



**SLOVENSKI DRŽAVNI HOLDING, d. d.**

# CORPORATE GOVERNANCE CODE FOR STATE-OWNED ENTERPRISES

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Ljubljana, November 2019

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## 1. PREAMBLE

### Legal basis and authorisation for the adoption of the Corporate Governance Code for State-Owned Enterprises

The Slovenian Sovereign Holding Act (Official Gazette of RS, No 25/2014, hereinafter referred to as: "ZSDH-1") entered into force on 26 April 2014. This Act regulates the following: the status and operation of Slovenian Sovereign Holding (hereinafter referred to as: »SSH«) and of Kapitalska družba pokojninskega in invalidskega zavarovanja, in English, Pension Fund Management (hereinafter referred to as "KAD"); the management of assets in the ownership of SSH and assets of the Republic of Slovenia, managed by SSH; asset management documents; measures for the enhancement of integrity and responsibility and mitigation of risks related to corruption, conflict of interest and abuse of inside information in the management of capital assets which are owned by SSH, and assets of the Republic of Slovenia which are managed by SSH.

In its Article 32, the Slovenian Sovereign Holding Act stipulates the Corporate Governance Code for State-Owned Enterprises (hereinafter referred to as: the "Code") as one of the asset management documents which is adopted by the SSH Management Board with a consent given by the SSH Supervisory Board.

### Addressees of Code

The Code is addressed to state-owned enterprises (SOEs). It should also be applied by subsidiary companies in a Group in which the position of the controlling company is held by a SOE. The said companies should apply the Code as their code of reference.

In accordance with Article 2 of ZSDH-1, an enterprise hereby referred to as a SOE is a company in which the only shareholder or one of the shareholders are SSH and/or the Republic of Slovenia, regardless of legal organizational form of the SOE and regardless of the proportion of shares held by the State and/or SSH in SOE's share capital.<sup>1</sup>

In accordance with Article 19 of ZSDH-1, SSH is responsible for managing all SOEs, except for capital investments in international financial institutions, capital assets in companies performing the service of general economic interest as a system operator for the transmission and distribution of

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<sup>1</sup> Shareholding can be obtained through ownership of equity securities issued by a SOE when SOE's share capital is divided into indivisible shares in form of share certificates (in case of a SOE organized as a Stock Corporation). Although Article 182 of ZGD-1 provides that share securities must no longer be issued in physical (paper) but rather dematerialised form (DEMAT), meaning that actual securities no longer exist as (physical) certificates and can only be registered and transferred by means of electronic bookkeeping (at depository trust company, e.g. KDD- Central Securities Clearing Corporation), shares in such companies still maintain their legal status as securities. On the other hand, a shareholding also relates to a position of a shareholder with equity interest (participating with its share in company's share capital) when a SOE is incorporated as a limited liability company and thus legally unable to issue securities for its shares. In line with the provisions of ZGD-1 and ZSDH-1, the Code sometimes differentiates between the stock corporation and the limited liability company, for reason that each of the two distinct legal (statutory) organizational forms demands its proper conduct in corporate governance field. When not necessary, the Code refers to both as the SOE.

natural gas and electricity, and in a company performing the service of general economic interest in relation to the organisation of the electricity market in the Republic of Slovenia, and of assets in the Bank Asset Management Company. In addition, under the Roads Act (Official Gazette of RS, No 10/2018, ZCes-1C), SSH is not responsible for the corporate governance of DRI, d. o. o., and under the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line (Official Gazette of RS, Nos 51/2018, 82/2018), neither for the corporate governance of 2DTK, d. o. o.

## **Code's contents**

The Code contains principles and recommendations for good practice in corporate governance of SOEs. Some recommendations are common and refer to all SOEs, while some recommendations refer to SOEs with a specific legal organisational form, taking into account the size, the ownership structure of a company and the fact whether company's securities are traded on the regulated securities market. The Code complements the statutory arrangement. The Code's recommendations should meet the requirements of the majority of companies being addressed.

The Code also includes certain general expectations on the part of SSH in relation to SOEs.

For simplicity reasons and to avoid repetitions, the Code refers to other documents adopted by Slovenian professional associations and organizations in regard to certain principles and recommendations.

## **Code's purpose and objective**

Some special elements apply to the corporate governance system of state-owned enterprises which arise from the fact that the State is the holder of shares in companies (for example, the atypical agency problem, mixing of public and non-public objectives, the State playing a role in the corporate governance system that is too active or not active enough, the need by the state ownership entity to access the information and data on company's operations). The special interest and some expectations held by the State in relation to SOEs must be given the necessary attention and their legitimacy must be acknowledged since the State, by way of state ownership in companies, is obliged to satisfy the needs of citizens, given the fact that these needs are often most efficiently satisfied through enterprises legally organised as companies. In this regard it is important that the expectations of the State from SOEs and the conduct by SOEs themselves are transparent and predictable.

The purpose of the Code is to set the standards of management and supervision in SOEs and to devise a transparent and understandable system of corporate governance in the above mentioned companies.

By raising the quality of corporate governance in SOEs and in SSH, the main objective of the Code is to improve the performance of these companies in the long term, for the interest of all of its stakeholders.

### **Code's legal nature and Corporate Governance Statement**

The Code is addressed to SOEs under the "comply or explain" principle. The companies should formally accede to this Code in accordance with Article 70 of ZGD-1 (a Code of reference) and suitably apply the Code to their own circumstances to the fullest possible extent. If the Slovenian Corporate Governance Code for Listed Companies is applied by a SOE, or any other Slovenian or foreign Corporate Governance Code is used on a voluntary basis, the company should accede to this Code in addition to the Code already in use. However, the observance of each Code should be transparently and separately disclosed in the Corporate Governance Statement, in accordance with the Principle No. 3.4 and the Recommendation No. 3.4.1 of this Code.

Deviations from certain recommendations of the Code are justified if, considering the company's ownership structure, activity and other special characteristics of a company, the company attains such better governance effect as would be achieved if the company followed the recommendation which has been deviated from, and this is duly, and in terms of the substance, explained in the Corporate Governance Statement. When an individual recommendation of the Code is explicitly addressed solely to a certain type of companies, then deviations from such a recommendation shall not be explained by other companies in the declaration on the compliance with the Code.

In the Corporate Governance Statement, which is to be included in the Annual Report in a manner as stipulated in ZGD-1, a company should clearly and explicitly declare its compliance with the Code and provide an explanation on deviations from individual recommendations by stating the reason for such deviation from individual recommendations, by stating the manner in which a specific recommendation has been violated and by clarifying whether it intends to follow the recommendation of the Code in the future and when it intends to do so.

SSH will oversee the implementation of the Code by verifying and analysing the company's declaration of compliance with the Code, which will be published by the company as a separate part of the Annual Report. In addition, every year, SSH will send to companies a special questionnaire regarding the observance of the Code and analyse the answers provided by companies. Based on these analyses, SSH will held periodic discussion in this regard with company's representatives, when necessary.

### **Sources**

In the formulation of this Code, the following sources have also been taken into account: Slovenian Corporate Governance Code for Listed Companies, Corporate Governance Code for Unlisted Companies, Slovenian legislation, Principles of G20/OECD for Corporate Governance, the OECD Guidelines on Corporate Governance of State-Owned Enterprises, other Slovenian and EU

guidelines and recommendations (for example, Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC)), various European Corporate Governance Codes, other internationally recognised standards for responsible and good quality corporate governance of SOEs and of other corporations.

### Code's validity

Due to amendments to the Slovenian legislation and to other autonomous legal sources and due to some practical insights from the application of the Code, after the Code was first adopted by the SSH Management Board on 17 December 2014, to which the SSH Supervisory Board granted its consent on 19 December 2014, the Code was partially revised in March 2016 and then in May 2017. The revision of November 2019 is thus the third in line.

By monitoring amendments to legislation, by following the development of good practice at home and abroad, by analysing the effects of the Code in the operational practice of companies, in the future, SSH will continue to regularly monitor the effectiveness and suitability of the Code in regard to legal and actual business environment of SOEs, and modify and amend the Code when required.

## 2. DEFINITION OF TERMS USED IN THIS CODE

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

- **Accreditation:** is a decision of the SSH Nomination Committee that a potential candidate fulfils 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 boards of SOEs. The accreditation is regulated in more detailed in the SSH Asset Management Policy.
- **The asset management documents (when referred to in this Code):** are the applicable State-Owned Assets Management Strategy and the applicable Annual Asset Management Plan, adopted in accordance with Chapter 3 of ZSDH-1.
- **Membership rights arising from a shareholding:** are property and shareholder's rights in a company which arise from the holding of shares in which regard the exercising of membership rights especially refers to the participation at the General Meeting, the request to convene the General Meeting, the discussion and the voting at the General Meeting, the exercising of the right to information and inspection, the exercising of the right to challenge the General Meeting Resolutions and the right to file an action of partnership.
- **Stakeholders:** are individuals and interested parties who, voluntarily or involuntarily, contribute to the potentials or activities for generating the added value of companies and therefore hold potential benefits as well as undertake risks to which a company is exposed. In addition to

shareholders, the stakeholders include employees, creditors, customers, citizens, business, and ecological environments of a company.

- **Shareholder:** is any holder of shares in a company (company's owner).
- **State-owned enterprise (SOE):** is a company in which the only shareholder or one of the shareholders are SSH and/or the Republic of Slovenia, apart from those, which in accordance with ZSDH-1, are not under the corporate governance of SSH.
- **Stock corporation:** is a company whose share capital is divided into shares and has issued equity securities for these shares, in accordance with ZGD-1.
- **Family members:** are persons as defined in Article 2 of ZSDH-1.
- **State:** is the Republic of Slovenia as the legal entity.
- **One-person company:** is a company organised as a limited liability company with only one shareholder (the founder).
- **Listed company (listed SOE)** is a company as an issuer whose securities have been admitted to trading on the regulated market in the Republic of Slovenia or in another EU Member State or in a Signatory State of the Treaty on the European Economic Area.
- **KAD:** is Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d., or with the English corporate name: Pension Fund Management.
- **SSH Nomination Committee:** is a consultative body of the SSH Management Board, which, pursuant to ZSDH-1 and on the basis of the SSH Asset Management Policy, performs procedures for recruiting candidates for members of supervisory bodies of SOEs, and procedures for their accreditation and nomination which are regulated in more detail in the SSH Asset Management Policy.
- **Company:** is a company, incorporated under and subject to the provisions of ZGD-1, that constitutes a separate legal entity and whose liability to creditors with respect to obligation of the company are limited to the company's assets.
- **Code:** is the abbreviated term for this Code (Corporate Governance Code for SOEs) and, in this document, it is written with a capital "C".
- **Corporate Governance Code for Unlisted Companies:** is a Code which was adopted in May 2016, in cooperation between the Chamber of Commerce and Industry of Slovenia, the Ministry of Economic Development and Technology, and the Slovenian Directors' Association.

- **Annual Asset Management Plan:** is the asset management document which is adopted by SSH pursuant to Article 30 of ZSDH-1. The general part of the applicable Asset Management Plan is published on the web site of SSH.
- **Conflict of interest:** there is a conflict of interest when circumstances have arisen in which 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 Code 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*.
- **Supervisory board:** is a body of supervision in a SOE and applies to boards of directors *mutatis mutandis*.
- **Limited liability company:** a company that, under the provisions of ZGD-1, is not able to issue equity securities for its share capital.
- **Non-listed (or Unlisted) company (Non-listed SOE):** is a company as an issuer whose securities have not been admitted to trading on a regulated market in the Republic of Slovenia or in another EU Member State or in a Signatory State of the Treaty on the European Economic Area.
- **Independence of a candidate or a member of a supervisory board of a SOE:** a person who is not dependant under this Code is independent.
- **Nomination:** is the decision by the Nomination Committee which is based on the identification, 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 a 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. The nomination is regulated in more detailed in the SSH Asset Management Policy.
- **Dependency of a candidate or a member of a supervisory board of a SOE:** is given when the following dependency elements are simultaneously satisfied:
  1. there is a potential for conflict of interest,
  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 assessing the relevance of potential conflict of interest are as follows, in particular: the type and the number of decisions and actions to which potential conflict of interest (may) refer to, the probability of its actual realisation, the impact of conflict of interest to the capability of objective judgement to be made by a member of a supervisory board, and subjective characteristics of a person (especially, the character and past conduct of a person).

The circumstances, which create the presumption of dependence, are defined in the Appendix 3 to this Code. Presumptions are rebuttable.

- **Business decision:** is a decision in regard to which the law, Articles of Association or another legal document do not impose a specifically determined conduct but the management (and in some cases a supervisory board) freely decides about one or more legally admissible possibilities.
- **SSH Asset Management Policy:** is the legal document regarding asset management which is stipulated by ZSDH-1 and adopted by the SSH Management Board upon a consent granted by the SSH Supervisory Board. It thoroughly determines the principles, procedures and criteria which are observed by SSH in the corporate governance of companies with State's capital asset.
- **Potential (possible) conflict of interest:** there is a potential (possible) conflict of interest when circumstances have arisen which may lead to the conflict between a private interest of a person when performing duties in a company and the interest of 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 most frequent cases of potential conflict of interest are defined in the Appendix 3 to this Code.
- **Management:** is a term which is used in a generic sense for bodies or persons in a company, authorised to conduct business of the company under the law and the company's internal rules, regardless of the company's legal organizational structure (Board of Directors or Management Board in a Stock Corporation, Managers in LLC).
- **Dominant influence of SSH:** there is a dominant 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.
- **SSH:** is Slovenski državni holding, d.d., or with the English corporate name, the Slovenian Sovereign Holding.
- **Slovenian Corporate Governance Code for Listed Companies:** is a Code which was adopted in its revised form on 27 October 2016, as a result of the cooperation between the Ljubljana Stock Exchange Inc, and the Slovene Directors' Association.

- **State-Owned Assets Management Strategy:** is the legal document regarding asset management which is adopted by the National Assembly of the Republic of Slovenia, pursuant to Article 29 of ZSDH-1. The currently applicable State-Owned Assets Management Strategy was adopted in the form of the Ordinance On State-Owned Capital Assets Management Strategy by the National Assembly of the Republic of Slovenia on 17 July 2015 (Official Gazette of RS, No. 53/2015).
- **A public-interest entity:** is a company with securities being traded on a regulated market or a credit institution as defined by the law regulating banking, or an insurance company as defined by the law regulating insurance business. The public-interest entity also includes a company obliged to perform a mandatory audit in which the State or a local community, together or independently, directly or indirectly, holds a majority shareholding. The public-interest entity may also include another legal entity obliged to perform a mandatory audit if this is stipulated by another law.
- **SSH Management Board:** is a management body in SSH.
- **ZGD-1:** is the Companies Act (Official Gazette RS, No. 42/2006), as amended.
- **ZIntPK:** is the Integrity and Prevention of Corruption Act (Official Gazette RS, No. 69/11), as amended.
- **ZSDH-1:** is the Slovenian Sovereign Holding Act (Official Gazette RS, No. 25/2014).

### **3. CORPORATE GOVERNANCE FRAMEWORK FOR SOEs**

- 3.1 The fundamental goal of a SOE is to maximise the value of the company and to generate the highest possible returns for the owner in the long term, unless otherwise stipulated in the law or the Articles of Association. In addition to the fundamental goal, companies also pursue other goals which are defined by regulations or Articles of Association of an individual company. In order to ensure higher transparency in relation to company goals, companies are obliged to make sure that all such goals are clearly defined in the company's documents on incorporation. If aims and objectives of a company are not in conflict, the Articles of Association or other appropriate internal document (e.g. Management Policy) shall explicitly define their context of compliance and the manner of resolving conflicts between them.**
- 3.1.1 SOEs that are wholly owned by the State shall regard the goals, stipulated by the State and SSH and defined in asset management documents, as their own goals. Companies in which the State is not the only shareholder should pursue those goals to the fullest possible extent, taking into consideration the size of the State's shareholding and the compliance of these goals with company's objectives.**
- 3.2 The management of a listed stock corporation, regardless of its ownership structure, the management of a large and medium-size stock corporation, and of a limited liability company in which SSH holds a dominant influence, shall, together with a supervisory board, formulate and adopt the Management Policy of the company in which the principal guidelines regarding the management of the company are stipulated and other contents are defined, as regulated by the Slovenian Corporate Governance Code for Listed Companies in Chapter II by way of the definition for the term "Management Policy". The Management Policy shall be adopted for the future period and may be updated so as to make it always compliant with regulations, the company's Article of Association, the State-Owned Assets Management Strategy while reasonably applying the Recommendation 3.1.1 of this Code and current guidelines in corporate governance. The Management Policy shall include the date of the last update and shall be accessible on the public web site of a company.**
- 3.3 In relation to stakeholders, SOEs must exercise their rights with due responsibility and fulfil the undertaken obligations in a manner which is compliant with the goals of a company and which facilitates its long-term benefits.**

- 3.3.1 For the relationship with representatives of individual stakeholders, the company must provide for comprehensive protection of business secrets and upkeep of good business practices.
- 3.3.2 In actual decisions, the management must act in a manner as it in good faith believes that it promotes the long-term interest of a company for the benefit of all company's shareholders and stakeholders. In this regard, the management examines and adheres to the legitimate interests of other stakeholders when this is compliant with the interest of the company in the long term. Information regarding decisions which directly influence an individual group of stakeholders must be communicated to this group by the company if such information does not have the nature of a business secret.
- 3.3.3 Within the scope of regular reporting, a SOE also reports on the relationship with stakeholders.
- 3.4 SOEs should include a Corporate Governance Statement in their business report. A company which, in addition to this Code, also observes another Code shall issue a single Corporate Governance Statement but it shall include as many statements of compliance with the Code as is the number of the Codes involved. In regard to stock corporations, the observance of an individual, different recommendation from the Slovenian Corporate Governance Code for Listed Companies shall be deemed appropriate justification for the company not observing recommendations of this Code.**
- 3.4.1 The Corporate Governance Statement shall include at least the following:
- a reference to this Code as a code of corporate governance which is used by a company as a code of reference, with the indication of the public accessibility of the text of the Code;
  - all relevant information regarding potential corporate governance instruments of a company which surpasses the requirements of this Code and ZGD-1 with an indication of where its governance practice is publicly accessible;
  - a clear and explicit declaration of compliance with the Code or Codes and/or data on the scope of deviations from individual recommendations. It is necessary to explain which recommendations of this Code are not observed by a company or which are not fully observed, the manner in which the company has deviated from recommendations of the Code and reasons for these deviations, and whether the company intends to follow the recommendation of the Code in the future and when it intends to do so;

- the description of the corporate compliance and integrity system pursued in a company, in accordance with this Code;
- all information which for companies with an obligation to be audited, are mandatory to be included in the Corporate Governance Statement, as stipulated by ZGD-1.

**3.5 The General Meeting shall be informed of the Annual Report of a company and of the remuneration received by the members of management and supervisory bodies. The General Meeting shall adopt resolutions on appropriation of distributable profit and on granting discharge from liability for members of management and supervisory bodies within the same item on the Agenda of the General Meeting but with separate resolutions. The General Meeting shall resolve whether to grant discharge from liability for the management and supervisory bodies with a separate resolution for each body.**

**3.6 The supervisory board of a company, which is subject to audit under ZGD-1, shall formulate and adopt the Diversity Policy in a form of a special legal document, which shall be implemented in connection with the composition of members in management or supervisory bodies in regard to gender and other aspects such as age and expert profile. The Diversity Policy shall be included in the Corporate Governance Statement and published on the public web site of a company. The Corporate Governance Statement shall also include the report on the implementation of Diversity Policy and on the results of its implementation in the reporting period.**

3.6.1 The Diversity Policy should include the definition of several aspects regarding to the composition of the management and supervisory bodies, clearly specified goals to be achieved by the Diversity Policy and the method for the Diversity Policy's implementation. The general goal of the Diversity Policy is to achieve better efficiency of a supervisory board and the management as a whole; this shall be the main criteria in defining the aspects of diversity and for determining specific goals. The gender aspect shall always be included in the Diversity Policy by way of which, in addition to efficiency, the goal for a balanced presence of men and women in SOEs is pursued. As a rule, the specific goals regarding diversity aspects shall be determined in a quantitative manner (for example, at least 40% presence of both genders) and only as an exception in a descriptive manner (for example, as equal presence of both genders as possible).

3.6.2 The Diversity Policy shall particularly be implemented by applying relevant procedure for the recruitment and selection of candidates for members of a supervisory board and the management, and by the selection itself. It is important to use recruitment channels by way of which a wide selection of various candidates is enabled. The company's bodies, their committees, employees' bodies and the majority and other shareholders strive for achieving goals pursued by the Diversity Policy when they are in a position that, within the scope of their powers and rights, they may have an influence on the implementation of the Diversity Policy.

#### **4. RELATIONSHIP BETWEEN SHAREHOLDERS, SSH AND SOE**

##### **4.1 Management and supervisory bodies of SOEs are independent of SSH and of the State.**

4.1.1 The exercise of shareholder rights by SSH neither the implementation of its authority nor fulfilment of its responsibilities and duties in accordance with the law, the Code and the adopted internal documents do not constitute an interference with the company's independence.

##### **4.2 A company with more than one shareholder shall provide for a corporate governance system which observes the principle of equal treatment of shareholders, including in regard to their right to access company's information.**

4.2.1 The supervisory boards of SOEs must strive for a practical and efficient communication with shareholders. At the General Meeting, the members of the management and the president of the supervisory board, and, if so agreed by the members, the individual members of the supervisory board, should be available to answer all relevant questions raised by shareholders. They should be particularly well prepared to answer questions in regard to the company's strategy and its development, significant company's projects, the company's financial position, the procedure for the appointment and remuneration of members of the management.

- 4.2.2 The communication in SOEs shall be a continued process and should not only be limited to the General Meeting. The communication between the management and supervisory bodies and shareholders is dedicated particularly to the consideration of issues which are related to the attainment of goals, company's performance and expected results, information about its financial position and operations and the determination and/or consideration of strategic issues.
- 4.2.3 The level and intensity of communication between SSH and individual SOEs varies in regard to their legal form of organization, their ownership structure and to whether or not they are listed companies. The communication between the management and supervisory bodies of SOEs and SSH may be direct if these are companies whose only shareholder is the State or SSH. In other cases, the direct communication should be limited mainly to cases envisaged by specific publicly published SSH recommendations and expectations, taking into account the diversity of SOEs.
- 4.2.4 In cases when SSH or the State is not a sole shareholder, the company is obliged to observe the applicable legislation in regard to the requisite and appropriate provision of information to other shareholders. Listed companies should communicate with shareholders in a manner which has been defined and is publicly published in the company's Shareholders Communication Policy. If any data not yet having been made public were communicated by a SOE to an individual shareholder outside of the General Meeting session, the SOE should publicly publish what had been communicated and thus notify all other interested shareholders that they may request the same data.
- 4.3 In regard to issues which refer to the exercise of membership rights arising from State's shareholding in a SOE, the management and supervisory bodies should refrain from any communication with the representatives of ministries or the Government.**

## **5. POSITION OF SOEs**

### **5.1 As regards their business operations and engagement in the market, all SOEs are in an equal position with other companies.**

- 5.1.1 SOEs must accept conditions of competitive market in all fields (regulatory rules, access to financial resources and institutions, etc.).
- 5.1.2 Obligations and duties of a SOE with regard to services of general economic interest or other services in the public interest which are publicly attributed to the company by law or by other legal bases must be published publicly.
- 5.1.3 Costs with regard to obligations concerning the provision of non-economic goals must be published publicly and transparently so that the general public may be notified. If a company, in addition to providing non-economic goals, performs any other market activity, such market activities and non-market activities must be presented separately from a financial point of view.

## **6. SUPERVISORY BOARD**

- 6.1 **A supervisory board should perform its function of supervision over operations and management of the company in accordance with the law and Articles of Association. The supervisory board shall be responsible for its efficient organisation and jointly responsible for its appropriate composition. It shall also carry out the duty of providing consulting to the management in a manner which shall not interfere with its independence. The supervisory board shall be responsible for the appointment and removal of the president and the members of the management at its sole discretion and in accordance with the interest of a company. The supervisory board of a large company should formally develop an efficient succession plan for members of the management. In addition to cases stipulated by the law, the supervisory board should also be responsible for granting consent to certain types of business dealings.**

- 6.1.1** With regard to the selection, appointment and assignment of rights and obligations of a member of the management, the supervisory board should take into account the recommendations of this Code as well as the Practical Guide for Supervisory Boards in Recruiting Members into Management Boards, while primarily taking into account legal rules which apply to an individual company. As regards the composition of the management, diversity of membership should be considered, in particular the gender balance of this body.
- 6.1.2 In the appointment of members for the management, the supervisory board members shall carry full personal responsibility and accountability for the professionalism and prudence of decisions, whereby they are not and must not be bound by the instructions of any third person, not even SSH.
- 6.1.3 For the recruitment of candidates, companies should choose an approach or a combination of approaches which enable the supervisory board to arrive at the selection of the most suitable candidates. For the supervisory board, the following approaches are possible for the selection of candidates for the president and members of the management:
- a) Direct recruitment:
- personal invitation for the candidacy upon the proposal of members of the supervisory board or the nomination committee – internal candidates (succession) and external candidates;
  - "head-hunting" – identification of suitable candidates on the labour market, information about the vacancy and motivating for the candidacy which is carried out with the assistance of external experts.
- b) Public invitation to recruit: is a public publication of a vacancy of a member or a president of the management in the relevant media. All candidates may apply who in their own opinion match conditions in the tender invitation.
- c) A combination of a public invitation and direct recruitment: all approaches to recruitment and selection are carried out simultaneously.
- 6.1.4 It depends on the company itself, the industry, conditions in the market and eventual special conditions as to which of the approaches or their combination are more appropriate for a certain situation. The assistance of external (outside the company) or internal experts (inside the company) is possible for all methods of recruitment for the candidates of members or a president of the management. All candidates, including those who are directly invited, and internal candidates are treated equally, and they take part in the same processes up until the final selection.

6.1.5 Significant types of business dealings which are subject to a consent by the supervisory board as stipulated in the Articles of Association or by way of a supervisory board's resolution, are particularly the following:

- the strategy and the company's strategic plan,
- the company's business and financial plan,
- acquisition and disposition of companies or closure or divestment of significant parts of companies or undertakings,
- purchase and sale and encumbrance of shares,
- purchase and sale and encumbrance of properties, unless the real-estate services form part of the company's regular business,
- opening and closing branch offices,
- large investment projects,
- lending and borrowing, unless lending and borrowing services form company's regular business,
- granting the procuration.

**6.2 The supervisory board, in cooperation with the management, prepares the Succession Planning Policy in order to ensure smooth transfer of management entitlements in case of a termination of a term of office of management members and to manage risks in this regard. The objective of the Succession Planning Policy is to train potential candidates from among the employees who may be suitable candidates to assume management positions in a company.**

6.2.1 The implementation of the Succession Planning Policy shall be imposed on the management which may delegate individual tasks and activities to HR or to a committee specifically established for this purpose.

6.2.2 The Succession Planning Policy shall include the process for identifying the most suitable candidates for management positions in a company and criteria for selecting these candidates as well as the plan for their training and for monitoring their development in regard to strategic goals of the company and the profile of individual candidates.

6.2.3 When formulating the Succession Planning Policy, the supervisory board must take into consideration strategic goals of a company and align the profile of candidates for management positions with the development strategy of the company.

- 6.2.4 When determining the list of candidates to hold the position of a member of the management, the following characteristics must particularly be taken into account: leadership skills, leadership experience, strategic planning skills and communication skills.
- 6.2.5 The supervisory board must evaluate candidates in regard to characteristics referred to in the preceding item and make sure that at least two candidates satisfying the criteria adopted by the supervisory board are short-listed.
- 6.2.6 The selection procedure must be started immediately after the initiation of the term of office of the current management and it must be concluded not later than when the supervisory board makes a decision on the initiation to start the process for the appointment of the management for the new term of office.
- 6.3 In performing their duties, the supervisory board members are obliged to act in the best interest of a company with the due care and diligence of a prudent businessman (in Slovenian: "*skrbnost vestnega in poštenega gospodarstvenika*"), and to protect the business secrets of the company. They should perform their tasks ethically, fairly and responsibly.**
- 6.3.1 In making business decisions, for example, in regard to the grant of consent for the management to carry out a certain type of business dealings, in regard to the adoption of the supervisory board's Rules of Procedure, they should reasonably take into account the Recommendation 7.2.3 of this Code, and should ensure that the same is applied by the management.
- 6.4 Supervisory board members should be personally engaged in the work of the supervisory board, take part at the supervisory board sessions, become conversant with the supervisory board session material and formulate their own standpoints to all items on the agenda. If insufficient information is provided for individual items on the agenda, a supervisory board member should request additional information and decision-making to be postponed until sufficient information has been provided.**

- 6.4.1 Supervisory boards should receive such information from the management which would enable an efficient implementation of supervision over company's operation and competent decision-making. Reports from the management must be requested that are compliant with the principles of timeliness, suitability and credibility, clarity and regularity and comparability. In formulating their reporting requirements in regard to the management, the supervisory boards should take into account recommendations of the Slovenian Directors' Association for Reporting to Supervisory Board.
- 6.5 The supervisory board is composed in such a manner so as to provide for responsible supervision and decision-making for the benefit of a company. Regardless of the fact whether a company has adopted the Diversity Policy, the composition of the supervisory board should take into account the expertise, experience and skills of its members which should vary among the individual members of the supervisory board, and be complementary (complementarity of knowledge and experience), The diverse composition of the supervisory board in regard to characteristics such as age, international composition and gender balance of supervisory board's membership (heterogeneity of composition) should also be ensured as far as possible.**
- 6.5.1 The supervisory board shall prepare the competence profile for supervisory board members from the aspect of an optimal size and composition of the supervisory board and publish it on the web site of a company. The sectoral composition envisaged by Article 21, Paragraph 2 of ZSDH-1 shall be taken into account by the supervisory board when drawing up the competence profile. The supervisory board should review the competence profile once a year and update it when necessary.
- 6.6 Supervisory boards with an audit committee must be composed in such a manner that provisions of ZGD-1 are observed in the formation of the audit committee according to which members of the audit committee who are appointed from among the supervisory board members must be properly qualified for the scope of activities of the audited entity and independent from the audited entity.**
- 6.7 All members of a supervisory board should be independent. An exception from the above mentioned rule shall apply to the connections with majority and/or minority shareholders. Specifically, as regards the representatives of shareholders, a supervisory board should not have more than half of its members be dependent on a shareholder. In decision-making, the supervisory board members must not give priority to their personal interest and take**

**advantage of business opportunities of a company for their own benefit or for the benefit of a family member. Decisions of all supervisory board members must be independent.**

- 6.7.1 Upon his/her appointment, annually and upon each change, a member of the supervisory board shall sign the Statement of Independence, which shall form the Appendix 4 to this Code. The Statement of Independence shall also be used by the representatives of employees who are members of the supervisory board. The Statement of Independence, completed and signed, shall be published on a public web site of a company. In the Statement of Independence referred to in Appendix 4 to this Code, a member of the supervisory board may demonstrate, that in spite of the existence of circumstances referred to in Appendix 3 to this Code, he/she is independent, by way of demonstrating that potential conflict of interest is not of a long-term nature and that it is irrelevant. An independent member must immediately notify a supervisory board regarding the occurrence of facts which change his/her fulfilment of the independence criteria.
- 6.7.2 A supervisory board member shall carry out all precautionary measures to prevent a conflict of interest. If possible, he/she should avoid circumstances which may lead to conflict of interest, particularly circumstances referred to in Appendix 3 to this Code (avoiding the occurrence of potential conflict of interest). A supervisory board member shall disclose and clarify any (potential) conflict of interests. In case of any doubt whether a (potential) conflict of interest is given, this is decided upon by the supervisory board without a member about whom the (potential) conflict of interest may be given. Significant and not only transitional character of a potential conflict of interest that cannot be eliminated, shall lead to the termination of the term of office which shall be a matter of concern for the entire supervisory board. A supervisory board member shall not take part in a discussion and shall abstain from voting in decision-making on a case which is subject to conflict of interest and shall abstain from other actions and influencing in such case. For this purpose, a supervisory board member shall sign a written statement on withdrawal of which the suitable explanatory note shall be an integral part, or he/she may make a statement on withdrawal, including the explanatory note, in minutes drawn up at the supervisory board meeting. When the interest of a company may only be efficiently secured by having a member of a supervisory board, in whose regard circumstances have been given which may potentially lead to the conflict of interest, not being informed of the content of the case, then, by means of an explicit statement in writing or a statement upon his/her request which shall be included in the minutes of the supervisory board's meeting, such member of the supervisory board shall refrain in advance from receiving any material and any pieces of information in connection with the case for which the conflict of interest has been demonstrated, and shall not be present at the session during which the relevant case in question is dealt with.

- 6.8 If a General Meeting elects members of a supervisory board upon the proposal of the supervisory board, in its statement of reasons for the proposals of a resolution, in addition to information required by the law, for an individual candidate proposed, the supervisory board must also indicate at least the information regarding the membership in other management or supervisory bodies and the assessment of any potential conflict of interest, whereby the evaluation of any potential conflicts of interest of the candidate shall also take into account individual circumstances indicated in Appendix 3 to this Code. Equally, the supervisory board should disclose all information concerning the fact whether the proposed candidate is independent in terms of the definition under this Code and whether procedures defined within this Code have been taken into account by the supervisory board in the selection of the candidate.**
- 6.8.1 In the statement of reason for its (voting) proposal, the supervisory board shall also include the description of the competence profile of a supervisory board member and the information on the candidate which enable the shareholders to assess how the candidate satisfies the characteristics of the specific profile.
- 6.8.2 Upon the formation of a supervisory board, the commencement of a term of office of new members of a supervisory board, or upon the appointment of individual committees of a supervisory board, a company shall ensure a thorough professional introduction to duties for members of the supervisory board, in accordance with the supervisory board's Rules of Procedure.
- 6.9 The selection procedure for supervisory board members and the formation of the proposal for the GM resolution on the appointment of supervisory board members should be transparent and defined in advance.**

- 6.9.1 Listed SOEs and large non-listed SOEs with more than one shareholder, and in which SSH exercise less than  $\frac{3}{4}$  of all voting rights, should establish nomination commissions (committees), permanent or temporary, as a special committee of the supervisory board. These should ensure adequate mechanisms regarding the selection and evaluation of candidates for membership of the supervisory board and overcome conflicts of interest which the supervisory board is faced with in the preparation of the proposal for the composition of the supervisory board. The nomination committee shall carry out selection procedures for candidates and propose to a supervisory board a list of candidates for their appointment at the General Meeting. In companies in which SSH exercises at least  $\frac{3}{4}$  of all voting rights, a supervisory board shall not form any special committees responsible for carrying out procedures for the recruitment and evaluation of candidates for supervisory board members, unless stipulated otherwise by special legislation. In such companies, a recruitment channel to be used by a supervisory board of a company shall be the proposal for the appointment of candidates submitted to such supervisory board by SSH. A candidate, whose appointment has been proposed in such manner, shall be evaluated by a supervisory board and if selected shall be included in the election proposal. In a one-person company, a supervisory board shall not formulate any election proposal for members of the supervisory board of a company.
- 6.9.2 In companies in which the State or SSH have, directly or indirectly, at least 1/3 shareholding in the share capital of the company, at least one third of external members should be included in the nomination committee upon the proposal of the majority shareholder or large shareholders, and at least one external expert who is selected by the supervisory board upon the proposal of SSH.
- 6.9.3 All members of the nomination committee appointed by the supervisory board must act in an independent manner observing confidentiality.
- 6.9.4 The nomination committee shall review and evaluate the existing composition of members of the supervisory board. The profiles for the required new candidates for members of supervisory board shall be determined by the nomination committee with regard to the company's business activities and the set development strategy, and with regard to the profile of members of a supervisory board whose term of office shall not expire. In determining the requested profiles, the criteria stipulated in this Code, and the criteria stipulated in ZSDH-1 shall be taken into account by the nomination committee.

- 6.9.5 In the process for the preparation of the GM proposals for new supervisory board members, the nomination committee shall make a list of suitable candidates on the basis of a requested profile, and a proposal to the General Meeting for the appointment of candidates for supervisory board, in accordance with the provisions of this Code, and considering the criteria stipulated in the ZSDH-1.
- 6.9.6 The nomination committee shall mainly play the role of providing a professional support in formulating a proposal for a candidate of the supervisory board. The nomination committee's proposal shall not be binding upon the supervisory board, which must propose candidates at its own discretion; the supervisory board, however, should prudently examine the committee's proposal and disclose in the GM material whether the proposal has been taken into account upon the drawing up of the proposal for a vote.
- 6.9.7 If there is no nomination committee in a company, the Recommendations Nos. 6.9.3, 6.9.4 and 6.9.5 shall apply to the supervisory board *mutatis mutandis*.
- 6.9.8 Immediately after the publication of the Notice of the General Meeting of SOE which shall vote about new supervisory board members upon the proposal of this supervisory board, the president of the supervisory board invites the candidates who have been proposed for the election by the supervisory board, to submit their application to the SSH Nomination Committee for their accreditation and nomination. The candidates may also be invited by the SSH Nomination Committee to submit their application for accreditation and nomination. This recommendation shall not apply when the proposal for candidates submitted by SSH is the only recruitment channel.
- 6.9.9 The supervisory board of a SOE shall submit to SSH, upon the SSH's request, the developed profile(s) for supervisory board members. Profiles submitted in this manner shall be taken into consideration by SSH when developing the profiles in a procedure carried out in accordance with the SSH Asset Management Policy.

**6.10 Remuneration for supervisory board members shall be composed of the remuneration for performing their supervisory duties and attendance fees. The remuneration for performing supervisory duties shall be composed of the basic payment for the supervisory duties and additional payment for special tasks or positions held by members. The remuneration for performing supervisory duties and attendance fees shall be determined by having regard to the size of the company and its financial situation.**

6.10.1 The recommended amounts for the basic payment for performing supervisory duties and attendance fees are laid down in Appendix 1 to this Code.

6.10.2 The GM resolution proposals in regard to the remuneration of supervisory board members shall be formed and submitted to the General Meeting in accordance with the draft resolution which shall form Appendix 2 of this Code.

6.10.3 Supervisory board members shall not be entitled to any privileges (bonuses). Tax regulation and the practice of tax authorities shall apply to the assessment of bonuses.

6.10.4 For the duration of the service, the supervisory board members shall be obliged to take up additional training in the fields which are in direct connection with the performance of the service in the supervisory board.

6.10.5 A company, whose business is connected with higher risks for the occurrence of damage to the company, shall conclude a directors and officers' liability insurance contract (D&O insurance), while taking into account the mandatory insurance excess.

6.10.6 The Recommendations Nos. 6.10.1, 6.10.2 and 6.10.3 shall apply *mutatis mutandis* to payments for the service of members of the board of directors, whereby:

- the basic payment for performing supervisory duties of a member of the board of directors may be determined by the General Meeting in an amount that is up to 25% higher than recommended for such service by the Appendix 1 to this Code;
- the basic payment for the performance of supervisory duties of members of the board of directors, who simultaneously carry out the duties of executive directors of the same company, shall be determined in the amount of from 25% to 70% of the basic payment for the service of members of the board of directors who do not simultaneously carry out the duties of executive directors of the company, especially in relation to every segregation of responsibilities and duties between executive directors and the board of directors. A member of a board of directors who simultaneously holds the position of an executive director of this company shall not be entitled to receive attendance fees for his/her attendance at sessions of the board of directors, however, he/she is entitled to receive such fees arising from his/her membership in the board's committees, specifically, in the amount of 50% of the sum which applies for other members of the board of directors. In such case, regardless of how many times a member attended sessions, in an individual financial year, a member is entitled to receive attendance fees until the total amount of such fees reaches 25 % of the basic payment for the performance of supervisory duties of a board of directors member at the annual level. A member of the board of directors who simultaneously holds the position of an executive director of this company is entitled to receive a supplement for carrying out the position of a member in a board's committee in the same amount as it applies for members of the board of directors not holding an executive position. Such member is only entitled to receive reimbursement of costs arising from carrying out the position in the board of directors or in its committees only when he/she has not received any reimbursement of costs for the same event for his/her attendance in the capacity of an executive director of this company.

**6.11 External members of supervisory board's committees shall be paid for their service in the committee from the funds allocated for the services of the supervisory board. The GM Resolution on the amount of payments for supervisory board members shall not apply to them. The supervisory board shall adopt a resolution on the amount of the payment for external members of supervisory board's committees and external experts. The payment should be defined in the amount which is usual for the service rendered in a certain professional field. The payment for external members of the supervisory board's committee is composed of the payment for their participation at sessions, the payment for the performance of the services and the**

reimbursement of costs. The payment should be such that it ensures the engagement of the necessary top experts, in regard to the special characteristics and justification of an individual case and while considering the rational dealing with the company's funds and the eligibility of the cost.

**6.12** In addition to the statutory contents, the report of the supervisory board to the General Meeting should also include relevant information on the internal organisation of the supervisory board, on the composition of the supervisory board from the aspect of the independence of its members, on the (potential) conflict of interest and their settlement, and on procedures for the operation of the supervisory board including the indication of how much the self-assessment (i.e., the procedure for the evaluation of efficiency referred to in the Principle 6.13 of the Code) has contributed to changes.

**6.13** Supervisory boards of SOEs should carry out the evaluation procedure in regard to the efficiency of work of the supervisory board. Within the efficiency evaluation procedure, the supervisory board shall assess its current structure, functioning, potential conflicts of interest of individual members and operation of individual members and the supervisory board as a whole, including the cooperation with the management of the company. During the assessment of its work, the supervisory board shall also assess the work of eventual supervisory board's committees. The supervisory bodies of SOEs shall evaluate the efficiency of the supervisory body in accordance with the Supervisory Board Assessment Manual, adopted by the Slovenian Director's Association.<sup>2</sup>

**6.13.1** The supervisory board efficiency evaluation procedure should be carried out in accordance with recommendations for good practice in this field, and services rendered by an external expert should be used, when required. Shareholders should be informed on the implementation and the course of the supervisory board efficiency's evaluation procedure. On the basis of results obtained in the evaluation procedure, the supervisory board shall formulate an action plan in order to improve its operation, adopt suitable further actions in due time and take the evaluation findings into consideration during its operation and when formulating the proposals for the General Meeting.

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<sup>2</sup> [http://www.zdruzenje-ns.si/db/doc/upl/ZNS\\_PRIROCNIK\\_final.pdf](http://www.zdruzenje-ns.si/db/doc/upl/ZNS_PRIROCNIK_final.pdf).

6.13.2 Prior to carrying out the evaluation of supervisory board's committees, a report of the committee's activities in the preceding year is requested from the committee by the supervisory board.

6.13.3 The evaluation of the supervisory board's composition may also be carried out by the supervisory board as a separate procedure, specifically, through a nomination committee. The cooperation with an external expert is also recommended for the evaluation of the supervisory board's composition. The SOE shall report on the implementation and the course of the procedure for the evaluation of the supervisory board's composition in the Annual Report.

**6.14 Supervisory boards of SOEs which, under ZGD-1, fulfil the criteria of large companies should appoint an audit committee, regardless of the fact whether the company is considered the public-interest entity or not, and other committees, when required. Supervisory boards of other companies should establish committees in regard to their needs. The audit committee should hold responsibilities compliant with ZGD-1. At least one member of the audit committee should be an independent expert who is qualified in accounting or auditing. If the personnel committee is appointed, it should support the supervisory board in appointing, remunerating and removing members of the management. If the personnel committee carries out tasks of the nomination committee, the recommendations regarding the nomination committee shall reasonably apply to the personnel committee. In this regard, the recommendations of this Code on the composition of the nomination committee shall apply to the personnel committee only when the personnel committee actually carries out the tasks of the nomination committee and not throughout its operation.**

6.14.1 SOEs which have organised an audit committee should take into consideration the Recommendations for Audit Committees.<sup>3</sup>

6.14.2 Sessions of the audit committee should be held at least quarterly but there should not be more than eight sessions per year; of this number, there should be not more than six regular (direct) sessions.

6.14.3 The audit committee should not decide on issues which fall under the responsibility of the supervisory board.

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<sup>3</sup> <http://www.zdruzenje-ns.si/stroka/revizijske-komisije-ns/>.

- 6.14.4 The audit committee shall adopt findings and conclusions on the material considered at the session within the same session; these shall be officially registered in the minutes which shall be submitted to the supervisory board. If, at an individual session, the audit committee does not finish the consideration of the individual material in a manner that actual findings or conclusions could have been adopted, it must officially register in the minutes the reasons for the fact that the issue has not been concluded and list activities which must be carried out to conclude the matter in the shortest possible time period; the envisaged deadline for its conclusion shall be indicated.
- 6.14.5 A president of an audit committee shall receive assistance in administrative matters from the supervisory board's Secretary or any other personnel of a company who shall be appointed by the management of the company.
- 6.14.6 The supervisory board should authorise the audit committee to investigate every activity within its duties and responsibilities and to request within that scope all information, expert clarification and the documents needed. At the session, the audit committee shall consider its own material and material prepared by the management, and by an internal or external auditor.
- 6.14.7 The supervisory board shall formulate or endorse the audit committee's Rules of Procedure which clearly stipulate the committee's purpose, duties, special tasks, time frame, methods of work, the participation of other persons at sessions, etc.
- 6.14.8 The external members of an audit committee must be independent and must not find themselves in a situation of a relevant and potential conflict of interest. The Recommendation 6.7.1 of this Code on the Statement of Independence referred to in Appendix 4 shall apply *mutatis mutandis* to the external members of the audit committee.
- 6.15 As a rule, the supervisory board shall invite members of the management to the supervisory board's sessions. If an individual item on the Agenda is such that the presence of the members of the management is not reasonable or it might influence the independence of the supervisory board's work (decision-making on the appointment of the supervisory board's president, decision-making on the formulation of the proposal for the appointment of new supervisory board members or the dismissal of any of the supervisory board member, decision-making on the management evaluation and its remuneration, supervisory**

board's self-assessment), the supervisory board shall make decisions without members of the management being present.

**6.16 The president of the supervisory board shall coordinate the work of the supervisory board, chair its sessions and represent it in relation to other stakeholders. In regard to the selection and work of the presidents of supervisory boards, the Guidelines for Selection and Recommendations for the work of Supervisory Board Chairmen shall be taken into account.<sup>4</sup> Each decision communicated by the president of the supervisory board to the management or third persons shall be preliminary dealt with by the supervisory board and a relevant resolution in its regard shall be adopted.**

6.16.1 A president of the supervisory board shall not hold the position of the president of an audit committee, and, as a rule, of neither of other committees.

6.16.2 The president of the supervisory board shall be in regular contact with the management, in particular with the president of the management. He/she shall consult the management on the most important issues of a company, such as the strategy, the planning, and the progress of the most important transactions, the risk position and the compliance of operations and of corporate integrity. The management must inform the president of the supervisory board on all significant events. The president of the supervisory board must then inform the supervisory board accordingly and convene a supervisory board session, when required.

**6.17 At the beginning of the year, a supervisory board and an audit committee shall adopt their annual plan of work for a financial year (the Annual Work Plan). The Annual Work Plan shall include the schedule of sessions and the anticipated agenda of sessions. The supervisory board's Annual Work Plan and the audit committee's Work Plan must be aligned so that the subject matter which falls under the scope of the audit committee is first discussed in detail at the audit committee's session. The annual plans of work for supervisory board and for audit committee must be aligned with key dates in the financial calendar.**

## **7. MANAGEMENT**

**7.1 The company and its business are managed by the management. With its work, knowledge and experience, the management shall pursue the company's long-**

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<sup>4</sup> <http://www.zdruzenje-ns.si/stroka/vodenje-in-delo-ns/>.

**term success for the attainment of the company's goals and for the implementation of its strategy by ensuring an optimum management, and by identifying and managing risks. The management is organised so that an efficient performance of its tasks is facilitated. Its optimum performance is achieved by employing suitable directors and engaging other human and financial resources. By undertaking an exemplary role, the management promotes and, within the framework of its duties, provides for corporate culture that encourages ethical conduct of employees and their commitment to the compliance of company's operations.**

**7.2 The consideration for the suitable scope of information provided to the supervisory board shall be a common task of the management and the supervisory board.**

7.2.1 The management should brief the supervisory board regularly, promptly and coherently on all matters relevant for the company's strategy, planning, the course of business, risks and risk management. On the other hand, the supervisory board should ensure that relevant pieces of information are delivered by the management. In regard to the reporting by management bodies to supervisory bodies, the management and supervisory bodies of SOEs shall use the Recommendations for Reporting to Supervisory Bodies adopted by the Slovenian Directors' Association.<sup>5</sup>

7.2.2. An open discussion between the management and the supervisory board is needed; it should be pursued within both bodies. It is of key importance that all members of the management and supervisory bodies observe the obligation to protect business secrets of the company.

7.2.3 A special consideration should be dedicated to preventing the occurrence of any damages to the company. Business decisions should be based on suitable pieces of information and on suitable assessment of risks, while the conduct should be explicitly oriented towards the interest of the company, and no conflict of interest must arise between the decision-makers and the company; decisions must be made in good faith. If any damage has been incurred to the company as a result of non-prudent conduct on the part of the members of the management or supervisory bodies, the damage should be indemnified.

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<sup>5</sup> [http://www.zdruzenje-ns.si/db/doc/upl/priporocila\\_za\\_porocanje\\_ns\\_\\_\\_25.10.2011.pdf](http://www.zdruzenje-ns.si/db/doc/upl/priporocila_za_porocanje_ns___25.10.2011.pdf).

- 7.3 The members of the management are obliged to act in the interest of a company. In decision-making, members of the management must not give any priority to their personal interest and must not take advantage of company's business opportunities for their own benefit or for the benefit of a family member.**
- 7.3.1 A member of the management shall disclose any (potential) conflict of interest to the supervisory board and to the remaining members of the management and provide all the relevant information on the subject matter. In case of any doubt, whether a (potential) conflict of interest is given in regard to an individual member of the management, this is decided upon by the supervisory board. A member of the management, in whose regard circumstances are given which might lead to a conflict of interest, shall not take part in a discussion and shall abstain from voting in decision-making on a case subject to the conflict of interest, and shall avoid any other actions and interference with the case. For this purpose, a supervisory board member shall sign a written statement on withdrawal of which the suitable explanatory note shall be an integral part, or he/she may make a statement on withdrawal, including the explanatory note, in minutes drawn up at the supervisory board's session.
- 7.3.2 A member of the management should obtain a consent by the supervisory board for the assumption of any position in supervisory boards of companies outside the group.
- 7.4 At least in large SOEs, the culture of talent recognition and of personnel knowledge and skill development should not be present only at the second level but deeper in an organisation. The career development plan of an individual employee should define the direction of his/her career and include the definition of critical competences which are necessary for the existing and future success of an organisation. The management is responsible for motivating employees, for enhancing the feeling of responsibility among the employees and for strengthening the desired behaviour. The remuneration system shall be based on knowledge, performance, education and the complexity of work.**

## 8. TRANSPARENCY OF OPERATIONS AND REPORTING

### 8.1 The external reporting of SOEs must be timely, accurate, consistent, concise and transparent and, with the exception of small companies, compliant with this Chapter of the Code.

8.1.1 In accordance with ZGD-1, large SOEs should indicate in their annual reports the true picture regarding the development of its business activities, current condition and achievements, in accordance with the legislation and established practice. In addition to statutorily stipulated financial and non-financial disclosures, this shall include:

- disclosure of significant risks and risk management system, including the description of a system of internal control;
- company's activities in regard to research and development;
- reporting about the company's corporate governance system presented in the Corporate Governance Statement in which any potential deviations from the provisions of this Code and from any other reference codes shall be explained,
- reporting on all significant events and circumstances which might have a significant impact on the company's business position and on owners/investors;
- reporting about the sustainable development of a company or a statement on non-financial operations (as a part of the Business Report) which comprises the following:
  - a report and a short analysis on the questions concerning sustainable development which are important for a company (especially in regard to environmental, social and personnel-related affairs),
  - description of company's policies in regard to the above mentioned (environmental, social and personnel-related) affairs,
  - a report on relationships with the main stakeholders of a company,
  - a report about risks and opportunities which the company deals with within the framework of sustainable development, in particular regarding non-financial risks and opportunities which are necessary for the understanding of its development, business performance and the position of the company,
  - adaptation to the requirements (policies) for sustainable development and how policies and adaptations have influenced achievements in the operation of the company and its current position and its position in the future,
  - a report about achievements and goals which are founded on selected non-financial performance indicators.

- 8.1.2 Reports must be understandable, concise, they must refer to important issues (materiality); they must be reliable and complete, consistent, they must enable a comparison between the set goals and those of previous periods and represent a current and true view of the company's condition. Reporting must take into consideration the connectivity of information from the Business Report and the Accounting Report and adhere to the principle of competitive neutrality which, in some cases, may influence the degree of details disclosed in the report.
- 8.1.3 The SOEs should pursue a responsible approach towards reporting and gradually increase the quality of external reporting, applying recognised international reporting frameworks at their own discretion (such as guidelines provided in *Global Reporting Initiative*, *UN Global Compact*, ISO 26000, and IIRC – *International Integrated Reporting Council*, and similar systems).
- 8.2 A company shall report on the membership composition of the management and its supervisory board in its Annual Report, specifically, in the Corporate Governance Statement, in accordance with Appendix 5 of the Code.**
- 8.3 In the Annual Report, a company should disclose clearly and specifically income received and other rights held by an individual member of management or supervisory bodies, specifically, structured by types of income received and by types of other rights held, in accordance with Appendix 6 of the Code. The controlling company in the group should disclose the data referred to in the preceding sentence for all companies in the group in the Consolidated Annual Report. Reporting should disclose income received by external members of committees.**
- 8.4 Similarly, in the Annual Report, a company should disclose data on the operation of supervisory bodies and their committees which should include the participation of individual members of supervisory bodies at individual sessions. The disclosure shall also include costs for the operation of the supervisory board such as costs for legal opinions, translation costs, travel expenses, costs for additional training, fees for special experts, etc.**

**8.5 Before the beginning of a financial year, large and medium-sized companies shall develop a financial calendar which shall include dates envisaged for the publication of significant announcements regarding a company (GM of shareholders, dates for the dividend pay-outs, annual and interim reports) for that financial year. The financial calendar shall be published and accessible to the public on the web site of a company.**

## **9. AUDIT AND INTERNAL CONTROL SYSTEM**

**9.1 A SOE, whose Annual Report must be reviewed by an auditor in accordance with ZGD-1, shall carry out an auditor selection process which will enable the appointment of an audit firm to provide an independent and impartial audit of the company's financial statements in accordance with the professional and ethical principles of audit as well as of other auditing rules.**

9.1.1 A company shall change an audit firm and its key auditing partner at least once every ten years, when not stipulated otherwise for a certain category of companies by the legislation. When an audit firm is changed for a short period of time, an audit committee, or when such committee is not appointed, a supervisory board must provide justification for not renewing the audit engagement. An audit firm that has been changed cannot retake the obligatory audit engagement for at least four subsequent years, while a key auditing partner that has been changed is prohibited from retaking such engagement for at least three subsequent years following the termination of the engagement. The proposal for the appointment of an external auditor for a three-year period shall be made to the General Meeting. When an audit committee does not propose the audit engagement with former external auditor to be renewed, the audit committee provides to the supervisory board at least two new alternative appointments.

**9.2 The management should set up an efficient risk management system. When required, the management should ensure hedging against key risks.**

9.2.1 The large companies should, and, to the greatest extent, other companies should:

- set up a suitable organisation and establish communication and provide for the suitable qualification of employees for quality risk management;
- appoint a coordinator of activities related to risk management who is responsible for determining and coordinating the necessary activities and reporting on risks;
- set up and regularly update the list of recognised risks, present and potential, and determine the method of notification in regard to the detected risks;

- regularly assess risks and classify them according to their significance;
- determine the response to risks and responsible persons for their realization, time periods and reports to verify their realisation;
- determine efficient internal controls, responsible persons for their implementation and the method for their monitoring and supervision;
- in Annual Reports, disclose significant risks and methods of their management, including the description of the internal control system;
- the management should regularly and promptly inform the supervisory board on all significant risks and methods for their management, and at least once a year on the risk management system.

9.2.2 It is expected from a supervisory board and an audit committee that they will:

- be informed of the risk management system in a company, and to verify its suitability and improvements. Where an organised risk management system is not put in place, it shall request its establishment and the timetable for its introduction, and monitor the implementation of the planned activities;
- be informed of the internal control system and verify its suitability and improvements and in this respect shall mainly rely on the findings and recommendations of the internal audit department.

9.2.3 Large SOEs should set up internal audit activity and perform internal audits with employees in their own internal audit department. The medium-sized companies should carry out their internal audit activity with external service providers, except if a permanent engagement of an internal auditor is required as a result of the risks assessed. The internal audits should be carried out in accordance with the adopted internal audit annual and multi-annual plans of internal audit activity. When significant risks are detected, the small companies should carry out internal audit in all fields with the assistance of external service providers.

9.2.4 Internal audit should be carried out in accordance with international standards of professional conduct in internal auditing and other rules from the Hierarchy of Rules for Internal Auditing.

9.2.5 The independent functioning of internal auditors should be provided for. If a head of the internal audit department is employed by way of a permanent employment agreement and carries out the work of the head of internal audit based on a mandate, his/her mandate is independent from the mandate of the company's bodies or the members of the company's bodies.

- 9.2.6 A suitable number and qualification of internal auditors should be provided for (and/or the hiring of the necessary external service providers), in regard to the complexity and the risk of operations.
- 9.2.7 Recommendations given by internal auditors should be implemented within the set time periods.
- 9.2.8 The internal assessments regarding the quality of the internal audit activity should be carried out annually. An external assessment of the quality of the internal audit activity should be carried out at least once in every five years.
- 9.2.9 The internal audit is responsible by way of its position (in terms of the content) and shall report to an audit committee of a supervisory board or to the supervisory board of a company, and in terms of the administration, to the management of the company.
- 9.2.10 It is expected from a supervisory board and an audit committee that they will:
- ensure that the company has set up a suitable internal audit activity and that it has made an assessment whether this activity is needed in a medium-sized and small company. The assessment regarding the necessity for the internal audit activity shall be carried out at least once a year, and upon significantly changed circumstances, and modified conditions of the company's operation, or upon significantly increased levels of operational risk;
  - approve the budget for the operation of the internal audit;
  - in companies with an established internal audit activity (with their own department or external service providers):
    - take a stand in regard to the organisational position of the internal audit and other conditions for its independent operation, and in regard to authorisations and responsibilities of internal auditors;
    - grant consent to the appointment of, removal of and remuneration for the head of the internal audit unit;
    - grant consent to the corporate legal document by way of which the purpose, the significance and the duties of the internal audit unit are regulated;
    - when internal auditing services are carried out by external providers, grant consent to the conclusion of an agreement to be agreed by a company with the external provider of services, to its amendments or the termination of such agreement by the company;
    - give consent to an annual or multi annual internal audit plan of work which is based on risks;

- discuss the Internal Audit Annual Report,
- directly communicate with the head of the internal audit;
- arrange for an independent internal audit;
- monitor the activities of the internal audit, regularly take note of periodic (interim) internal audit reports and of significant findings and recommendations given by internal auditors,
- monitor the implementation of recommendations in the set time periods;
- take note of internal quality assessments and monitor the implementation of improvements regarding the internal audit operation;
- make an assessment as to every how many years it is suitable to ensure an external quality assessment of the internal control activity;
- take note of the findings and recommendations of the external quality assessment of the internal audit activity and monitor the implementation of these recommendations;
- carry out relevant enquiries with the management board of a company and the head of internal audit and determine whether there are any inappropriate limitations in regard to the scope of work or resources.

**9.3 A company should ensure all conditions to enable independent work of the highest standard for the internal audit whose main task should be the provision of objective and relevant recommendations and consultations in regard to the management of the organisation, to risk management and to internal controls and control procedures, with the aim of contributing to their improvement.**

9.3.1 In non-public companies whose sole owner is the State or SSH, SSH should be informed twice a year about the identified risks, on the proposals for measures to manage risks and on the implementation of measures.

## **10. ADOPTION OF CODE OF ETHICS**

**10.1 A SOE should adopt and introduce in practice the Code of Ethics in which the principles of ethics and ethical rules are defined regarding the behaviour and conduct of the company's management and all employees. The Code of Ethics should apply to the entire activity of the company and should take into consideration the specific characteristics of its activity. The Code of Ethics may also be adopted at the level of the controlling company; it shall be adopted by all companies in the group if these have not yet adopted their own Code of Ethics. The goal of the Code of Ethics is to strengthen the reputation of employees and of the company as a whole.**

### 10.1.1 The company's Code of Ethics should include at least:

- basic corporate values and principles:
- areas of responsibility:
  - a responsible attitude from the management bodies towards a company, its employees and employees' representatives;
    - exemplary role model on the part of the company's management personnel,
    - a responsible attitude towards all employees and towards employees' representatives,
    - observance of commitments given in relation to employees (collective agreements, other commitments),
    - strict observance of trade union rights and the status of employees' and trade union's representatives,
    - striving for additional training of employees,
    - stimulating and motivating employees;
  - a responsible attitude on the part of employees towards a company:
    - avoiding employees' conflicts of interest between their work in the company and their personal affairs or affairs of their relatives,
    - employees' attitude towards company's assets, a responsible management of company's assets,
    - protection of business secrets and other confidential information of the company,
    - operation in accordance with general interests of the company,
    - action-taking in cases when non-ethical or illegal conduct has been detected;
  - a responsible attitude towards clients, buyers, suppliers and partners;
  - a responsible attitude towards company's shareholders:
    - functioning of a company in the direction of increasing added value for owners;
    - a prudent use of company's assets;
  - a responsible attitude of a company towards the wider society:
    - adherence to legislation and internal legal documents of a company, particularly from the field of protection of competition and rules regarding securities trading;
    - prohibition of corrupt actions and unjustified provision or receipt of gifts;
    - having correct regard for officials;
    - the respect for human rights, both in regard to the recruitment and in relation to employees;
    - the protection of the environment and social responsibility;
    - assistance to local communities and humanitarian activities of the company;

- a responsible attitude of the company towards the media:
  - a correct regard for the media;
  - information of the public on significant events in the operations of the company.
- Implementation of the Code
  - communication – specific measures for the dissemination of the content of the Code of Ethics;
  - internal measures – the four-eye principle, risk management, system for reporting and handling irregularities, education and training;
  - control and sanctions – verifying the credibility, internal audit, sanctions.

10.1.2 A supervisory board shall be informed of the Code of Ethics of a company.

10.1.3 A company shall set up a suitable method for informing employees with the purpose and content of the Code of Ethics, the system for the disclosure of information in regard to violations of the Code of Ethics and sanctions in case of its violations. The Code of Ethics should be permanently published on the company's web site.

## **11. CORPORATE COMPLIANCE AND INTEGRITY (CORPORATE INTEGRITY)**

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

**11.2 With the aim for strengthening corporate integrity, in addition to legislation regarding integrity and prevention of corruption, and taking into consideration specific characteristics of individual industries and SOEs, the reference documents for enhancing the significance of corporate integrity should be observed to the greatest extent possible; these documents are as follows: guidelines of the Commission for the Prevention of Corruption, Slovenian Guidelines for Corporate Integrity and Ant-corruption Principles for SOEs.**

11.2.1 With the aim to minimise corruption risks, illegal and unethical conduct, SOEs should:

- include the work post or the position of a chief compliance officer (or a chief integrity officer) in their organisational structure or in their job classification, and identify potential risks for corruption, and unethical and illegal conduct;
- prepare an action plan for managing such risks and define permanent and/or one-off measures for mitigating these risks (preparing the "Integrity Plan" or the "Anti-Corruption Programme"). A chief compliance officer shall be responsible for preparing the Integrity Plan or the Anti-Corruption Programme and shall be the overarching guardian who oversees the implementation of measures. The person responsible for implementing measures is the president of the organisation;
- the Integrity Plan or the Anti-Corruption Programme of a SOE defines in detail risks and measures in regard to procurement, conflict of interest, receiving gifts, insider dealing, contacts with lobbyists, confidentiality and recruitment to top and executive positions, it establishes the system for reporting irregularities and protection of whistle-blowers and the system for regular reporting to the management and supervisory bodies on reports of irregularities received and handled and actions taken. It may also include other areas depending on specific characteristics of companies' operations and on identified risks;
- special attention shall be dedicated to education and training for all levels in a SOE (employees, the management, supervisory bodies) in regard to the corporate compliance;
- in case of large companies, the work post of a chief compliance officer (or a chief integrity officer) shall be included in the job classification, or, depending on the size and specific characteristics of the company's operation, an organisational unit for corporate compliance shall be established;
- in case of large and medium-size SOEs, the system of internal warning/whistle-blower tools and whistle-blower protection mechanisms shall be established and determined. A relevant and efficient response mechanism for handling reports on wrongdoings is recommended, together with the report traceability system, the system for keeping a register of reports and regular periodic reporting to supervisory bodies on reports received, on responses to such reports and on actions taken.

11.2.2 A chief compliance officer should be autonomous and independent in his/her work, he/she should be suitably educated and qualified and should have relevant experience, and, when needed, for the purpose of ensuring smooth operation, must be provided with suitably qualified and paid professional assistance, suitable supplies and authorization. Depending on the subject matter in question, a chief compliance officer should have an autonomous right to reporting to the management and supervisory bodies of a company, as well as the right to report to external supervisory bodies.

## **12. CODE'S ENTRY INTO FORCE AND APPLICATION**

This Code was adopted by the SSH Management Board on 17 December 2014, and the SSH Supervisory Board granted its consent to the Code at the session held on 19 December 2014.

This Code and its relevant amendments shall enter into force on the date of the issue of relevant consent granted by the SSH Supervisory Board and shall apply from the date determined in each amended version. The Code and its amendments are published on the SSH web site.

The last amendments to the Code, to which the consent by the SSH Supervisory Board was granted on 27 November 2019, shall come into effect on 1 January 2020.

Slovenian Sovereign Holding shall reasonably observe this Code during its operation.

Done in Ljubljana, 28 November 2019

SSH Management Board

Gabriejl Škof,  
President of the Management Board

## APPENDIX 1: Recommended remuneration amounts for the performance of duties and attendance fees

Attendance fees for the president and members of a supervisory board are:

Company size	Attendance fee - member	Attendance fee - president
Micro companies	€75 gross	€75 gross
Small companies	€150 gross	€150 gross
Medium sized companies	€200 gross	€200 gross
Large companies	€275 gross	€275 gross

The basic payment for the performance of duties of a supervisory board member amounts to:

Company size	Basic payment for service performance
Micro companies	from €3,000 to €3,500 gross per annum
Small companies – poor financial condition	from €3,500 to €4,200 gross per annum
Small companies – good financial condition	from €4,200 to €5,200 gross per annum
Medium sized companies – poor financial condition	from €5,200 to €6,200 gross per annum
Medium sized companies – good financial condition	from €6,200 to €8,200 gross per annum
Medium sized companies – good financial condition (with one criterion for large companies)	from €8,200 to €10,200 gross per annum
Large companies – poor financial condition	from €10,300 to €11,000 gross per annum
Large companies – good financial condition	from €11,300 to €13,000 gross per annum
Large companies – good financial condition (their securities are traded on regulated market, or banks)	from €13,000 to €15,000 gross per annum

Appendix 1 shall also be used to determine the payments for members of a board of directors in stock corporations with one-tier management system, whereby, in accordance with the Recommendation 6.10.6 of the Code, the following special features shall apply:

- the basic payment for carrying out the position of a member of a board of directors may be determined by the General Meeting in an amount that is up to 25% higher than recommended for such service by the Appendix 1 to this Code;
- the basic payment for the service of members of a board of directors, who simultaneously carry out the duties of executive directors of the same company, shall be determined in the amount of from 25% to 70% of the basic payment for the service of members of the board of directors who do not simultaneously carry out the duties of executive directors of the company, especially in relation to every segregation of responsibilities and duties between executive directors and a board of directors. A member of a board of directors who simultaneously holds the position of an executive director of this company shall not be entitled to receive attendance fees for his/her attendance at sessions of the board of directors, however, he/she is entitled to receive attendance fees arising from his/her membership in board's committees, specifically, in the amount of 50% of the sum which applies to other members of the board of directors. In such case, regardless of how many times a member attended sessions, in an individual financial year, a member is entitled to receive attendance fees until the total amount of attendance fees reaches 25% of the basic payment for the performance of duties of a board of directors' member at the annual level. A member of the board of directors who simultaneously holds the position of an executive director of this company is entitled to receive a supplement for carrying out the position of a member in a board's committee in the same amount as it applies to members of the board of directors not holding an executive position. Such member is only entitled to receive reimbursement of costs arising from carrying out the position in the board of directors or in its committees only when he/she has not received any reimbursement of costs for the same event for his/her attendance in the capacity of an executive director of this company.

## APPENDIX 2: GENERAL MEETING RESOLUTION SAMPLE - REMUNERATION FOR MEMBERS OF SUPERVISORY BOARD AND BOARD OF DIRECTORS

### REMUNERATION FOR SUPERVISORY BOARD MEMBERS:

1. The Supervisory Board members receive the attendance fee for their participation at a session which amounts to EUR \_\_\_\_\_ gross per an individual member. The members of a Supervisory Board's committee receive the attendance fee for their participation at a session of the committee which, per an individual member, amounts to 80% of the attendance fee for the participation at a session of the Supervisory Board. The attendance fee for a meeting by correspondence amounts to 80% of the regular attendance fee. Regardless of the above mentioned, that is, regardless of the number of sessions at which he/she participates, in an individual financial year, an individual Supervisory Board member is entitled to receive the payment of attendance fees up to a total amount of attendance fees that reaches 50% of the basic payment for the performance of duties of a Supervisory Board member at the annual level. Regardless of the above mentioned, that is, regardless of the number of sessions of the Supervisory Board and committees at which he/she participates, in an individual financial year, an individual Supervisory Board member, who is a member of a Supervisory Board committee or committees, is entitled to receive the payment of attendance fees related to his/her participation at the sessions of the Supervisory Board and committees up to the total amount of attendance fees that reaches 75% of the basic payment for the performance of duties of a Supervisory Board member at the annual level.
2. In addition to attendance fees, the Supervisory Board members shall receive a basic payment for their services in the amount of EUR \_\_\_\_\_ gross per year per an individual member. The President of the Supervisory Board is also entitled to receive an additional payment in the amount of 50% of the basic payment for the performance of duties of the Supervisory Board member, while the Vice President/Deputy of the Supervisory Board President, is entitled to receive an additional payment in the amount of 10% of the basic payment for the performance of duties of the Supervisory Board member.

The members of the Supervisory Board's committee shall receive an additional payment for the performance of duties which amounts to 25% of the basic payment for the performance of duties of the Supervisory Board member. The President of a committee is entitled to receive the additional payment for the performance of the duties in the amount of 37.5% of the basic payment for the performance of duties of the Supervisory Board member. Regardless of the above mentioned, that is, regardless of the number of sessions at which he/she is a member or a President, in an individual financial year, an individual member of a Supervisory Board's committee is entitled to receive additional payments up to a total amount of such additional payments that reaches 50% of the basic payment for the performance of duties of a Supervisory Board member at the annual level. If the term of office of an individual Supervisory Board member is shorter than the financial year, the individual member of a Supervisory Board's committee, irrespective of the above mentioned, that is, regardless of the number of committees in which he/she is a member or a President, is entitled to receive additional payments in an individual financial year up to a total amount of such payments that reaches the value of 50% of

the basic payment for the performance of duties of the individual Supervisory Board member for the duration of the time for which his/her term of office lasted in the relevant financial year.

3. The Supervisory Board members and members of the Supervisory Board's committee receive the basic payment and the additional payment for the performance of duties in the proportional monthly payments to which they are entitled until they hold the position. The monthly payment amounts to one twelfth of the above mentioned annual sums.
4. The limitation of the amount of the total payments for attendance fees or additional payments for a Supervisory Board member must not in any way influence his/her obligation regarding active participation at all Supervisory Board sessions and committees' sessions in which he/she is a member, and his/her statutorily stipulated responsibility.
5. The Supervisory Board members are entitled to receive the reimbursement of travel and accommodation costs incurred in relation to their services in the Supervisory Board, specifically, up to the amount stipulated in regulations regulating the reimbursement of work-related costs and other income which is not included in the tax base (provisions which apply to the transportation during business trips and accommodation during business trips). The amount attributable to a Supervisory Board member under the quoted regulation shall be made gross so that the net payment reimburses the actual travel costs. The distance between destinations as calculated at the AMZS web site is taken into account for the determination of the mileage. The accommodation costs may only be refunded if the distance of the permanent or temporary residence of a Supervisory Board member or a member of a Supervisory Board's committee from the location of the work of the body amounts to a minimum of 100 kilometres, if the member of the Supervisory Board could not return to their place of residence because of the lack of any scheduled public transport, or for other objective reasons.
6. This Resolution shall enter into force and apply from the day of its adoption at the General Meeting. By way of this Resolution, the Resolution No. \_\_\_\_\_ adopted by the General Meeting on \_\_\_\_\_ (date) is revoked.

#### **REMUNERATION FOR MEMBERS OF BOARD OF DIRECTORS:**

In regard to the payment to members of a Board of Directors, the same form of a resolution shall be used *mutatis mutandis* as the form used for Supervisory Board members, taking into account the following adjustments:

- instead of terms "a Member/President/Vice-President/ Deputy President of a Supervisory Board", "a Member/President of a Supervisory Board's Committee" and the term "a Supervisory Board", the following terms shall be used: "a Member/President/Vice-President/Deputy President of a Board of Directors", "a Member/President of a Committee of a Board of Directors" and "a Board of Directors".

- In Item 1 of the resolution form, the following text: "Regardless of the above mentioned, that is, regardless of the number of sessions at which he/she participates, in an individual financial year, an individual Supervisory Board member is entitled to receive the payment of attendance fees of up to a total amount of attendance fees that reaches 50% of the basic payment for the performance of duties of a Supervisory Board member at the annual level. Regardless of the above mentioned, that is, regardless of the number of sessions of the Supervisory Board and committees in which he/she participates, in an individual financial year, an individual Supervisory Board member, who is a member of a Supervisory Board's committee or committees, is entitled to receive the payment of attendance fees related to his/her participation at the sessions of the Supervisory Board and committees up to the total amount of attendance fees that reaches 75% of the basic payment for the performance of duties of a Supervisory Board member at the annual level." **shall be replaced with the following text:** "Regardless of the above mentioned, that is, regardless of the number of sessions at which he/she participates, in an individual financial year, an individual Board of Directors' member is entitled to receive the payment of attendance fees of up to a total amount of attendance fees that reaches 50% of the basic payment for the performance of duties of a Board of Directors' member at the annual level without the Increase. Regardless of the above mentioned, that is, regardless of the number of sessions of a Board of Directors and committees at which he/she participates, in an individual financial year, an individual member of a Board of Directors, who is a member of a committee or committees of a Board of Directors, is entitled to receive the payment of attendance fees related to his/her participation at the sessions of the Board of Directors and committees up to the total amount of attendance fees that reaches 75% of the basic payment for the performance of duties without the Increase."
- In Item 2 of the resolution form, the sentence which reads as follows: "In addition to attendance fees, the Supervisory Board members shall receive a basic payment for their services in the amount of EUR \_\_\_\_\_ gross per year per an individual member." **shall be replaced with the following sentence:** "In addition to attendance fees, Board of Directors' members shall receive a basic payment for their services in the amount of EUR \_\_\_\_\_ gross per year per an individual member, increased by \_\_\_\_\_%. (in this Resolution, the abbreviated term "**the Increase**" shall be used for the said increase of the basic payment)".

- When a Board of Directors is composed of members who simultaneously hold the role of executive directors in the same company, a new item 6 is added to a Resolution which shall read as follows: "6. The basic payment for a member of the Board of Directors for carrying out the position and for simultaneously holding the position of an executive director of this company, shall amount to EUR \_\_\_\_\_ gross per year and the first sentence of Item 2 of this Resolution shall not apply in this case. A member of the Board of Directors, who simultaneously holds the position of an executive director of this company, is not entitled to receive attendance fees referred to in Item 1 of this Resolution for his attendance at sessions of Board of Directors, however, he/she is entitled to receive attendance fees for his/her membership in the Board's committees, specifically, in the amount of 50% of the sum payable to the remaining members of the Board of Directors. In such case, regardless of how many times a member attended sessions, in an individual financial year, a member is entitled to receive attendance fees until the total amount of attendance fees reaches 25% of the basic payment for the performance of duties of a Board of Directors member at the annual level. A member of the Board of Directors who simultaneously holds the position of an executive director of this company is entitled to receive a supplement for carrying out the position of a member in a Board's Committee in the same amount as it applies to members of the Board of Directors not holding an executive position. In accordance with Item 5 of this Resolution, such member is entitled to receive reimbursement of costs arising from carrying out the position in the Board of Directors or in its Committees only when he/she has not received any reimbursement of costs for the same event for his/her attendance in the capacity of an executive director of this company."

In such case, Item 6 shall be renumbered to become a new Item 7 of the Resolution.

### APPENDIX 3: POTENTIAL CONFLICT OF INTEREST - PRESUMPTIONS OF DEPENDENCE

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**Cases of potential conflict of interest which create a presumption of dependence of a supervisory board member are:**

- a) A person is an executive director or a member of a management board of the company or of the affiliated company or has held such position anytime in the last five years.
- b) A person is employed in the company or has been employed in the company anytime in the last two years, except when (having been) elected to a supervisory board within the scope of employee representative system required by the law but, if the above exception applies, only if he/she is not (has not been) employed at a managerial position in the company.
- c) A person receives significant additional income from the company or its affiliated company, except for the payment for carrying out the duties of a president, a deputy president and a member in a supervisory board and its committees.
- d) A person is a majority shareholder or a representative of majority shareholder.
- e) During the last year, a person has or has had important business contacts with a company or its affiliate, directly or as a partner, shareholder, director or a manager of an entity with such relationship. Business contacts include the position of a supplier of goods or services (including financial, legal, consulting or advisory services), the position of an important client and the position of an organisation receiving significant financial contribution from the company or its group.
- f) A person is or has been in the last three years a partner or an employee of the current or former external auditor of a company or of a company affiliated to the external auditor.
- g) A person is an executive director or a member of the management board of another company in which a supervisory board member is an executive director or a member of the management board, or which, through cooperation in other companies or bodies, is otherwise related to executive directors or members of the management board of the company.
- h) A person has held the position in the same supervisory board for more than three terms of office (or for more than 12 years when the Articles of Association of a company stipulated the term of office to last less than four years).
- i) A person is a close family member of members of the management board or persons who hold the positions stated in items from a) to h).
- j) A person is a member of the extended management of the company or of its affiliate.
- k) A person has taken part in the drawing up of the content for the proposal of the company's Annual Report.

- l) A person is involved in business relationship or has a competitive relationship with the company through his/her regular employment.
- m) A person is a member of the bodies of supervision in a competitor.
- n) A person has a business relationship with the company or its affiliate (directly or indirectly through related persons - these are considered to be close family members, an employer, other persons related with the supervisory board member through the capital or by way of the governance or otherwise).
- o) A person is economically, personally or in any other way related with the company or its management.

## APPENDIX 4: STATEMENT OF INDEPENDANCE

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### INDEPENDENCE AND NO-CONFLICT OF INTEREST STATEMENT of a Member of Supervisory Board/Supervisory Board's Committee of a company

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In accordance with the Recommendation 6.7.1 of the Corporate Governance Code for SOEs, as amended in November 2019 (hereinafter referred to as: "the Code") and taking into account the definition of dependence or independence referred to in the Code, I, the undersigned \_\_\_\_\_ shall hereby declare my (in)dependence, specifically in regard to the existence of circumstances referred to in Appendix 3 of the Code and in regard to the existence of any other circumstances in connection with my function of a member of the Supervisory Board/Supervisory Board's Committee of the company:

\_\_\_\_\_.

**I hereby make the following statements about individual circumstances which represent a potential conflict of interest in connection with my carrying out of the duties of the Supervisory Board Member in the said company as stated below** (please state whether the statement is true or false):

- a) I do not hold the position of an executive director or a member of the Management Board/the Management of the company and I have not held such position for the last five years.

TRUE STATEMENT

FALSE STATEMENT

- b) I am not employed in the Company or in its affiliate and I have not held such a position for the last two years.<sup>7</sup>

TRUE STATEMENT

FALSE STATEMENT

- c) I do not receive any significant additional income from a company or an affiliate, except for the payment for carrying out the duties of a President/ Member of the Supervisory Board or a Member/President of the Supervisory Board's Committee. Such additional income also includes any option or participation in any other payment schemes connected with performance; such income does not include impermissible amounts for compensation within the scope of pension schemes (including deferred compensation) for previous services in the company (under condition that such compensation is in no way dependant on the continuation of services)

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<sup>6</sup> This Statement applies to members of the Board of Directors *mutatis mutandis*.

<sup>7</sup> If your answer is "FALSE STATEMENT", but there is an exception in your case: "except in case when a Supervisory Board Member is not a top executive and has been elected to the position in the Board of Directors or in the Supervisory Board within the scope of the employee representation system acknowledged by the law, and simultaneously providing for a relevant protection against illegal dismissal and other forms of unfair treatment" you should mark the answer "TRUE STATEMENT" and provide an explanation.

TRUE STATEMENT

FALSE STATEMENT

- d) I am not a majority shareholder or a representative of majority shareholders (the control is determined by reference to cases referred to in Article 1(1) of Council Directive 83/349/EEC (1)).

TRUE STATEMENT

FALSE STATEMENT

- e) During the last year, I have not had any important business contacts with a company or its affiliate, neither directly nor as a shareholder, director or a manager of an entity with such relationship. Business contacts include the position of a supplier of goods or services (including financial, legal, consulting or advisory services), the position of an important client and the position of an organisation receiving significant financial contribution from the company or its Group.

TRUE STATEMENT

FALSE STATEMENT

- f) I am not and for the last three years have not been a partner or an employee of the current or former external auditor of a company or of a company affiliated to the external auditor.

TRUE STATEMENT

FALSE STATEMENT

- g) I am not an executive director or a member of the Management Board/the Management of another company in which a Supervisory Board member is an executive director or a member of the Management Board/the Management of the company. Likewise, I am not otherwise related to executive directors or members of the Management Board/the Management, through cooperation in other companies or bodies.

TRUE STATEMENT

FALSE STATEMENT

- h) I have not held the position in the Supervisory Board for more than three terms of office (or for more than 12 years when the Articles of Association of a company stipulates that the term of office should last less than four years).

TRUE STATEMENT

FALSE STATEMENT

- i) I am not a close family member of members of the Management Board/the Management or persons who hold the positions stated in items from a) to h).

TRUE STATEMENT

FALSE STATEMENT

- j) I am not a member of the extended Management of an affiliate.

TRUE STATEMENT

FALSE STATEMENT

- k) I have not taken part in the drawing up of the content for the proposal of the company's Annual Report.

TRUE STATEMENT

FALSE STATEMENT

l) I am not involved in any business or have a competitive relationship with the Company through the Company/another legal entity/sole trader/my regular employment.<sup>8</sup>

TRUE STATEMENT

FALSE STATEMENT

m) I am not a member of the bodies of supervision in a competitor.<sup>9</sup>

TRUE STATEMENT

FALSE STATEMENT

n) I do not have any business relationship with the company or its affiliate (directly or indirectly through related persons - these are considered to be close family members, an employer, other persons related with the Supervisory Board Member through the capital or by way of the governance or otherwise.<sup>10</sup>

TRUE STATEMENT

FALSE STATEMENT

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

TRUE STATEMENT

FALSE STATEMENT

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

TRUE STATEMENT

FALSE STATEMENT

**Please additionally explain circumstances when your answer to items b), l), m), n) or p) has been "FALSE STATEMENT":**

<sup>8</sup> If you have answered: "NOT TRUE", state the following information on the legal transaction: the type of an agreement, the signing date, the duration of the agreement, the parties to the agreement (natural persons), the contractual value, the payments executed pursuant to this agreement, the bank account data and the bank account data of the contracting party, the representatives of the contracting parties, the date of endorsing the legal transaction at the Supervisory Board's session of the company.

<sup>9</sup> In case your answer is "NOT TRUE": (1) specify the competitive company, its core business and, when needed, add a short explanatory note on the grounds for competition, and (2) state whether the other company is in any business or competitive relationship with the controlling company

<sup>10</sup> If you have answered: "NOT TRUE", state the following information on the legal transaction: the type of an agreement, the signing date, the duration of the agreement, the parties to the agreement (natural persons), the contractual value, the payments executed pursuant to this agreement, the bank account data and the bank account data of the contracting party, the representatives of the contracting parties, the date of endorsing the legal transaction at the Supervisory Board's session of the company.

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**Considering the demonstrated potential for conflict of interest, I hereby declare myself to be:**

**A) independent<sup>11</sup> member of Supervisory Board Member/Supervisory Board's Committee,**  
(Please, tick as appropriate.)

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

A2) in spite of the fact that some statements stated under items a) to p) are not true.<sup>12</sup>

When A2) has been ticked, please tick the reason why, in spite of the existence of circumstances which present potential for conflict of interest stated under items a) to p), you should not be considered as a dependent member (*encircle one or several reasons*):

- potential conflict of interest is not of a lasting but only of transitional (temporary) character,
- potential conflict of interest is irrelevant in regard to the type and the number of actions and decisions to which potential conflict of interest relates (or may relate)
- potential conflict of interest is irrelevant in regard to the probability of actual realisation of conflict of interest
- potential conflict of interest is irrelevant in regard to the impact of conflict of interest to the capability of making an objective judgement by a Supervisory Board member,
- potential conflict of interest is irrelevant in regard to my subjective characteristics (in particular, the character and my conduct in the past).
- potential conflict of interest is irrelevant since my independence is founded on relevant legal basis (for example, the law, the Articles of Association - the relevant legal document is stated hereinafter):

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<sup>11</sup> A person is dependent when there is a conflict or a potential conflict of interest between the interest of a candidate and a member of the supervisory body of a SOE and interest of this company which affects or creates an impression that it affects the unbiased decision-making on the part of the member of the supervisory body of the SOE. There is a (potential) conflict of interest of such type that creates dependency or an impression of dependency of a member of the supervisory body from a certain person, a body or an association and it is of a longer nature. A person who is not dependant is independent.

<sup>12</sup> The Recommendation 6.7.1, of the Code recommends that, in the Statement of Independence referred to in Appendix 4 to this Code, a member of the Supervisory Board may demonstrate, that in spite of the existence of circumstances referred to in Appendix 3 to this Code, he/she is independent, by way of demonstrating that potential conflict of interest is not of a long-term nature and that it is irrelevant.

**When one or more reasons have been ticked, by stating all significant circumstances and legal bases, please provide an explanation that potential conflict of interest is not of a long-term nature and that it is irrelevant:**

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**B) a dependent member of Supervisory Board/Supervisory Board's Committee.**

If in spite of the fact that you answer to statements under items from a) to p) was affirmative, you declare yourself a dependent member of the Supervisory board/the Supervisory Board's Committee since your dependency is based on the relevant legal basis (for example the law, the Articles of Association), please state such relevant legal basis (*state the law*):

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**ADDITIONAL: In spite of the fact that you have declared yourself a dependent or an independent member of the Supervisory Board/the Supervisory Board's Committee, please state all other circumstances due to which you may be put in a position of a potential conflict of interest, and please explain the level of its relevance:**

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

Date: \_\_\_\_\_

Signature \_\_\_\_\_



## APPENDIX 6: REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARD FOR FINANCIAL YEAR \_\_\_\_\_

### 6.1 Composition of the Management and remuneration for its members for financial year \_\_\_\_\_

Name and surname	Position (President, Member)	Fixed income - gross (1)	Variable income - gross			Deferred income (3)	Severance pay (4)	Bonuses (5)	Draw-back (6)	Total gross (1+2+3+4+5+6)
			on the basis of quantity criteria	on the basis of quality criteria	Total (2)					

### 6.2 Composition of the Supervisory Board and its Committees and remuneration for their members for financial year \_\_\_\_\_

Name and surname	Position (President, Deputy, Member, external member of a committee)	Payment for the performance of services - gross per year (1)	Attendance fees for SB and committees - gross per year (2)	Total gross (1+2)	Travel expenses

\* the amount transferred by the Company to the bank account of an individual as the prepayment of the income tax which, however, does not take into account the subsequent balancing payments of personal income tax by the individual.

Note:

Some terms and phrases in this text have been adapted for the purpose of giving context to the subject matter in English and may vary from other direct translations.