



CORPORATE GOVERNANCE CODE

Ljubljana, 8 December 2009

The Slovene Corporate Governance Code was jointly drawn up and adopted by the Ljubljana Stock Exchange Inc., the Slovenian Directors' Association and the Managers' Association of Slovenia on 18 March 2004. They agreed to amend and supplement it on 14 December 2005 and 5 February 2007. The Code in its current wording was adopted on 8 December 2009 and entered into use on 1 January 2010.

This is an English translation of the Code; in case of discrepancies between the translation and the original Slovene version, the Slovene version shall prevail.

PREAMBLE

The Corporate Governance Code (hereafter "Code") was jointly adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia. The Code incorporates the Slovene legislation, the guidelines and recommendations of the European Union, principles of business ethics, internal bylaws of the three institutions and internationally recommended standards of diligent and sound corporate governance.

The purpose of the Code is to define the governance and management principles of companies listed on the Slovene regulated market. The recommended practices can also be applied by other companies, so as to contribute to a transparent and understandable governance system in Slovenia, which promotes both domestic and foreign investor confidence into the Slovene corporate governance system, as well as the confidence of employees and the general public.

The Corporate Governance Statement has become a requisite element of the business report in the companies' annual statements and is based on the "comply or explain" principle. This principle allows companies to deviate from the Code's recommendations and thus enables them to develop their own business practices. It is nevertheless expected that listed companies, especially Prime Market and Standard Market companies, will largely abide by the Code's recommendations.

The Code's provisions are not binding for companies. However, the companies must disclose which provisions of the Code they do not abide by, and explain why:

- After 5 years in force, there is no need for the new Code to still contain the binding statutory provisions regulating the governance of listed companies. Since the Code initially took effect, companies as well as the public have become increasingly familiar with the provisions of the previous Code that were phrased with the modal »must« (shall, is obliged to, shall not, etc) and that listed companies are obliged to abide by under the law. These provisions represent the statutory minimum of corporate governance. Companies can summarize them on the basis of Article 70 (5) of the Slovene Companies Act in the description of the governance system they use.
- All provisions of the amended Code have the nature of recommendations, which are not legally binding. Since they represent the basis of a sound corporate governance system, however, companies must disclose any deviations from these provisions in their CG Statement on an annual basis. This is to inform investors of any deviations from the Code and reasons for them. All such deviations must also be disclosed by non-public joint stock companies which base their CG Statement on this Code.

Article 70 of the Companies Act requires listed companies to disclose their corporate governance practice, either in a separate document or under the business report section in the annual report

(CG Statement). A mandatory separate part of such a disclosure is the company's declaration of compliance with the Code.

As opposed to the previous version of the CG Code, the amended Code does not contain principles governing boards of directors. This is on the one hand due to the relative predominance of two-tier systems of governance in Slovenia's listed companies, and on the other due to the fact that the principles and provisions governing two-tier structures are *mutatis mutandis* applicable to and appropriate for one-tier governance systems. In the previous version of the Code, the Chapter "Board of Directors" was a summary of statutory provisions. In Slovene terms we cannot speak of a well-established best practice of specific governance mechanisms in one-tier systems of governance. One-tier system companies that abide by the Code should apply the Chapter "Supervisory Board" in organizing the work of their board of directors. But since the competences of the board of directors are wider than those of supervisory boards – the former also draw up the company's strategy and discharge strategic management as well as manage and represent the company in areas not covered by executive directors – companies with one-tier systems of governance should take this into account. The board of directors in listed companies should appoint several executive directors, for which the principles and provisions of the Code stipulating the "management board" are applicable. Additionally, the board of directors should always set up a remuneration committee, to account for the executive directors' memberships on boards of directors and the potential conflicts of interests in this respect, even if the company's characteristics or the characteristics of its board of directors in themselves call for no such measure. Overall, the appointment, tasks, competences and remuneration of the board of directors with respect to supervision shall be governed, as applicable, by the Code's principles on the "supervisory board", while the same areas with reference to executive directors fall under the Code's principles on the "management board".

The signatories of the Code – the Ljubljana Stock Exchange, the Managers' Association of Slovenia and the Slovenian Directors' Association – have regularly reviewed the efficiency and adequacy of the Code in light of the regulatory framework and the actual environment of listed companies' operations, and have amended and supplemented it when necessary.

Upon the first revision of the CG Code in December 2005, the signatories invited all capital market participants, thus the regulators, professional associations, investors and other Slovene capital market players, to sign a statement supporting the provisions of the Code and thus contribute to the improvement of the corporate governance culture in Slovenia. In 2006, the Slovenian Institute of Auditors, the Stock Exchange Members' Association, the Slovenian Employers' Association, the PanSlovenian Shareholders' Association, and the Chamber of Commerce and Industry of Slovenia signed statements of accession to the Code, and thus expressed their support of the provisions of the Code and a commitment to implement them and promote the Code among their members. In 2009 they were further joined by the state-owned pension and disability insurer KAD, the state-run restitution fund SOD, the Ministry of the Economy and Ministry of Finance, the association of minority shareholders "Društvo – mali delničarji – skupaj smo močnejši", The Slovenian Investment Fund Association and the Agency for



Public Oversight of Auditing. The Code also received the support of the Securities Market Agency, the Bank of Slovenia, Insurance Supervision Agency and the Bank Association of Slovenia.

The revised 2009 version of the Code is thus a joint effort: it was prepared by the Code's initial signatories in cooperation with the listed companies and experts that participated in the public debate, as supported by the Ministry of the Economy of the Republic of Slovenia.

CORPORATE GOVERNANCE FRAMEWORK

- 1 The key objective of a joint-stock company engaged in a revenue-generating business is to maximise the company's value. This, as well as the company's other objectives pursued in the course of its business, such as the long-term value creation for shareholders and the social and environmental aspects ensuring a sustainable development of its business, is stated in the company's articles of association.**

- 2 The management board works together with the supervisory board in drawing up and adopting a Corporate Governance Policy ("CG Policy"), thereby laying down the major guidelines of corporate governance as compliant with the company's long-term objectives. The CG Policy is communicated to the stakeholders by being published on the corporate website.**
 - 2.1 In drawing up the CG Policy, the management board cooperates with the supervisory board, whereby it takes account of the company's development needs and its specificities, such as its size and area of business. The supervisory board takes part by drawing up its own activities schedule for each financial year and by defining the issues to be dealt with. These include the required frequency and form of communication with the management board, the role of the supervisory board in assessing risk management systems, and the procedure of drawing up general meeting resolutions, chiefly the proposed appointments of supervisory board members. In drawing up the CG Policy, the management board and supervisory board may make reference to other public documents.
 - 2.2 The CG Policy is adopted for a specific future period and updated as frequently as needed for it to always reflect the company's latest governance policy. It contains the date of its latest update and is available on the company's website.

- 3 In relations with its stakeholders, a company exercises its rights with due responsibility and meets the obligations it has undertaken in a manner that is compatible with the company's objectives and that serves its long-term interests.**
 - 3.1 During the entire term of its relationship with representatives of individual stakeholders, a company provides for appropriate communication and mutual protection of confidentiality as well as for the maintenance of best business practice.
 - 3.2 In adopting actual decisions, a company considers the legitimate interests of all stakeholders, in particular the employees. Unless considered a business secret or inside information, the company communicates all decisions having a direct impact on a given stakeholder group to the respective group.

RELATIONS WITH SHAREHOLDERS

4 The company ensures a governance system that respects the principle of equal treatment of shareholders and fosters a responsible enforcement of shareholder rights.

4.1 The company encourages all shareholders to be active and responsible in enforcing their rights, and to engage in mutual dialogue.

4.2 The company encourages all significant shareholders, institutional investors and the state in particular, to publicly disclose their investment policy with respect to the stake they hold in the company concerned, i.e. their voting policy, the type and frequency of their engagement in the company's governance, and the dynamics of their communication with the respective company's managerial or supervisory bodies. The company is considered to have called its shareholders to make such a disclosure pursuant to this Principle if the convocation of the meeting includes the respective invitation.

5 The company facilitates and encourages shareholders to actively enforce their voting rights by informing them of the convening and progress of general meetings in a timely and accurate manner and by holding general meetings with due responsibility. To facilitate the shareholders' right to be informed, the company provides them with reliable data on the company and its related companies, as required for shareholders to make informed assessments of the items on the agenda. Each shareholder has the right to attend the general meeting and there discuss the items on the agenda, ask questions and provide proposals, as well as to be informed of the adopted decisions, on a non-discriminatory basis.

5.1 The company provides for a smooth and transparent progress of the general meeting by making sure that it is attended by persons competent to provide explanations and answer any questions related to proposed resolutions, subject to reasonable limitations and pertaining to individual items on the agenda.

5.2 Each institution or individual planning an organized collection of proxy notices for the general meeting informs the management board of such an intention in advance of the actual collection. The company thereupon posts on its website, along with the other information on the convening, a public announcement stating who is organizing the collection of proxy notices and for which general meeting. Such an announcement includes:

- a list of proxies;
- their contact details (address to which proxy notices are to be mailed);
- the period available for sending proxy notices;
- a proxy notice.

Not later than on the day of the general meeting, the company also discloses the total costs of the organized collection of proxy appointments.

- 5.3 Not later than upon convening the general meeting, the company provides understandable information about the consequences that the potential adoption of any proposed resolutions might have for the existing and potential shareholders, and substantiates why such resolutions should be adopted – either resolutions on changes of the company's articles of association (capital increase or decrease, waiver of existing shareholders' preemptive right, changes in the nominal value of shares, transformation of the type of shares) or resolutions on the company's corporate restructuring (division, merger, transfer of property, change in legal form of organization).
- 5.4 In cases of a proposed resolution on the transfer of listing to another regulated market or a proposed resolution on the delisting of shares from the regulated market, the company communicates in a clear manner the consequences of such a proposal and resolution being adopted, both for the existing and potential shareholders, and substantiates the proposed resolution. The company also discloses in due time the presumed activity plan of the delisting.
- 5.5 If the general meeting is to elect members of the supervisory board as proposed by the board itself, the board's substantiation of the proposals for such resolutions includes, along with the statutorily required data, at least the information on the proposed nominee's membership on other managerial or supervisory bodies and any potential conflicts of interests, pursuant to the criteria given in Appendix C of this Code.
- 5.6 When resolutions are proposed by the supervisory board, the general meeting elects each member of the supervisory board separately.
- 5.7 If the general meeting is to decide on the management remuneration policy, it should adopt it at the proposal of the supervisory board and align it substantively with the current market situation and the situation in the company. The management remuneration policy should substantively follow the provisions of the Code, and should define:
- the amount of non-variable remuneration to members of the management board,
 - the possibility of variable remuneration for a member of the management board,
 - criteria used for determining types of variable remuneration,
 - any potential restrictions with respect to variable remuneration,
 - the annual dynamics of setting the criteria for variable remuneration,
 - specification of remuneration given as shares, stock options and other types of financial instruments, along with any restrictions of such remuneration,
 - the annual assessment of the criteria being fulfilled and of the supervisory board activities in this area.
- 5.8 The general meeting takes separate votes about the resolution on the distribution of accumulated profit, and about the resolution on formally discharging managerial and supervisory bodies from responsibility, even though both matters are discussed under the same item on the agenda. The general meeting likewise adopts separate resolutions for

discharging the management board on the one hand and the supervisory board on the other.

- 5.9 If the general meeting is to adopt a resolution on having reviewed the annual financial statements, or if the general meeting has the power to endorse the financial statements, a representative of the company's certified auditor is summoned to the meeting.
- 5.10 In the public announcement about the conducted general meeting, the company provides statutorily required information as well as:
- a clear identification of the five largest shareholders present or represented at the meeting, along with their respective numbers of shares held and the numbers of their voting rights; voting rights should also be given as a percentage of the total voting rights in the company and as a percentage of the voting rights in the respective class of shares;
 - notice on the distribution of accumulated profit, as well as data on the dividend amount, the record date when the shareholders entitled to dividend payments are to be identified, and the payable date;
 - when the adopted resolutions refer to the issue of new serial securities, a detailed account of the rights and obligations arising from such securities.

SUPERVISORY BOARD

- 6 The composition of the supervisory board ensures diligent supervision and decision taking that is in the best interest of the company. Members of the supervisory board are appointed with a view to their complementary professional expertise, experience and skills.**
- 6.1 The supervisory board has a sufficient number of members to facilitate efficient discussions and the adoption of quality decisions based on the diversity of its members' experience and skills.
- 6.2 In the proposed new composition of the supervisory board at least a half of the members are independent. Members that act and adopt decisions independently are taken to be independent supervisory board members. A supervisory board member is always taken to be dependent if he has close business ties with the company, its management or significant shareholders. In the event of changed circumstances that affect the member's meeting the criteria of independence, such a member immediately informs the supervisory board. The obligation to appoint independent members applies both to shareholders as well as works councils.
- 6.3 When the supervisory board is set up, when the terms of office of new members begin and upon the appointment of special supervisory board committees, the president of the

supervisory board ensures that newcomers receive an efficient induction to the work on the board, whereby the management board provides organizational support. Upon or immediately following its establishment, the supervisory board makes firm commitments with respect to its activities related to establishing and implementing their key corporate governance institutes.

7 The selection procedure for new supervisory board members, and the procedure of drawing up the related proposal of the general meeting resolution for appointing new board members, are transparent and defined in advance.

7.1 In assessing a candidate's eligibility for a supervisory board member, statutory criteria are applied as well as the following additional criteria, to the greatest possible extent:

- adequate personal integrity and business ethics,
- min. college-level and preferably university-level education,
- adequate experience in corporate governance or management, or work experience in the company's industry,
- comprehensive business and relevant professional knowledge,
- the ability to act and make decisions in the company's long-term interest, thereby subduing to this cause potential alternative personal or other individual interests (of third persons, employees, the management board, shareholders, the public and the government),
- candidates are not managers, supervisors, representatives or consultants of competitive companies in the industry of the respective company's primary business, and they are also not significant shareholders or stakeholders in such competitive companies,
- they have sufficient time or will have sufficient time once they are appointed,
- they are capable of efficient communication and teamwork,
- they are prepared to undertake continuous training and professional development,
- they have a certificate evidencing their specialized professional competence for membership on a supervisory board, such as a Certificate of the Slovenian Directors' Association or another relevant certificate.

7.2 If a permanent or temporary nomination committee operates within the supervisory board, the board carefully studies its recommendations and discloses in the materials for the general meeting whether it has applied these recommendations in its appointment of the candidates for supervisory board members. If the supervisory board has no such nomination committee, it conducts the procedures recommended for nomination committees in Appendix B3 of the Code by itself.

7.3 Prior to beginning the assessment of potential candidates for supervisory board members, the supervisory board or nomination committee defines the level of professional knowledge, experience and skills necessary for a supervisory board member's high-quality conduct of his function. To this end, the supervisory board draws up in advance an outline of the function as well as the professional knowledge, experience and skills necessary to

perform such a function (supervisory board member profile), against which the candidates are assessed. Such a profile is drawn up according to the size, line of business and other characteristics and needs of the company.

- 8 The supervisory board monitors the company throughout the financial year, takes an active part in drawing up the CG Policy and in establishing the corporate governance system, carefully evaluates the work of the management board and performs other tasks pursuant to the law, company regulations and the Code.**

All members of the supervisory board sign a special statement, disclosing their meeting of the criteria of independence from Section C.3 of Appendix C of this Code. In this statement they pronounce themselves independent if they meet all the criteria or dependent if they do not, and state explicitly that they have the relevant professional training and know-how to work on a supervisory board. Such signed statements are then posted on the company's website.

- 8.1 Within a due period after the appointment, the supervisory board either endorses or supplements the existing rules of procedure, or adopts new rules of procedure, as compliant with the needs of the current supervisory board and the Code. The supervisory board rules of procedure govern especially:
- the manner of calling meetings, communication among members and dissemination of materials,
 - the manner of voting and decision taking,
 - the frequency of board meetings,
 - the content and manner of drawing up, coordinating and endorsing the minutes,
 - the tasks of the president and secretary of the supervisory board,
 - detailed criteria for assessing conflicts of interests and procedures in cases of potential conflicts of interests.
- 8.2 In its rules of procedure, the supervisory board sets the scope of topics and timeframes to be observed by the management board in its periodic informing of the supervisory board. The communicated data enable supervisory board members to make an objective and balanced assessment of the company's financial position. The management board provides written notices to the supervisory board at least once per quarter. Provided adequate protection and information security are ensured, such notices may be e-mailed. The documents needed by supervisory board members to make quality decisions are made available to them or to the supervisory board committees in due time.
- 8.3 The tasks and competences are distributed among members of the management board by the president of the management board or by the management board rules of procedure, and afterwards communicated to the supervisory board. If the company does not have in place the system in which the president of the management board proposes members of the management board, the tasks and competences are distributed to members of the

management board by the supervisory board through cooperation with the president of the management board.

- 8.4 To distribute materials and convene meetings, the supervisory board makes use of information technology. If the size of the supervisory board or geographical dispersion of the members justifies this, the supervisory board uses information technology also for holding meetings and voting on proposed resolutions. The company ensures efficient information security of the electronic communication with the members of the supervisory board.
- 8.5 The supervisory board usually summons management board members to its meetings. In case of an item on the agenda that would best be discussed in their absence, or in cases where their presence could affect the supervisory board's independent work (deciding on the appointment of the president of the supervisory board, deciding on the evaluation and remuneration of the management board, self-assessment), the supervisory board adopts decisions in the absence of the management board.
- 8.6 As soon as when accepting their candidacy, members of the supervisory board make an objective assessment of the scope of their existing duties as related to the remaining time they have available, and that is expected and required of them, to invest into the function of supervisory board member in the relevant company. They inform the president of the supervisory board of any changes in their responsibilities outside the company, and of any newly assumed responsibilities, immediately or as soon as possible.
- 8.7 The supervisory board rules of procedure stipulate the board's communicating with the public with respect to the decisions adopted at its meetings. In exceptional cases, the board adopts a resolution making the passed resolutions either public or confidential, and defining the manner of the board's communicating with the public. Such communication is done by the president of the supervisory board, save as otherwise required by a supervisory board resolution or exceptional circumstances.
- 8.8 Prior to appointing the management board, the supervisory board examines whether the candidates meet not only statutory conditions but the additional conditions stipulated by the articles of association and by the management board member profile, as defined by supervisory board resolutions or proposals of the remuneration committee.
- 8.9 The supervisory board shall carefully study to what an extent the pre-established criteria and the recommendations for appointing management board members, as drawn up by the remuneration committee or another competent body, are met.
- 8.10 The supervisory board ensures the establishment and implementation of a management board remuneration system as compliant with Principle 16 of the Code. The supervisory board defines the objectives to be reached by management board members, as well as the criteria for variable remuneration, separately for each financial year and as aligned with the

company's annual plans, and assesses the performance of management board members as compliant with these criteria – separately for each year and depending on the company's annual statements.

8.11 The company provides the supervisory board with room and technical means to facilitate its work, including funds to induce new members, funds to provide additional training to existing members, funds to obtain assistance from external experts, and funds to cover any other reasonable costs related to the board's work, including remuneration for supervisory board committees and remuneration for external members of such committees.

8.12 The supervisory board's report presented at the general meeting offers a precise and credible account of the board's activities during the year. Along with statutorily required items, the supervisory board includes in its report the relevant information about its internal organization and its composition with regard to the independence of its members, describes any conflicts of interests and how they were resolved, as well as presents the board's operations. The report also states to what an extent the board's self-assessment has contributed to change. The supervisory board report further contains an account of the expenses of the board's operations, if they had not already been disclosed in the annual report (costs related to external experts, external committee members, induction and training, head hunting, expert opinions, etc).

9 Once a year, the supervisory board assesses its composition, operations and potential conflicts of interests of its individual members, as well as the board's functioning – collectively and of its individual members – and its cooperation with the management board. In assessing its work, the supervisory board also assesses the work of supervisory board committees.

9.1 The assessment procedure includes the following activities and positions:

- assessment of the work of the supervisory board or a committee, and obtaining opinions on required improvements,
- examination of whether the communication and cooperation between the supervisory board and the management board is adequate,
- assessment of the contribution of each individual member, their presence at meetings and their involvement in discussions and decision taking,
- examination of whether there are circumstances with respect to each member, which could result in a conflict of interests or their dependence, assessment of the current composition of the board with respect to the requirements related to the company's regular operations needed to achieve the set objectives. The composition of the supervisory board should adhere to the principle of equal representation of both sexes and all age groups, and generally be as diverse as possible.

9.2 Prior to assessing the work of supervisory board committees, the board asks the relevant committee to report its operations over the previous year.

- 9.3 Depending on the results of such assessment procedures, the supervisory board promptly takes additional measures as required, and takes account of the related findings in its subsequent work and preparation of proposals for the general meeting.
- 10 Members of the supervisory board elect the president of the board by simple majority. The president should have adequate knowledge, skills and the ability to mediate and lead. The president chairs and represents the supervisory board, but cannot adopt decisions on its behalf. Before he is entitled to communicate any position to the management board or third parties, the respective issue must first be discussed on the supervisory board, which then adopts requisite resolutions or grants authorizations. All recommendations for the president of the supervisory board also apply to deputy president.**
- 10.1 A person that was on the management board of the company concerned or on the management of a related company in the past year cannot be appointed president of the supervisory board.
- 10.2 The president of the supervisory board ensures that the procedures related to preparatory work, consultations, adopting of resolutions and decision taking are precisely adhered to. The agenda for a supervisory board meeting consists of items to be discussed at the meeting. The agenda also specifies whether an item and corresponding materials are of an informative nature only or whether actual decisions are to be adopted on their basis (adopted report, consent or authorization granted to the management board, etc). Provided that the members receive adequate materials and have sufficient time to prepare, the supervisory board may add additional items to the agenda on the spot, by a simple majority vote.
- 10.3 It is the president's responsibility that diligent minutes are taken of each supervisory board meeting, which contain a summary of the discussion and state the potential reservations expressed during the meeting by the members with respect to any item on the agenda. The president of the supervisory board draws up draft minutes and mails them to all supervisory board members within 15 days of the meeting. The president includes the comments that arrive in due time into the materials for endorsing the minutes at the next meeting.
- 10.4 The president ensures that members make knowledgeable and informed contributions to discussions, and that there is sufficient time for reflection and discussion prior to decision taking.
- 11 At the proposal of the management board, the supervisory board appoints a supervisory board secretary, who takes minutes, attends to the archives, offers organizational support to the board and provides advice on governance matters. Members of the board can also consult the secretary outside supervisory board meetings.**

- 11.1 The role of the supervisory board secretary is to offer organizational and professional support to the supervisory board and its president. Along with monitoring supervisory board procedures as stipulated by the rules of procedure, the secretary also fosters a smooth information flow among members, helps organize induction and works toward obtaining outside support for the operations of the supervisory board.
- 11.2 The supervisory board ensures the secretary has signed a statement in which he makes a commitment to protect the confidentiality of information on the same level as the members of the supervisory board, unless he has already made such a commitment on a different basis.
- 12 Members of the supervisory board receive adequate payment for performing their function. The payment is such that enables an appropriate composition of the board and reflects the responsibilities and tasks endowed to the supervisory board by the law and the Code.**
- 12.1 Aside from attendance fees, members of the supervisory board are also entitled to payment for performing their function, in the amount set by the general meeting. Members of the supervisory board receive strictly cash payments and their remuneration cannot be directly related to the company's performance as given in the company's statements.
- 12.2 Members of the supervisory board that are also members of board committees receive additional payment for their work on the committees, in compliance with a general meeting resolution or based on provisions of the company's articles of association. This additional payment cannot exceed 80 per cent of the remuneration for membership on the supervisory board. The general meeting resolution or amendment of the articles of association stipulating such payment shall be adopted in advance. The remuneration for external members of committees comes from the funds set aside for supervisory board activities. Pursuant to the Supporting Principle 8.11., the company shall provide such remuneration in the scope typical for professional work in the respective field of expertise. The final decision regarding the payment to external members is adopted by the supervisory board and is independent of general meeting resolutions.
- 13 The supervisory board sets up special committees, which analyze specific issues and advise the supervisory board with respect to these issues. Decision taking nevertheless remains the collegiate responsibility of the entire supervisory board.**
- 13.1 Aside from an audit committee, the supervisory board also sets up a remuneration committee and nomination committee. Depending on the size of a supervisory board and the complexity of the work, the tasks of the remuneration committee and the nomination committee, as laid down in Appendix B of the Code, may be undertaken by the same committee. Committees are set up as soon as possible after the constitutive meeting of the supervisory board and early enough to be able to diligently undertake their tasks.

- 13.2 When setting up a committee, the supervisory board defines its anticipated mandate and lays down its competences and powers. It thereby takes into account the company's specifics as well as the number of members on the board and their professional expertise. A committee's mandate cannot exceed the mandate of the supervisory board.
- 13.3 The supervisory board, working with the management board, provides a committee with all the materials and documents required for its work.
- 13.4 In performing their function, all committee members take account solely of the company's objectives. The rules on conflict of interest, which apply to supervisory board members, also apply, *mutatis mutandis*, to external committee members (who are not members of the supervisory board). When an external member is not bound by the law or a company act to respect confidentiality according to the same standards as supervisory board members are, the supervisory board makes sure that all external committee members sign a statement binding them to protect data confidentiality according to the same standards as supervisory board members.
- 13.5 After each committee meeting, the supervisory board receives a report on the adopted resolutions and on the potential positions that the committee adopted for the supervisory board, either spoken or in writing.
- 13.6 Committee members have professional and personal characteristics of the kind that enable them high-quality and independent work, while primarily enabling:
- independence from the management board,
 - time available for work on the committee,
 - sufficient expertise in the professional subject-field dealt with by the committee.

MANAGEMENT BOARD

- 14 The company is managed by the management board, whose work, knowledge and experience ensure an optimum fulfilment of their function along with risk management and risk assessment, thus facilitating the company's long-term performance. It is the management board that defines and stipulates the company's values and operations strategy, while its organization facilitates an efficient performance of its tasks. The management board achieves the company's optimum performance by employing suitable directors as well as engaging other human and financial resources.**
- 14.1 The management board briefs the supervisory board regularly, promptly and coherently on all matters relevant for the company's operations, its strategy, risk management, etc. When the supervisory board requests a report or presentation of documentation, the management board complies with such as request as soon as possible. In providing

information to the supervisory board, the management board complies with the high standards of confidentiality and information security.

- 14.2 A member of the management board immediately informs the supervisory board of his appointment into a supervisory body of another company or of the termination of such a post.
- 14.3 A member of the management board immediately informs the supervisory board in writing of any legal transactions on the basis of which he or his close family members have acquired shares or participating interests in a company, which make their holding in the respective company reach or exceed, or fall below, the qualifying holding.
- 15 The management board is composed so as to foster the adoption of decisions in the best interest of the company. The management board consists of several members, who ensure a diligent and responsible meeting of the company's objectives. The management board acts in compliance with high ethical standards and takes into account the interests of all groups of stakeholders. There is mutual trust among members of the management board, which enables open discussion and a constructive approach in cases when opinions differ. The competences of members and their methods of work are stipulated in the management board rules of procedure.**
- 15.1 Aside from meeting statutory conditions and the conditions stipulated by the company's articles of association and other by-laws, the president of the management board also has leadership and organizational skills as well as the reputation of a good businessperson in the wider social environment.
- 15.2 All members of the management board, being a collegiate body, provide full, precise and prompt information to the supervisory board on all relevant business with respect to the areas of their competence.
- 16 Companies have in place a remuneration system that enables them to acquire appropriate members into the management board given the company's needs, while at the same time ensuring that management board interests are aligned with the company's long-term interests.**
- 16.1 The management board remuneration package consists of a non-variable and variable component. The granting of the variable part is performance-linked and subject to predetermined criteria. Aside from successful operations, performance criteria shall also facilitate the company's sustainable development and include non-financial criteria relevant for generating the company's long-term value, such as abiding by the company's valid regulations and ethical standards. The non-variable component of remuneration is sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.

- 16.2 When a variable component is granted, the amount of the variable component that exceeds the total non-variable component paid over the past year shall be deferred for at least one year.
- 16.3 Termination payment cannot exceed the total non-variable payments received over the past year.
- 16.4 If the variable part of remuneration is given as shares, the shares do not pay out for at least 3 years after they were awarded.
- 16.5 Stock option plans and comparable financial instruments do not stand for the majority of a member of the management board's variable component of remuneration. The criteria for granting stock options and similar financial instruments exclude general market performance, as attested by comparative parameters such as stock index returns or anticipated advances in the price of the company's share. Claims and cash compensation for un-exercised options are not allowed. The member of the management board who acquires shares on the basis of option rights (stock option plan) or stock purchase plans cannot be entitled to sell these shares for at least 1–2 years after the end of the mandate in which he acquired them.
- 16.6 Variable remuneration given as shares, as well as the execution of stock options and any other rights to acquire shares or be remunerated on the basis of share price movements, must not be made possible for at least 3 years after such rights were awarded.

INDEPENDENCE AND LOYALTY

- 17 Members of the supervisory and management board make independent decisions. In taking action and making decisions, members of the supervisory and management board take account of the company's objectives and subordinate to them the potentially different individual own or third party interests, the interests of the management board, shareholders, the public, and the government.**
- 17.1 Members of the supervisory and management board take all precautionary measures to avoid any conflict of interest that might affect their judgement. The criteria pointing to a conflict of interests are given in Appendix C of the Code.
- 17.2 Once a year, upon (re)appointment and upon each change, members of the supervisory board sign and provide the board with their statement of meeting the individual requirements from Appendix C3. They thereby take a position with respect to potential conflicts of interests, pursuant to the criteria stipulated in Appendix C3, and commit to immediately inform the supervisory board of any potential new conflicts of interests.

- 17.3 In case of a suspected conflict of interest or breach of the non-compete obligation, the relevant member of the supervisory board or management board immediately informs the supervisory board. If the supervisory board determines the case at hand to be a breach of the non-compete obligation, the relevant member of the supervisory board or management board shall stop with the breach immediately and transfer the gains from the relevant deal to the company as well as compensate it for any potential damage. If the supervisory board determines the case at hand to represent a material conflict of interests, the relevant member shall immediately terminate the controversial relationship, failing which makes the supervisory board assess the need for the relevant person's function as member of the supervisory board or management board to terminate, and takes appropriate action.
- 17.4 Should the member of the supervisory board or management board not inform the supervisory board of his potential breach of the non-compete obligation, or should the said person inform the board but thereafter not comply with the supervisory board's instructions, the supervisory board deprives the relevant member of the management board of his office or proposes to the general meeting for the relevant member of the supervisory board to be deprived of office.
- 17.5 Measures in the event of a potential conflict of interests:
- the relevant member of the supervisory board explains the conflict of interests and abstains from voting;
 - when there are well-founded reasons for this, the president of the supervisory board may, prior to holding a vote, ask the members of the board to state their potential conflicts of interests with respect to the subject put up for the board's vote;
 - the obligation of supervisory board members to abstain from voting due to conflicts of interests, as well as their explanations and statements in this regard, are recorded in the minutes of the supervisory board meeting.

AUDIT AND SYSTEM OF INTERNAL CONTROLS

- 18 **By selecting an auditor through a process in which the company's management and supervisory bodies as well as the audit committee (which is mainly composed of independent experts in accounting and audit) take an active part, the company fosters the appointment of an auditor that can ensure an independent and impartial audit of the company's financial statements pursuant to the professional and ethical principles of audit as well as other auditing rules. To meet these requirements, the company facilitates all the conditions necessary for a quality communication flow with the auditor during the course of the audit.**
- 18.1 Prior to embarking on the process of selecting an auditor, the audit committee and the competent body that proposes to the general meeting the auditor to be appointed set up

the appointment criteria and the minimum conditions for cooperation with the auditor. These include the mandatory disclosure of any non-audit services the auditor has performed for the company or its related companies in the past year.

- 18.2 The audit committee examines the managerial bodies' responsiveness to the issues stated in the letter to the management, as drawn up by the auditor during the pre-audit or after the conducted audit.
- 18.3 At least once every 5 years, the company commissions another key audit partner at the same audit firm or hires a different audit firm.
- 19 The company sets up an efficient system of internal controls, which fosters quality risk management. In cooperation with the audit committee, the company ensures a substantive, periodical and impartial professional surveillance over the works of the system of internal controls, tailored to the company's business and scope of operations.**
- 19.1 The management board ensures that adequate organization and competent human resources are in place for timely risk detection and assessment, and for adequate risk management, with respect to the risks the company is exposed to owing to its business operations.
- 19.2 The audit committee offers professional support to the supervisory board in approving the annual internal audit plan, ensuring prompt monitoring of risk management.
- 19.3 The company makes sure the reports and findings of the internal audit are available to members of the audit committee and to the auditor of the company's financial statements.
- 19.4 The main task of persons in charge of internal audit is independent monitoring of the orderliness and cost-effectiveness of the company's operations, and of its compliance with the regulations and the company's internal acts, with special emphasis on the quality and adequacy of the system of internal controls. Their conduct encourages quality valuations and improvement of risk control and risk management procedures, and contributes to added value by providing independent and impartial guarantees to the company management board.

TRANSPARENCY OF OPERATIONS

- 20 The CG Policy defines the company's corporate communication strategy, which dictates high quality standards with respect to the drawing up and preparation of accounting, financial and non-financial information.**

- 20.1 The company provides information to the public in a manner that does not cause unequal informing. A public announcement contains all the information necessary for a securities investor to assess the situation and estimate the effect of a business event on the price of the company's security. The wording of the public announcement is clear, comprehensible and not misleading.
- 20.2 The company's management is responsible for drawing up and implementing a corporate communication strategy that prevents situations fostering insider dealing (abuse of inside information). The company's management adopts a Corporate Communication Rulebook, which contains in particular:
- a set of rules on the protection of confidentiality, business secret and inside information for members of management and supervisory bodies and for other persons having access to inside information during their mandate and after it expires; the rules lay down how this type of information is to be labelled and protected as well as provide for sanctions in case of potential breaches;
 - a clear definition of the information flow inside the company, along with the recording and supervision of access to inside information from origin to public announcement, as well as warnings that the relevant information has not been publicly disclosed yet and therefore constitutes inside information;
 - a list of the appointed persons responsible for communicating with investors and the publics (the recommended persons to organize internal procedures are management board members or executive directors, financial directors or IR officers; for the supervisory board this person is the president of the board);
 - the contents and procedures of communicating with the public (e.g.: prompt disclosure of information through public announcements, publications, press conferences, the company's website, provision of materials, open-door day);
 - the company's response strategy in case of rumours and media pieces about the company or its operations (public announcement confirming and substantiating or denying);
 - the possibility of setting up efficient information barriers (Chinese Wall), which prevent information leakage in cases of exceptional events in the company due to which certain persons have access to inside information.
- 20.3 The company lays down rules on directors' dealings, stipulating trading restrictions, temporal restrictions for trading (closed trading windows) and ordering members of the company's bodies as well as related natural persons, legal entities and other persons with access to inside information to disclose their transactions in the company's shares and in the shares of related companies.
- 20.4 Prior to the beginning of the year, the company draws up its financial calendar, in which it provides the expected dates of its significant announcements in the coming financial year (general meetings, announcement of the record date for dividend payments, dividend payment date, annual and interim reports, etc). The financial calendar is published and publicly available on the company's website.

21 The company sets up a manner of informing the public that provides for equal, timely and economical access to all relevant information to both the shareholders and the public.

21.1 To foster efficient informing of investors and the publics, the company uses electronic media such as its corporate website or the Ljubljana Stock Exchange information dissemination system SEOnet. The company strives for its official website to be as transparent as possible. The company's website contains all the key information about the company and its operations.

21.2 The company's website includes the name and contact information of its IR officer, especially if the information on the website is not available in English in the same scope as in Slovene.

21.3 The company provides its public announcements not only in Slovene but in a language of international finance, in which it also draws up its annual report.

22 The company provides for a prompt and precise publication of information related to all the relevant aspects of the company, its financial situation, operations, ownership, governance and expectations for the future.

22.1 The company provides prompt information about its financial and legal situation, and about its operations, by publishing:

- annual and interim reports,
- plans and expectations with respect to future operations, company development and company objectives,
- operation estimates, potential deviations from forecasts and changed operating conditions,
- information about the significant risks and uncertainties that the company is exposed to, as well as aims with respect to risk management and related measures,
- information about the impact of events from the environment, which can effect the company's legal and financial situation.

22.2 The company also publishes a corporate sustainability report, posting it on its website as a separate report or as a part of the annual report. The sustainability report includes a report on social responsibility (responsibility to employees, consumers, the local community and environmental protection).

22.3 The company discloses any acquisition or disposal of own shares promptly or not later than at the time when the acquired or disposed of shares make up for 1 per cent of the company's share capital at the latest, and upon each subsequent exceeded whole per cent.

22.4 As soon as possible, the company makes a public announcement of any change in the shares of voting rights in the company held by a member of a managerial or supervisory

body, applicable also to members of management and supervisory bodies of related companies.

- 22.5 In the annual report, the company discloses for its members of the management board and the supervisory board their memberships on the managerial or supervisory bodies in non-related companies.
- 22.6 In the annual report, the company discloses any potential cross-holdings with other companies (i.e. the company has a substantial holding with attached voting rights in another company, whereby the latter company also holds a substantial number of shares with voting rights in the former company).
- 22.7 The company discloses the gross and net remuneration of each member of the management board and of the supervisory board. Such a disclosure is clear and comprehensible to an average investor, and includes aside from statutorily-imposed content:
- an explanation how the choice of performance criteria contributes to the company's long-term interests,
 - an explanation of the methods applied to determine whether the performance criteria have been met,
 - precise information on the deferment periods with regard to variable components of remuneration,
 - information on the policy regarding termination payments, including the criteria conditioning termination payments and the amounts of termination payments,
 - information with regard to vesting periods for share-based remuneration,
 - information on the policy regarding the retention of shares after vesting,
 - information on the composition of peer groups in companies that have been studied with respect to their remuneration policies in the course of setting up a remuneration policy in the company concerned.
- 22.8 To facilitate comparability of financial statements, the company draws up and publishes its annual and interim consolidated financial statements pursuant to the International Financial and Reporting Standards (IFRS).
- 23 The company makes a detailed account of its governance practice in the Corporate Governance Statement, which it draws up pursuant to the Companies Act. The Corporate Governance Statement is made part of the company's annual report and is also an independent document posted on the company's website.**

ADOPTION, AND ENTRY INTO FORCE

Adoption of the Code

The Corporate Governance Code has been drawn up and adopted through common accord by the Slovenian Directors' Association, the Managers Association of Slovenia and the Ljubljana Stock Exchange.

Amendments and supplements of the Code

Pursuant to the memorandum of cooperation entered into by all three signatories of the Code, the Code's amendments and supplements shall be drawn up and adopted through common accord, usually once a year.

Entry into force of the Code

The Code and its amendments from time to time shall take effect on the day signed by the representatives of all three organizations that participated in its being drawn up.

The Code shall be published in the newsletters and on the websites of all three signatories.

Ljubljana, 8 December 2009

Ljubljana
Stock Exchange

Slovenian
Directors' Association

Managers Association of
Slovenia

APPENDIX A: DEFINITIONS

The definitions of terms in this Appendix refer exclusively to the use of the respective terms in this Code and are intended to enhance the understanding of the Code's main and supporting principles. They have been taken from the valid provisions of the Slovene company law and the Markets in Financial Instruments Act, and are given in the alphabetic order of their Slovene counterparts.

A.1 Stakeholders: stakeholders in companies are interest groups that contribute, either voluntarily or involuntarily, to the ability and activities of companies to create added value, and are therefore also the vehicle of potential gains and risks undertaken by the company.

A.2 Institutional investor: a legal person whose main activity is investing assets to maintain the asset value and generate returns on such investments (insurers, pension funds, asset managers, etc).

A.3 Listed company: a joint-stock company whose shares are listed on a regulated market in compliance with the law.

A.4 Committees: the supervisory board or the board of directors may establish special committees, which may be set up for the entire mandate of the board or only at extraordinary events, to effectively resolve complex issues.

A.5 Qualifying holding: a direct or indirect holding of a participating interest, shares or other rights in a legal person that enable the holder to acquire either min. 10 per cent of voting rights, or a min. 10 per cent stake in the respective legal person's capital, or an amount of voting rights or a stake in the legal person's capital that are less than 10 per cent but nevertheless make it possible to exert a significant influence over the management of the undertaking in which that holding subsists.

A.6 Minority shareholders: the lowest percentage of shareholders, as stipulated by law or the articles of association, who are entitled to the so-called minority rights (the convening of a general meeting at the initiative of shareholders who represent 5 per cent of the company's share capital, and the request for the expansion of the agenda of the meeting; voting on shareholders' election proposals prior to the proposals of the supervisory board or the board of directors, if so requested by the shareholders who represent 10 per cent of the company's share capital; recalling of a supervisory board member or a member of the board of directors through court proceedings, if so requested by the shareholders who represent 10 per cent of the company's share capital).

A.7 Regulated information: every piece of information that the public company, or another person that requested admission of securities to trading on a regulated market without the

consent of the public company, must disclose pursuant to the Markets in Financial Instruments Act.

A.8 Conflict of interests: a situation when a person's impartial and objective performance of tasks or decision taking within the function he is performing is compromised due to personal business interests, his family's interests, emotions, political or national bias or any other related interests with other natural or legal persons being involved. A conflict of interest is an impediment to voting and the person disclosing it shall explain it.

A.9 Counterproposal: enables a shareholder to provide well-grounded counterproposals to the proposed resolutions that are on the agenda of the company's general meeting. A counterproposal cannot constitute a proposal for deciding on an additional item to be put on the agenda. Shareholders may present counterproposals up to after 7 days following the convocation of the meeting as well as at the meeting itself, whereby the 7-day period after the published convocation is meant to bind the company's management to notify all other shareholders of the content of the counterproposal.

A.10 Independence: absence of any influence on a person's impartial, professional, objective, honest and comprehensive assessment in performing their tasks or in their decision taking within the function they are performing. Persons are considered dependent if they have a business relationship, are personally or in some other way closely related with the company or its management.

A.11 Inside information: any accurate information referring indirectly or directly to one or more issuers of financial instruments (shares, bonds, etc) or to one or more financial instruments, which has not yet been made available to the public or has not yet been released, and which would, if publicly disclosed, likely have a material impact on the prices of these financial instruments and on the prices of related derivative financial instruments.

A.12 Controlling: the relation between a controlled and a controlling undertaking, or a similar relation between any natural and legal persons.

A.13 Managerial and supervisory bodies: the management board and the supervisory board.*

A.14 Corporate Governance Policy: the framework of corporate governance as drawn up by the supervisory board and the management board, wherein they commit to and publicly disclose how they will supervise and run the company. The CG Policy consists of:

- a description of all the prime governance guidelines, taking into account the company's set objectives, values and social responsibility,

* In the Slovene corporate governance practice, the **two-tier board structure** is predominant. As with non-executive directors in the one-tier system of governance, the **supervisory board** is nominated by the company's shareholders in order to promote their interests by monitoring the operations of the company's management board. Members of the **management board** (their counterpart in the one-tier system would be executive directors) are responsible for running the company, and are appointed and discharged by a resolution of the supervisory board.

- the indication as to which CG code the company abides by,
- an outline of the company's groups of stakeholders, its communication strategy and cooperation with individual groups of stakeholders (creditors, controlled undertakings, suppliers, customers, employees, the media, analysts, state bodies, the local and wider community),
- the procedure of informing controlled undertakings and shareholders of the group's strategy and corporate governance standards,
- the policy of transactions between the company and related companies, including their members of the management and supervisory boards,
- the commitment that the supervisory board will set up a system of detecting conflicts of interests and independence in members of the supervisory/management board, and measures to be applied in case of circumstances that have a material effect on their status in relation to the company,
- the supervisory board's commitment to assess its efficiency,
- the intent to set up supervisory board committees, if needed, and an outline of their tasks,
- a clear system of division of responsibilities and powers among members of managerial and supervisory bodies,
- rules governing the relationship between the company (including related companies) and its members of the management/supervisory board, which are not subject to statutory provisions on conflicts of interests,
- a definition of the company's communication strategy, including the high quality standards for drawing up and the disclosure of accounting, financial and non-financial information,
- the protection of interests of the company's employees, which is achieved by defining the manner, content and standards of their work as well as by ensuring an adequate level of ethical conduct in the company, including the prevention of discrimination.

A.15 Company management: bodies or persons authorised by law or a company's acts to run its business; listed companies are managed either by the management board (two-tier system of governance) or the board of directors (one-tier system of governance), which in turn delegate the company's regular operations and representation to executive director(s). In companies with a two-tier system of governance, the management board runs the company's day-to-day operations, whereby it is monitored by a separate managerial body – the supervisory board.

A.16 Indirect holding: an indirect holder of shares, participating interests or other rights that ensure participation in governance or capital is a person for whose account another person – who is the direct holder – acquired these shares, participating interests or other rights that ensure participation in governance. A person is the indirect holder of shares, participating interests or other rights that ensure participation in governance, or of other securities whose direct holder is another person, whereby the person who is the indirect holder controls the person who is the direct holder.

A.17 Related persons: legally independent persons who are related to each other, either in terms of governance, capital or in some other manner, whereby these relations make them cooperate in setting up their business policy and act in concert to reach common business objectives, or so that one person can direct or materially influence the other person(s) in deciding on the matters of finance and business operations, or so that one person's business operations or business results materially influence another person's business operations or business results. Related persons are persons:

- who are related by way of being immediate family members;
- that participate in another person either collectively, directly or indirectly;
- that participate in each other;
- that form a group of companies, pursuant to the company law;
- who are members of managerial or supervisory bodies or procurators or employees, who have entered into employment contracts to which the substantive agreement in the collective wage agreement does not apply with the company in which they perform this function or in which they are employed, and the immediate family members of these persons.

A.18 Major holding thresholds: the proportions of voting rights in a listed company held by a single shareholder, representing 5, 10, 15, 20, 25, 30, 50 and 75 per cent of all the voting rights in the respective public company. In determining major holdings, all the company's shares with voting rights are considered, including own shares and shares with a limited exercise of voting rights either due to the law or the company's articles of association, pursuant to the law.

A.19 Pre-emptive right: the right of existing shareholders to buy, in the event of increase in the company's share capital, shares of a new issue first (before it is offered to any third party), in proportion to their current holding of the company's share capital. The pre-emptive right to shares of a new issue is one of the property rights carried by shares, which facilitates holders to maintain their existing proportionate interest or equity investment, and thus fosters unchanged internal relations among shareholders upon capital increases.

A.20 Public disclosure: the adequate disclosure of data or information, either verbally at the general meeting or in writing in the materials for the meeting, in the company's annual report, on its website, in newspapers, electronically or in another prescribed manner pursuant to the law.

A.21 Expanded/core management: company's expanded/core management as defined by company's internal acts.

A.22 Transparency: the level of information disclosure about a securities issuer, which enables the receivers of such information (investors) to correctly assess the financial position, business operation, risks and the management of the issuer's company, and helps them to take an informed investment decision. It is one of the main components of the corporate governance system, its key elements being: quality of disclosure, frequency of information delivery, availability. High quality disclosure has the following features: comprehensiveness or completeness, reliability, relevance, timeliness, comparability.

A.23 Significant shareholder: a person whose shares indirectly or directly represent 5 per cent or more of a listed company's share capital, or 5 per cent or more of the voting powers in a listed company.

APPENDIX B: SUPERVISORY BOARD COMMITTEES

B.1 Audit committee

The supervisory board establishes an audit committee, which is composed and has the tasks as stipulated by the law and the guidelines of the company's CG Policy.

The president of the audit committee is not a former member of the management board if at least 5 years did not pass since his mandate. The majority of the other members of the audit committee are not former members of the company's management board, or if they are at least 5 years have passed since their mandate.

The audit committee cooperates with the external and internal auditor even in the absence of the management board, and ensures a continuous and efficient exchange of opinions.

B.2 Remuneration committee

The supervisory board establishes a remuneration committee, the competences of which include primarily:

- assistance to the supervisory board, and drawing up of proposals related to the criteria and candidates for membership on the management board, whereby the committee shall evaluate the balance between skills, knowledge and experience, and shall draw up a description of their roles and qualifications required for an individual appointment,
- periodic assessment of the size, composition and work of the management board,
- support in the evaluation of the management board's work, and drawing up of substantiated reasons for the recall of individual members of the management board in case they appear,
- support in the drawing up and implementation of the management board remuneration system.

Each member of the committee is an expert in company law, while one member is an expert in management. At least one member of the remuneration committee has the know-how related to remuneration policies.

When the remuneration committee employs the services of a consultant, it must make sure that the same person does not at the same time advise the HR department in the company or its executive directors (or members of the management board).

The remuneration committee shall regularly review the management board remuneration policy, including share-based remuneration, and its implementation.

The president of the remuneration committee is not a former member of the management board if at least 5 years did not pass since his mandate.

B.3 Nomination committee

The supervisory board establishes a nomination committee, the competences of which include primarily:

- assistance to the supervisory board, and drawing up of proposals related to the criteria and candidates for membership on the supervisory board, whereby the committee shall evaluate the balance between skills, knowledge and experience, and shall draw up a description of their roles and qualifications required for an individual appointment,
- support in the evaluation of the supervisory board's work pursuant to this Code,
- support in the drawing up and implementation of the supervisory board remuneration system,
- assistance in the supervisory board's other decisions that are related to the supervisory board itself and that may give rise to a conflict of interest in members of the supervisory board.

The nomination committee is composed of external members and the president of the supervisory board.

At least one member of the nomination committee is an expert in company law, while one member is an expert in corporate governance.

In performing its functions, the committee shall exercise independent judgement and integrity.

APPENDIX C: CONFLICT OF INTERESTS

C.1 A conflict of interests exists when the impartial and objective performance of tasks and decision taking on part of a member of the supervisory board or management board is compromised due to personal business interests being involved, their family's interests, emotions, political or national bias or any other related interests with other natural or legal persons.

C.2 Each member of the management board and supervisory board individually, as well as the management board and supervisory board as collegiate bodies of a joint stock company, shall abide by the adopted CG Policy and the provisions of this Code, and shall strive for the company to enforce them.

C.3 To avoid conflicts of interests in a member of the supervisory board or management board, the following requirements shall be taken into account:

- (a) Members of the supervisory board shall neither be executive directors or members of the management board in the company concerned nor in any related company, and shall not have occupied such a position over the past 5 years.
- (b) Members of the supervisory board shall not be employed in the company or in any related company, and should not have occupied such a position over the past 5 years, except if they are not a senior executive and were appointed into the board of directors or supervisory board as employee representatives, pursuant to the law, which also provides adequate protection from illegal dismissal and other forms of unjust actions.
- (c) Members of the supervisory board shall not receive, and should not have received, substantial sums from the company or related companies aside from the payment for being members of the supervisory board. These additional sums refer mainly to any form of stock options or any other form of performance-related remuneration; however, these payments do not include non-variable payments within the framework of pension schemes (including deferred payments) for previous service in the company (provided that such payments are not in any way subject to further work).
- (d) Members of the supervisory board are not and do not represent, in any way, controlling shareholders (whereby control is established by applying instances from 1(1) Council Directive 83/349/EEC).
- (e) Members of the supervisory board shall not have, and have not entered over the past year, in significant business contacts with the company or a related company, either directly or as partners, shareholders, directors or top managers of a body that has entered into such contacts. Having entered into business contacts implies being a substantial supplier of goods or services (including financial, legal, consulting services), an important client or an organization that is a recipient of substantial sums from the company or the group.

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- (f) Members of the supervisory board shall not be, and have not been over the past years, partners or employees of the company's or related company's current or former external auditor.
- (g) Members of the supervisory board shall not be executive directors or members of the management board in another company in which an executive director or member of the management board is a member of the supervisory board in the company concerned. Members of the supervisory board may also not be related in any other way with executive directors or members of the management board on account of cooperating with them in other companies or bodies.
- (h) Members of the supervisory board shall not be on the supervisory board for longer than 3 mandates (or for more than 12 years in cases when the national legislation ordinarily anticipates for only short mandate periods).
- (i) Members of the supervisory board are not close family members of the members of the management board or persons occupying the positions from (a) to (h).

C.4 Aside from the situations from C.3, a conflict of interests may occur for a member of the supervisory board also if the respective person:

- is a member of the expanded management in a related company,
- cooperated in drawing up the proposed content of the company's annual report.