents by creditors for the disclosure of data;
11. the conclusion of the Master Restructuring Agreement;
12. participation in the transfer of a contract from the existing creditor to a new creditor (consent); the transfer of receivables may be carried out by way of assignment for which the debtor's consent is not needed, unless *pactum de non cedendo* has been concluded;
13. capital increase may be carried out as debt-to-equity swap;
14. exit (entry of a strategic partner, sale of ownership stake).

supervised, coordinated and managed by the manager of capital assets in company which is being restructured.

For the needs of monitoring, supervising, coordinating and managing restructuring process, even in a case of an individual activity or a process within the out-of-court restructuring process, and when required within the process of restructuring which is carried out within the scope of insolvency proceedings, a group for managing the restructuring process (hereinafter referred to as: the "Restructuring Group") may be appointed, which shall be appointed by the SSH Management Board by way of a resolution, at a proposal of the head of a responsible asset management organisational unit, of the assistant to the Management Board for asset management and restructuring or of a responsible SSH Management Board Member.

In regard to the scope of work and duties carried out by the Restructuring Group, the provisions of Article 64 of this Asset Management Policy shall apply *mutatis mutandis*.

Article 97
(Notification)

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

Article 98
(Reasonable Application of Provisions)

Provisions of this Asset Management Policy defined in Articles 66, 67, 68, 69, 71, 72, 73, 74, 75, 77, 78 and 79 shall apply *mutatis mutandis* for the restructuring process. When the acquisition of liabilities is carried out within the restructuring process, the provisions of Section 16.9 of this Asset Management Policy shall apply *mutatis mutandis*.

18. TRANSITIONAL AND FINAL PROVISIONS

Article 99

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

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

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

March 2019

SSH Management Board

Lidija Glavina
President of the Management Board

Andrej Božič
Member of the Management Board

Boštjan Koler
Member of the Management Board