



CODE OF PROFESSIONAL ETHICS OF THE SLOVENIAN DIRECTORS' ASSOCIATION

The Code of Professional Ethics of the Slovenian Directors' Association (SDA) was adopted on 17 April 2014 by the General Meeting of SDA, thus replacing the Code of Ethics of SDA that was adopted on 18 May 2006 and applied at the time.

1. PURPOSE OF THE CODE

This Code lays down the ethical guidelines and principles for the members of the Slovenian Directors' Association (SDA) when assuming and discharging the function of supervisory board members or non-executive members of boards of directors¹.

The purpose of the Code is to additionally emphasise the importance of professional conduct of the members of supervisory bodies that must be based on ethical principles, expertise and responsibility.

SDA members shall provide for their own personal integrity, meaning that they shall act in accordance with the ethical principles and applicable regulations in force.

2. PRINCIPLES OF THE CODE

Principle No. 1 – Responsible Accepting of Membership

1.1. An SDA member shall accept candidacy for a supervisory body member only if they meet legislative and statutory conditions, possess suitable knowledge, experience and other competences for discharging the function and are able to follow good practices in corporate governance. In addition to familiarity with the line of business the company is involved in, the required knowledge for discharging the function includes the content of programme modules for the acquisition of the SDA Certificate².

1.2. A candidate for supervisory body member shall accept candidacy only if they believe that they are professionally motivated for discharging the function and performing the work to the benefit of the company.

1.3. A candidate for supervisory body member shall, prior to assuming the function, verify all of their connections to the company and its management board as well as other potential conflicts of interest and disclose them as appropriate upon assuming candidacy. A candidate for supervisory body member shall not accept the function if they believe that the function represents a permanent conflict of interest that prevents their independent decision-making within a supervisory board.

1.4. A candidate for supervisory body member shall not perform the functions of management, supervision, representation or consulting for competitive companies and shall not be a large shareholder or member of competitive companies pursuing the principal activity of the company for which they are to discharge the supervisory function.

1.5. A candidate for supervisory body member shall, upon accepting candidacy, objectively examine the scope of the responsibilities they had already assumed as regards the expected and required availability in

¹ The Code applies to all members of supervisory bodies; i.e. both the members of supervisory boards and the non-executive members of boards of directors. The term member of supervisory bodies is used in the Code and encompasses both of the above functions.

² The SDA Certificate is a professional qualification certifying that a person is qualified to discharge the function of a member of a supervisory board or non-executive member of a board of directors. In order to acquire the professional qualification, one must pass a test from substantive areas laid down by the Programme Council of SDA.

terms of time that is necessary for discharging the function of a supervisory body member in a particular company.

1.6. A candidate for supervisory body member shall prior to assuming the function familiarise themselves with the required documents and information about the company. A supervisory body member shall after appointment to the function strive for the proper induction process, which must be provided by the company.

1.7. A candidate for supervisory body member shall, prior to assuming the function, familiarise themselves with the conditions of payment as consideration for discharging the function as well as liability insurance for management and supervisory body members at the company. A candidate for supervisory body member shall assume the function if such work provides suitable remuneration with respect to the complexity of operations and the financial position of the company, which shall be in line with the recommendations for good practices in the field in terms of the structure of the remuneration.

Principle No. 2 – Act In the Interest of the Company

2.1. A supervisory body member shall, in performing their tasks, act to the benefit of the company with the due diligence of a good manager as well as protect the company's business secrets. A supervisory body member shall be capable – when performing their work and making decisions – of observing primarily the long-term interests of the company and shall subordinate eventual differing personal and individual interests to this objective.

2.2. A supervisory body member shall avoid conflicts of interest when discharging the function. In the event of a conflict of interest, they shall immediately notify the president and other members of the supervisory body thereof and shall abstain from voting on the matter. When they suspect a conflict of interest of the other members, they shall call on them to follow the same policy.

2.3. A supervisory body member shall be familiar with and follow the strategy of the company they are supervising.

2.4. A supervisory body member shall protect the company's business secrets throughout their term of office as well as after its expiry.

Principle No. 3 – Honest Discharge of the Function

3.1. A supervisory body member shall be guided by responsibility, honesty, transparency and personal integrity when discharging the function.

3.2. Ethical decision-making represents independent decision-making according to one's own convictions and in accordance with the laws and good practices in corporate governance. A supervisory body member shall further strive to create an ethical–moral culture at the company they are supervising as well as within the supervisory body itself.

3.3. A supervisory body member shall avoid circumstances and relationships that might threaten their objective decision-making when discharging the function.

Principle No. 4 – Professional and Active Discharge of the Function

4.1. A supervisory body member shall act professionally and shall devote sufficient time and attention to discharging the function so that they are able to perform supervision of the functioning and performance of the supervisory body³ and the operations of the company.

4.2. In order to perform their work and make decisions, a supervisory body member shall request relevant information and reports on the company's operations and the work of the management body. When they do not have sufficient information, which is required for making decisions, available, they shall request additional information necessary for making decisions.

4.3. A supervisory body member shall attend the meetings of the supervisory body and its committees regularly and shall not obstruct them. When performing their work, they shall observe the bylaws of the company and the rules of procedure of the supervisory body and shall regularly monitor the realisation of the resolutions adopted at the supervisory body meetings.

4.4. A supervisory body member shall continuously strive for professional development and shall enhance their knowledge through additional education and training. They shall regularly follow new developments associated with the company's operations as well as the special features and regulatory requirements applying to the line of business pursued by the company they are supervising. They shall further strive for the mutual exchange of knowledge and experience with other supervisory body members.

4.5. A supervisory body member shall be active during meetings and shall pose questions to supervisory body members regarding the company's operations. When discharging the function, they shall be responsive as regards current events associated with the management of the company.

4.6. If they encounter an opposite opinion in decision-making on matters within the competence of the supervisory body, a supervisory body member shall express their opinion clearly, argue it and request that it be recorded in the minutes of the supervisory body meeting. In case of doubt as to a supervisory body's decision, they shall strive to obtain an expert's opinion so as to ensure improved judgement in the making of decisions.

4.7. A supervisory body member shall resign when they no longer meet the conditions for professional, responsible and independent work within the supervisory body.

A supervisory body member shall resign when they themselves or the other supervisory body members deem them to be in a permanent conflict of interest that prevents their further independent decision-making within the supervisory body.

A supervisory body member shall choose the right time to resign so that they do not preclude normal functioning of the supervisory body or hinder the company's operations.

4.8. A supervisory body member shall ensure the accuracy of reporting at the general meeting of shareholders about the work of the management and supervisory bodies.

³ Supervisory body members include management board members, executive members of boards of directors and members of management teams at private limited companies.

4.9. The appearance of a member of a supervisory body in media relating to the company they are supervising shall be deemed appropriate when they hold an authorisation for this purpose from the supervisory body, and inappropriate when they do not have an authorisation from the supervisory body for this purpose, whereas this could also be deemed appropriate under exceptional circumstances (resignation from the function). Only the president of the supervisory body may communicate with external stakeholders (e.g. the media), whereby they may only talk about topics associated with the functioning of the supervisory body.

Principle No. 5 – Self-criticism

5.1. A supervisory body member shall be self-critical when it comes to their own work and shall in the event of deviations from the standards of good practice also appropriately caution other supervisory body members. They shall strive to establish the highest standards of communication and internal culture of the functioning of the supervisory body.

5.2. A supervisory body member shall strive for the supervisory body's effectiveness to be evaluated and for measures to be adopted for the improvement of the body's effectiveness.

Principle No. 6 – Protection of Reputation

6.1. When performing their work, an SDA member shall care for their personal reputation, the reputation of the company for which they are discharging the function and the reputation of the SDA.

6.2. If an SDA member finds themselves in a position that threatens their personal reputation, they shall resign their membership in the SDA so as to protect the reputation of the SDA.

3. SUPERVISION OVER IMPLEMENTATION AND SANCTIONS FOR VIOLATIONS OF THE SDA CODE

Supervision over the implementation of the principles of the Code shall be performed by the SDA.

Procedures and sanctions in the event of violations of the Code shall be conducted and pronounced respectively by the Court of Honour of the SDA in accordance with the SDA Rules and the Rules of Procedure of the Court of Honour of the SDA.