



**SLOVENSKI DRŽAVNI HOLDING, d. d.**

# **CORPORATE GOVERNANCE CODE FOR COMPANIES WITH CAPITAL ASSETS OF THE STATE**

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Ljubljana, 19 December 2014

## **1. PREAMBLE**

### **Legal basis and competence for the adoption of the Corporate Governance Code for Companies with Capital Assets of State**

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 Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d., or 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; legal documents in relation to the management of assets; measures for the enhancement of integrity and responsibility and mitigation of risks related to corruption, conflict of interests and abuse of insider 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 Code of Corporate Governance of Companies with Capital Assets of the State (hereinafter referred to as: the "Code") as one of the legal documents related to the management of capital assets which is adopted by SSH with a consent given by the SSH Supervisory Board.

### **Addressees of Code**

The Code is addressed to companies with State's capital assets. It should also be used by subsidiary companies in the Group in which the position of the mother company is held by a company with State's capital assets.

In accordance with Article 2 of ZSDH-1, companies with financial assets of the state are legal entities which are the issuers of capital assets owned by SSH, or companies which are the issuers of capital assets managed by SSH and owned by the Republic of Slovenia. In accordance with Article 19 of ZSDH-1, SSH is responsible for the management of all capital assets owned by the Republic of Slovenia, except for capital assets in international financial institutions, capital assets in companies performing the public service of a system operator for the transmission and distribution of natural gas and electricity and the public service for organising the electricity market in the Republic of Slovenia, and assets in the Bank Asset Management Company. Capital assets are equity securities or shareholdings in individual companies.

The Code is addressed to companies with State's capital assets regardless of their legal form and regardless of the shareholding level held by the State and/or SSH in the share capital of a company.

### **Code contents**

The Code includes principles and recommendations for good practice in the corporate governance of companies with State's capital asset. Some recommendations are general and refer to all companies with State's capital assets, while some recommendations refer to companies with a specific legal organisational form, also taking into account the ownership structure of the company and the fact whether company's securities are traded on the regulated securities market.

The Code also includes certain general expectations on the part of SSH in relation to companies with State's capital assets.

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 purpose and objective**

The purpose of this code is to determine the corporate governance and supervision standards in companies with State's capital assets, and to formulate a transparent and understandable corporate governance system in the above mentioned companies.

The objective of the Code is to improve the performance of these companies by raising the quality of corporate governance in companies with State's capital assets, for the interests of all its stakeholders. In this manner, while protecting the interests of all other stakeholders, the companies will improve the return on the invested capital of the State and SSH, and contribute to the realization of strategic goals as determined in the Asset Management Strategy.

### **Code - legal nature and Corporate Governance Statement**

The Code is addressed to companies with State's capital assets under the "apply and explain" principle. The companies should formally accede to this Code in accordance with ZGD-1 and apply the Code to their own circumstances to the fullest possible extent. If the Corporate Governance Code for Joint Stock Companies is applied by a company with State's capital assets, 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 Principle No. 3.4 and Recommendation No. 3.4.1 of this Code.

It is not deemed a violation of this Code if, considering the company's ownership structure, activity and other special characteristics of the company, a company deviates from the Code's individual recommendation in order to attain such better governance effect as would be achieved if the company followed the recommendation which has been deviated from, and this is explained as appropriate in the Corporate Governance Statement.

The Company should clearly and explicitly state in the Corporate Governance Statement, which is included in the Annual Report in a manner as stipulated by ZGD-1, whether the Code has been fully observed and which of its individual principles and recommendations have been deviated from, and state separately the reasons for the deviation from each stated principle and recommendation.

During the year, SSH will particularly verify the observance of Code principles and recommendations in companies with State's capital assets which are in 100-percentage ownership of the State or SSH.

### **History and Code sources**

A part of the content of the Code is obtained from the Corporate Governance Code for Companies with State Capital Investments which was adopted by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter referred to as : "AUKN") on 13 January 2011. The Code has become purposeless with the Agency's termination and the abrogation of the Management of Assets Owned by the Republic of Slovenia Act (Official Gazette RS, NO. 38/2010, et seq.). For the most part, the content of the AUKN Code was incorporated into the Corporate Governance Code for Companies with State Capital Investments which was adopted by Slovenska odškodninska družba, d.d., on 15 May 2013, and which was used until the adoption of this Code. Important sources for the Code are also: the Corporate Governance Code for Joint Stock Companies, Corporate Governance Guidelines for Non-Public Companies, and also *Deutscher Corporate Governance Kodex*.

In the formulation of this Code the following was taken into consideration: the Slovenian legislation, EU guidelines and recommendations, OECD Guidelines on Corporate Governance of State-Owned Enterprises, OECD Principles of Corporate Governance, other internationally recommended standards of diligent and sound corporate

governance of Companies with State Capital Assets and companies in general, and Slovenian Recommendations concerning good corporate governance.

### **Code validity**

The SSH Management Board adopted the Code on 17 December 2014, and the SSH Supervisory Board gave its consent on 19 December 2014.

The effectiveness and suitability of the Code will be regularly monitored by SSH in regard to legal and actual business environment of companies with capital assets held by the State and SSH, and it will be modified and amended when required.

## 2. DEFINITION OF TERMS USED IN THIS CODE

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

- **Stakeholders** in companies are individuals and interest groups that voluntarily or involuntarily contribute to the abilities or activities related to generating added value of companies, therefore representing the bearers of possible benefits and risks in a company. In addition to shareholders and partners, examples of stakeholders are: employees, creditors, clients, as well as the business and environmental environment of the company.
- **Shareholder** is a holder of shares in a company with capital assets of the Republic of Slovenia which is organized as a public limited company. The term also applies to a holder of a shareholding in a company organised as a limited liability company in the English version of the Code.
- **Company with State's capital assets** is a company with capital assets of SSH or the Republic of Slovenia and managed by SSH.
- **Single-member company** is a company organised as a limited liability company with a sole shareholder (founder).
- **Public limited company** is a company organised as a company limited by shares which are listed on a regulated securities market. .
- **Personnel Committee** is a consultation body of the SSH Management Board which pursuant to ZSDH-1 and in line with the SSH Management Policy carries out the procedures for the recruitment of candidates for members of supervisory boards of companies with State's capital assets and accreditation and nomination procedures which are regulated in detail in the SSH Management Policy.
- **Capital assets of the State** are shares or shareholdings in an individual company which are held by the Republic of Slovenia, SSH or KAD, regardless of the amount of shares or the level of the shareholding.
- **Corporate Governance Code for Joint Stock Companies**, or its annually updated version, is a code adopted on 8 December 2009, in cooperation between the Ljubljana Stock Exchange, the Slovenian Directors' Association and Managers' Association of Slovenia.
- **Code** is the short name for this Code (Corporate Governance Code for Companies with Capital Assets of State).
- **Conflict of interest**: there is a conflict of interest when circumstances have arisen in which a private interest of a person influences or creates an impression that it influences (or will influence in case of a candidate) the impartiality of the said person in performing the said person's duties. The

private interests are profits or non-material gains for the said person, his/her family members and for other individuals or legal entities with which the said person has personal, business or political contacts or interests which are a result of political or national (non)affection or (ill)favour, including emotional attachments. Family members are persons defined in Article 2 of ZSDH-1.

- **Supervisory Board** is a body of supervision in a company with State's capital assets and also applies as appropriate for management boards in such companies.
- **Assets or capital asset** are a short term for capital assets of the State.
- **Non-public companies** are companies limited by shares whose shares are not listed on regulated securities market, and limited liability companies.
- **Dependency of a candidate or a member of a supervisory board of a company with State's capital assets:** if there is a conflict or a potential conflict between the interests of a candidate or a member of the supervisory board of a company with State's capital assets and the interests of this company which influences or creates an impression that it has an influence over the impartiality of a decision of a member a supervisory board of a company with financial asset of the state it is a matter of a (potential) conflict of interest of such type that it creates dependency or an impression of dependency of a member of the supervisory board from this company, a certain person, body or association and it is of a lasting character.
- **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 board freely decides about one or more legally admissible possibilities.
- **SSH Management Policy** is a legal document regarding the management of assets which is stipulated by ZSDH-1 and it is adopted by the SSH Management Board upon a consent provided 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 assets.
- **Prevailing influence:** there is a prevailing influence if at least one of the circumstances referred to in Article 56, Paragraph 2 of ZGD-1 is given.
- **SSH:** is Slovenski državni holding, d.d., or with the English name, the Slovenian Sovereign Holding.
- **Corporate Governance Guidelines for Non-Public Companies** is a document of the Slovenian Directors' Association which was adopted by this Association in July 2012.

- **Management Board** is a management body in a company organised as a public limited company. The term also applies to a management body in a company organised as a limited liability company in the English version of the Code.
- **SSH Management Board** is a management body in SSH.
- **ZDR-1** is the Employment Relationship Act (Official Gazette RS, No. 21/2013).
- **ZGD-1** is the Companies Act (Official Gazette RS, No. 42/2006), as amended.
- **ZSDH-1** is the Slovenian Sovereign Holding Act (Official Gazette RS, No. 25/2014).



### **3. CORPORATE GOVERNANCE FRAMEWORK FOR COMPANIES WITH CAPITAL ASSETS OF STATE**

**3.1 The main goal of a company with State's capital assets which carries out its activity for profit is to maximise the value of the company and to generate the highest possible returns for the owner. The companies also pursue other goals which are defined by regulations or Articles of Association of an individual company (for example, performing a public service; providing access to infrastructure to citizens). In order to ensure higher transparency in relation to the company goals and considering the fact that all shareholders have to agree with the pursuing of non-economic goals, the companies are obliged to make sure that all such goals are clearly defined in the company's documents on incorporation irrespective of the fact whether arising from statutory provisions or the will of shareholders.**

**3.2 A management board of a public limited company with State's capital assets, regardless of its ownership structure, and a management board of a large and medium size public limited company and a company with limited liability in which the state or SSH, individually or collectively, directly or indirectly, hold a prevailing influence, together with a supervisory board, shall 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 Corporate Governance Code for Joint Stock Companies in Recommendation No. 2.1 an Appendix A.14, while the strategy for the management of capital assets of the State is also taken into account by the company. 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 strategy for the management of capital assets of the State and current guidelines in corporate governance. The Management Policy shall include the date of the last update and it is accessible on the public web site of the company.**

**3.3 In relation to stakeholders, companies with State's capital assets must exercise their rights with responsibility and fulfil undertaken obligations in a manner which is compliant with the goals of the 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 company must examine and adhere to the legitimate interests of all stakeholders. 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 or insider information.

3.3.3 A company with State's capital assets also reports on the relationship with stakeholders within the scope of its regular reporting.

**3.4 Companies with State's capital assets should include a Corporate Governance Statement in their business report. A company with State's capital assets which, in addition to this Code, also uses 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 used. The observance of recommendations of one code shall be deemed appropriate justification for the company not observing potential different recommendations of another code.**

3.4.1 The Corporate Governance Statement shall include at least the following::

- a reference to this Corporate Governance Code as a code of corporate governance which the company has voluntarily decided to use with the indication of data regarding the public accessibility of the text of the Code
- all relevant information regarding potential corporate governance instruments of the 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 statement of the fact whether the Code or Codes are observed in full, and/or data on the scope of deviations from the corporate governance Codes. It is necessary to explain which principles and recommendations of this Code the company does not comply with, or not comply with in full, and reasons for these deviations, and whether and when the company intends to follow the principle and the recommendation of the Code of which it has deviated from;
- the description of the corporate integrity system pursued in the company;
- all information which, for public limited companies, are defined as a mandatory section of the Corporate Governance Statement by ZGD-1.

**3.5 The General Meeting shall adopt resolutions on the distribution of the profit for appropriation and a discharge to the management and supervisory bodies within the same item on the Agenda of the AGM but with separate resolutions. The General Assembly shall decide on the conferring of a discharge for the management and supervisory body with a separate resolution for each body.**

#### **4. RELATIONSHIP BETWEEN SHAREHOLDERS, SSH AND COMPANY WITH CAPITAL ASSETS OF STATE**

##### **4.1 Management and supervisory bodies of companies with State's capital assets are independent of SSH.**

4.1.1 The exercise of rights of a shareholder and the implementation of competences and fulfilment of responsibilities and duties of SSH in accordance with the law, the Code and the adopted legal 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.**

4.2.1 The level and intensity of communication between SSH and individual companies with State's capital assets varies in regard to their legal form of organization and ownership structure. The supervisory boards of companies with State's capital assets must strive for a practical and efficient communication with shareholders.

4.2.2 Public limited companies should communicate with shareholders in a manner defined in the company's Management Policy.

4.2.3 The communication in other companies with State's capital assets should be a continued process and should not only be limited to the General Meeting.

4.2.4 The communication between the management and supervisory bodies of companies with State's capital assets 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 with individual publicly published SSH recommendations and expectations.

4.2.5 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, performance and expected results of a company,

information about its financial position and operations and the determination and/or consideration of strategic issues.

## **5. POSITION OF COMPANIES WITH STATE CAPITAL ASSETS**

**5.1 All companies are in an equal position with companies with State capital assets in their operation and engagement in the market.**

5.1.1 Companies with State capital assets must accept market conditions of competition in all fields (regulatory rules, access to financial resources and institutions, etc.).

5.1.2 Obligations and duties of a company with State capital assets with regard to utility services or other services in the public interest which are publicly attributed to the company by law or on 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.**

The Supervisory Board is authorised to appoint and dismiss members and the President of the Management Board at its sole discretion, and in accordance with the interests of the company. With regard to the selection, nomination and determination of rights and obligations of a member of the Management Board or a Director, 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<sup>1</sup>, while primarily taking into account legal rules which apply for an individual company in this field. Supervisory boards should determine whether peculiarities exist for a specific company which require the relevant field to be regulated in a manner different from that foreseen in the stated documents. The Supervisory Board will elaborate on such a decision at a General Meeting.

In the appointment of Management Board members, the Supervisory Board members shall carry full personal responsibility and accountability for the professionalism and prudence of the decision to the extent that they are not and must not be bound by the instructions of any third person, not even SSH.

For the recruitment of candidates, the 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 the members of the Management Board:

a) Direct recruitment:

- personal invitation for the candidacy upon the proposal of members of the Supervisory Board or the Personnel Committee – internal candidates (succession) and external candidates ;
- »headhunting« –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 of the Management Board 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

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 the Management Board members. All

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<sup>1</sup> [http://www.zdruzenje-ns.si/db/doc/upl/prakticni\\_napotki\\_za\\_nadzorne\\_svete\\_pri\\_kadrovanju\\_uprav\\_\\_koncna.pdf](http://www.zdruzenje-ns.si/db/doc/upl/prakticni_napotki_za_nadzorne_svete_pri_kadrovanju_uprav__koncna.pdf)

candidates, including those who are directly invited, are treated equally and they take part in the same processes up until the final selection.

**6.2 In performing their duties, the Supervisory Board members are obliged to act in the best interests of the company with the diligence of fair and conscientious managers, and to protect the business secrets of the company. They should perform their tasks ethically, fairly and responsibly.**

**6.3 Supervisory Board members should be personally engaged in the work of the Supervisory Board, take part in 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 the postponement of decision-making until they have been provided.**

6.3.1 Supervisory Boards should receive such information from the Management Board which would enable an efficient implementation of supervision over the company's operation and competent decision-making. Reports from the Management Board 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 Board, the Supervisory Boards should take into account Recommendations for Reporting to Supervisory Board<sup>2</sup>.

**6.4 The Supervisory Board is composed in such a manner so as to provide for responsible supervision and decision-making for the benefit of the company. 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, sex, international composition, and similar (heterogeneity of composition) should also be provided as far as possible.**

**6.5 As a rule, at least half of the Supervisory Board members are independent members. Decisions of all Supervisory Board members are independent.**

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<sup>2</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).

6.5.1 An independent member must immediately notify a Supervisory Board regarding the occurrence of facts which change his/her fulfilment of the independence criteria.

6.5.2 A Supervisory Board member shall carry out all precautionary measures to prevent a conflict of interest which might influence his/her judgement. The Supervisory Board member shall clarify any conflict of interests in relation to an individual decision made by the Supervisory Board, or shall refrain from voting.

**6.6 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 proposed candidate, the Supervisory Board must also indicate at least the information regarding the membership in other management or supervisory bodies, whereby the evaluation of any (potential) conflicts of interests of the candidate shall also take into account individual criteria indicated in Appendix C of the Corporate Governance Code for Joint-Stock Companies. 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.**

6.6.1 Upon the formation of a Supervisory Board, the commencement of a mandate of new members of a Supervisory Board, or upon the appointment of individual committees of a Supervisory Board, with the organisational assistance of the company's Management Board, the President of a Supervisory Board shall ensure a thorough professional introduction to duties for members of a Supervisory Board.

**6.7 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.**

6.7.1 Public limited companies with State's capital assets and large non-public companies with State's capital assets with more than one shareholder 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 a 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 the Supervisory Board a list of candidates for their appointment at the General Meeting.

- 6.7.2 At least one external expert must be included in the Nomination Committee who is selected by the Supervisory Board upon the proposal of SSH in companies in which the State or SSH have, directly or indirectly, at least 1/3 shareholding in the share capital of the company.
- 6.7.3 All members of the Nomination Committee appointed by the Supervisory Board must act independently and confidentially. At the Nomination Committee session, members of the Nomination Committee must not make any prior agreements on any coordinated action to support an individual candidate.
- 6.7.4 A nomination committee shall review and evaluate the existing composition of members of a Supervisory Board, or those members whose mandates do not expire. The profiles of the required new candidates for members of Supervisory Board are determined by the Nomination Committee with regard to the characteristics and the set development strategy of the company and the profile composition of members of a Supervisory Board whose mandates do not expire. In determining the profiles, the criteria stipulated in this Code, the Corporate Governance Code for Joint Stock Companies, and the criteria stipulated in the ZSDH-1 shall be taken into account by the Nomination Committee.
- 6.7.5 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 profile, and a proposal to the General Meeting for the appointment of candidates for Supervisory Board, in accordance with the provisions of this Code, the Corporate Governance Code for Joint Stock Companies, and considering the criteria stipulated in the ZSDH-1
- 6.7.6 The Nomination Committee shall mainly play the role of 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, but the Supervisory Board 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.

- 6.7.7 If there is no Nomination Committee in a company, the Recommendations No. 6.7.3, 6.7.4 and 6.7.5 shall apply *mutatis mutandis* to the Supervisory Board.
- 6.7.8 Immediately after the publication of the convocation of the General Meeting which will vote for new Supervisory Board members upon the proposal of the Supervisory Board of a company with State capital assets, the President of the Supervisory Board of the company invites the candidates who have been proposed for the election by the Supervisory Board, to submit their application to the SSH Personnel Committee for their accreditation. If their addresses are known, the candidates may also be invited by the SSH Personnel Committee to submit their application for accreditation and nomination.
- 6.7.9 The Supervisory Board of a company with State's capital asset 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 the Personnel Committee when drafting or preparing the profiles in a procedure implemented by the said Committee in accordance with the SSH Management Policy.

**6.8 Remuneration for Supervisory Board members shall be composed of the payment for their services and attendance fees. The payment for the services shall be composed of the basic payment for the performance of the services and additional payment for special tasks or functions held by members. The payment for the performance of the services and attendance fees shall be determined having regard to the size of the company and its financial situation.**

- 6.8.1 The recommended amounts for the basic payment for the services of a Supervisor Board member and attendance fees are laid down in Appendix 1 to this Code.
- 6.8.2 The attendance fee for the participation at a session of a Supervisory Board commission shall amount to 80% of the amount of the attendance fee for the participation at a Supervisory Board session. The attendance fee for a meeting by correspondence held by the Supervisory Board and Supervisor Board's commissions shall amount to 80% of that of a regular session. In an individual business year, a member of the Supervisory Board is entitled to receive the payment of attendance fees related to the membership in the Supervisory Board up to the total amount of attendance fees that reaches 50% of the basic payment for the performance of the services of a Supervisory Board member at the annual

level. An individual member of the Supervisory Board who is a member of a commission or Supervisory Board's commission, irrespective of the above mentioned, that is, regardless of the number of sessions of Supervisory Board and commission in which he/she participates, is eligible for the payment of attendance fees in an individual business year up to a total amount that reaches 75% of the basic payment for the performance of the function of a Supervisory Board member at the annual level.

6.8.3 Attendance fees of Supervisory Board members, the President of the Supervisory Board members and members of Supervisory Board's commissions in companies which are in poor financial condition may also be reduced.

6.8.4 An additional payment for the performance of the function of a President of the Supervisory Board shall amount to 50% of the basic payment for the performance of the services, and 10% of the basic payment for the performance of the Supervisory Board Member function for the Deputy President.

6.8.5 Members of Supervisory Board's commissions, who are also members of the Supervisory Board, shall be entitled to receive an additional payment for the performance of the services in a commission in the amount of 25% of the basic payment for the performance of the services in the Supervisory Board. Presidents of commissions shall be entitled to receive also an additional payment for the performance of the services in a commission in the amount of 50% of the payment of the Supervisory Board's commission member.

6.8.6 Supervisory Board members and members of Supervisory Board's commission shall receive the basic payment and the additional payment for the performance of the services in proportional monthly payments to which they are entitled until they carry out the function. The monthly payment shall amount to one twelfth of the above mentioned annual amounts. An individual member of a Supervisory Board's commission, irrespective of the above mentioned, that is, regardless of the number of commissions in which he/she is a member or a President, is entitled to receive additional payments in an individual business year up to the total amount of such payments that reaches the value of 50% of the basic payment for the performance of the services of a Supervisory Board member at the annual level. If the mandate of an individual Supervisory Board member is shorter than the business year, the individual member of a Supervisory Board's commission, irrespective of the above mentioned, that is, regardless of the number of commissions in which he/she is a member or a President, is entitled to receive additional payments in an individual business year up to the total amount of such payments that reaches the value of 50% of the basic payment for the

performance of the services of the individual Supervisory Board member for the duration of the time for which his/her mandate lasted in the relevant business year.

- 6.8.7 Supervisory Board Members are entitled to the reimbursement of travel costs and accommodation costs incurred in relation to their work in the Supervisory Board, specifically, to the level stipulated in regulations regulating the reimbursement of work related costs and other income which is not included in the tax base (provisions which apply for transportation during the business trip and accommodation during the business trip). The distance between destinations as calculated at the AMZS web site<sup>3</sup> shall be 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 commission 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 the place of residence because of the lack of any scheduled public transport, or for other objective reasons.
- 6.8.8. Supervisory Board members shall not be entitled to any privileges (bonuses).
- 6.8.9 For the duration of the service, the Supervisory Board members are obliged to take up additional training in the fields which are in direct connection with the performance of the service in the Supervisory Board.
- 6.8.10 A company, whose operation is connected with higher risks for the occurrence of damage to the company may conclude a directors and officers liability insurance contract (D&O insurance) while taking into account Recommendation No. 7.3.10 of this Code, as appropriate, whereby, the semi-annual basic payment for the Supervisory Board member for the performance of the service shall be taken as the semi-annual amount in regard to which the own participation of the Supervisory Board member is calculated for the payment of damages.
- 6.8.11 The proposals for GM resolutions shall be drawn up and submitted to the General Meeting in accordance with the sample Resolution which constitutes Appendix 2 of these Recommendations.

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<sup>3</sup> [http://www.amzs.si/razdalje\\_med\\_kraji.aspx](http://www.amzs.si/razdalje_med_kraji.aspx).

**6.9 External members of Supervisory Board's commissions shall be paid for their service in the commission 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 commission 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 of external members of the Supervisory Board's commissions 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.**

6.9.1 The companies should include the disclosure of costs for the external members of the Supervisory Board's commissions in a report prepared by the Supervisory Board to be presented at the General Meeting, with a full cost break-down structure.

**6.10 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 conflict of interests and their resolution, and on procedures for the operation of the Supervisory Board including the indication of how much the self-assessment has contributed to changes. The report of the Supervisory Board should also include the disclosure of costs for the operation of the Supervisory Board which are not disclosed in the Annual Report (membership in professional associations, additional training, external experts, external members of commissions, etc.).**

**6.11 Supervisory Boards of companies with State's capital assets 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 structure, operation, potential and actual conflicts of interests of individual members and operation of individual members and the Supervisory Board as a whole, including the cooperation with the Management Board of the company. During the assessment of its work, the Supervisory Board shall also assess the work of eventual Supervisory Board's commissions. The supervisory**

**bodies of companies with State's capital assets shall evaluate the efficiency of the supervisory body in accordance with the Supervisory Board Efficiency Evaluation Guide, adopted by the Slovenian Director's Association.<sup>4</sup>**

6.11.1 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 course of the Supervisory Board efficiency 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 into consideration the findings of the evaluation in the operation and formulation of the proposals for the General Meeting.

6.11.2 Prior to carrying out the evaluation of Supervisory Board's commissions, a report of the commission's operation in the preceding year is requested from the commissions by the Supervisory Board.

6.11.3 The evaluation of the Supervisory Board's composition may also be carried out by the Supervisory Board as a separate procedure, specifically, through the Personnel or Nomination Commissions. The cooperation with an external expert is also recommended for the evaluation of the Supervisory Board's composition. The company with State's capital assets reports on the implementation and the course of the procedure for the evaluation of the Supervisory Board's composition in the Annual Report.

**6.12 Supervisory Boards of companies with State's capital assets which, under ZGD-1, fulfil the criteria of large companies should appoint an Audit Committee, 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 and auditing. If the Personnel Committee is appointed, it should support the Supervisory Board in appointing, remunerating and dismissing members of Management Boards. At least one member of the Personnel Committee should be an external expert.**

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<sup>4</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).

- 6.12.1 Companies with State's capital assets which have organised an Audit Committee should take into consideration the Recommendations for Audit Committees.<sup>5</sup>
- 6.12.2 Sessions of the Audit Committee should be held at least once in the quarter time period but there should not be more than eight sessions per year; of this number, there should be not more than six regular (direct) sessions.
- 6.12.3 The Audit Committee should not decide on issues which fall under the responsibility of the Supervisory Board.
- 6.12.4 The Audit Committee shall adopt findings and conclusions on the material considered at the session within the same session which are officially registered in the minutes and the minutes are 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 state activities which must be carried out to conclude the matter in the shortest possible time period, and indicate the envisaged deadline for its conclusion.
- 6.12.5 A President of the Audit Committee shall receive assistance in administrative matters from the Supervisory Board's Secretary or any other personnel of the company who shall be appointed by the Management Board of the Company.
- 6.12.6 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

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<sup>5</sup> [http://www.zdruzenje-ns.si/db/doc/upl/priporocila\\_za\\_revizijske\\_komisije\\_-koncna\\_razlicica-25.11.2009\\_282.pdf](http://www.zdruzenje-ns.si/db/doc/upl/priporocila_za_revizijske_komisije_-koncna_razlicica-25.11.2009_282.pdf).

Commission shall consider its own material and material prepared by the Management Board, and internal auditor or external auditor.

6.12.7 The Supervisory Board shall formulate or endorse the Commission's internal rules of procedure which clearly stipulate the Committee's purpose, duties, special tasks, time frame, methods of work, etc.

**6.13 As a rule, the Supervisory Board shall invite members of the Management Board to the Supervisory Board's sessions. If an individual item on the Agenda is such that the presence of the members of the Management Board is unreasonable 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 Board evaluation and its remuneration, Supervisory Board's self-assessment), the Supervisory Board shall make decisions without the Management Board members being present.**

## **7. MANAGEMENT BOARD**

**7.1 The company and its transactions are managed by the Management Board. With its work, knowledge and experience, the Management Board shall ensure an optimum management, and risk assessment and risk management for the pursuit of the company's long-term successful performance. The Management Board is organised so that it facilitates an efficient performance of its tasks. Its optimum performance is achieved by employing suitable directors and engaging other human and financial resources.**

**7.2 The consideration for the suitable scope of information provided to the Supervisory Board shall be a common task of the Management Board and the Supervisory Board.**

7.1.1 The Management Board should brief the Supervisory Board regularly, promptly and coherently on all matters relevant for the company's strategy, planning, company's development, risks and risk management. In regard to the reporting by management bodies to supervisory bodies, the management and supervisory bodies of companies with State's capital assets shall apply the



Recommendations for Reporting to Supervisory Bodies adopted by the Slovenian Directors' Association.<sup>6</sup>

7.2.2 An open discussion between the Management Board and the Supervisory Board is needed, as well 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 information and suitable assessment of risks, while the conduct should be explicitly oriented towards the interests of the company, and no conflict must arise between the decision-makers and the company; decisions must be taken 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 management or supervisory bodies, it should be indemnified.

**7.3 A Supervisory Board of a company with State's capital assets which is organised as a public limited company or as a large or medium sized limited liability company should prepare a proposal for the remuneration policy for the management body in accordance with this Code and submit it to the General Meeting for its adoption. The proposal preparation shall fall under the responsibility of the President of the Supervisory Board and Appointment Committee, when established. At the General Meeting, the President of the Supervisory Board shall present to shareholders the current remuneration policy and its implementation, and provide an assessment of the function and the role of the remuneration policy. The Supervisory Board must make sure that the remuneration for the members of the Management Board is in line with the policy which has been adopted at the General Meeting, in accordance with the law.**

7.3.1 The Supervisory Board must take into consideration the financial impact of an early termination of the mandate of the Management Board members. Great attention must be dedicated to the duration of the mandate and the conditions regarding the termination of the employment relationship.

7.3.2 The Management Board remuneration package consists of a fixed and variable component for successful performance. It is adequately formulated with regard

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<sup>6</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).

to the level of remuneration in competitive companies and must be in accordance with regulations applicable for an individual company with State's capital assets. The remuneration package must not be the leading one in the market but it must be competitive. Notwithstanding the fact of whether a company is in full State ownership or the State is a majority shareholder or even a minority one, special attention must be dedicated to ensuring that the remuneration of managerial bodies and the most responsible persons as well as all employees in the company are such that they contribute to the provision of and improvement of the company's business opportunities and competitiveness.

7.3.3 The fixed component of the remuneration package for the Management Board members must be high enough to attract top experts motivated for a responsible and active role while simultaneously preventing an unjustifiably high remuneration in regard to the performance, needs and financial condition of a company. The remuneration policy shall stipulate the basis for the determination of the fixed component, while suitably taking into consideration items 6 and 7 of the Criteria for Individual Managers Employment Contracts.<sup>7</sup> The fixed monetary income attributable to a member of the Management Board as a result of realising obligations held under the contract, the assumed responsibility and loyalty to the company is determined in the gross monthly amount. All additional payments (seniority bonus, permanence bonus, special burden bonus, overtime work bonus) and all remaining income attributable to employees pursuant to ZDR-1 and collective agreements (for example, holiday bonus, Christmas bonus) should be included in the fixed monetary payment which must be explicitly stated in the contract.

7.3.4 Bonuses should not exceed 15 per cent of the annual fixed monetary payment.

7.3.5 The criteria for determining the variable remuneration, which is adopted by the Supervisory Board, must be well thought-out, clearly defined and transparent, and the provisions of ZGD-1, other laws regulating an individual company with State's capital assets, and recommendations of the Corporate Governance Code for Joint Stock Companies must be taken into consideration. The allocation of variable remuneration depends on the performance criteria set in advance. These criteria must encourage the achievement of goals which are defined in management documents for an individual company with State's capital assets. The variable remuneration component must be provided in monetary form. The remuneration policy must determine the highest allowed amount for the variable remuneration but the variable remuneration for the short-term performance should not exceed 30 per cent of the paid fixed monetary component of the salary

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<sup>7</sup> Official Gazette of RS, No. 64/1997.

in the business year. The variable remuneration for long-term performance should not exceed the paid fixed monetary component of the salary in the business year. The variable remuneration for the long-term performance should be determined by way of the Supervisory Board Resolution at the end of each business year. The payment of 50 per cent of this remuneration shall be deferred for at least two years. If the mandate of a Management Board member expires prior to the expiry of the payment deferral period, the said Management Board member is entitled to receive a payment of 50 per cent of the variable remuneration for the long-term performance upon the expiry of the mandate. If he/she was a Management Board member for less than two years, he/she shall not be entitled to the 50 per cent variable remuneration for long-term performance.

- 7.3.6 A Management Board member shall be entitled to the reimbursement of reasonable costs (for example, these are: daily allowances for business trips, mileage, reimbursement of accommodation costs, allowances for travel to and from work, meal allowances), and suitable allowances (allowances for family responsibility leave and absence from work in various cases such as: the death of an immediate family member, relocation, the birth of a child) which are attributable to employees in the company. The types of costs and allowances and their amounts should be determined in a contract.
- 7.3.7 The remuneration policy must determine the highest allowed termination payment; it must, however, not exceed six times the fixed monetary monthly remuneration. The termination payment is only appropriate in case of not-at-fault dismissal of a Management Board member. In other cases of the termination of the managerial position (the at-fault dismissal, resignation from the position, invalidity of the appointment) and if a Management Board member becomes employed in the company after the termination of the function (or remains employed), a termination payment shall not be appropriate.
- 7.3.8 The general conditions of the remuneration policy must urgently envisage situations and circumstances when external circumstances outside the reach of the company have a negative impact on the company's operation. In these cases the remuneration schemes must make it possible not to pay out the agreed upon remuneration payments, or at least, to defer the payment to a later time which better suits the company. The possibility must also be given that the remuneration payments are cancelled or returned if paid out as a result of manipulation with performance indicators or caused by any other prohibited or non-ethical actions.

7.3.9 If a Management Board member of the mother company in the Group is also a member of the Supervisory Board of a daughter company, as the Supervisory Board member of the daughter company, he/she is only entitled to receive the reimbursement of actual costs in accordance with this Code. The complexity and the scope of duties and responsibilities for managing the Group on the part of the mother company shall be taken into consideration as appropriate in the determination of the fixed payment for a Management board member of the mother company in the Group (but not more than in the amount of an additional 30 per cent of the fixed component in regard to the regular amount of the fixed remuneration, and if this is envisaged in the remuneration policy). The Management Board of the mother company of a concern should prudently evaluate the efficiency of the existence of the Supervisory Board as a body within the daughter company of a concern (particularly the contractual one).

7.3.10 The companies with State's capital assets in which operations are linked to higher risks for the occurrence of damages for the company and therefore making business decisions riskier, a directors' and officers' liability insurance contract (D&O insurance) shall be concluded with Management Board members. The participation of the responsible person in the payment of compensation for damages should be at least in the amount of 10% of damages incurred but not more than in the amount of the semi-annual gross fixed payment for the Management Board member.

7.3.11 Companies with State's capital assets shall report on remuneration payments for the members of the Management Board in the same manner as applicable for public limited companies in accordance with ZGD-1, and in accordance with the Corporate Governance Code for Joint Stock Companies.

7.3.12 At the Annual General Meeting, the President of the Management Board shall give an assessment on the suitability of remuneration payments to Management Board members and their compliance with the policy adopted at the General Meeting.

**7.4 If a company concludes an employment agreement with a member of the Management Board, it shall be concluded for a limited duration, specifically, not more than for the duration of the management function. An exception shall refer to the legal organisation of the relationship with a person in a managerial position who has been engaged in permanent employment in a company prior to the appointment to the Management Board.**

## **8. TRANSPARENCY OF OPERATIONS AND REPORTING**

**8.1 The external reporting of companies with State's capital assets must be transparent. Reporting of companies considered as large companies in accordance with the criteria of ZGD-1 and which are organised as public limited companies should be transparent and detailed to the same extent as it applies to public companies. The same applies to the transparency concerning the remuneration of members of the Management and Supervisory Boards**

8.1.1 Companies with State's capital assets should consistently report on their business operations and on the achievement of set objectives.

8.1.2 In accordance with ZGD -1, companies with State's capital assets 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 national practice. In addition to statutorily stipulated financial and non-financial disclosures, this shall include:

- disclosures regarding risks and the risk management system,
- efforts of the company with regard to research and development,
- reporting about the Corporate Governance of companies (Corporate Governance Statement), including the fulfilment of provisions of this Code and potential other Codes,
- reporting about the sustainable development of the company (which may be a separate document or a part of the Annual Report) which comprises for example:
  - a report and a short analysis on the questions concerning sustainable development which are important for the company,
  - a report on relationships with the main stakeholders of the company,
  - a clear 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,
  - a review of the company's strategy and adaptation to the requirements for sustainable development and how the strategies and adaptations have influenced the achievements in the operation of the company and its current position and position in the future,

- a clear report about achievements and goals which are founded on selected performance indicators.

8.3 Reports must be understandable, they must refer to important issues; they must be reliable, they must enable a comparison between the set goals and those of previous periods and represent a current and true view of the condition. Reporting must adhere to the principle of competitive neutrality which, in some cases, may influence the degree of disclosed details in the report.

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

**9.1 A company with State's capital assets, 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 the 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 other auditing rules.**

**9.2 The Management Board should set up an efficient risk management system. When required, the Management board should set up insurance against key risks.**

9.2.1 The large companies should, and, to the greatest extent, also 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 reactions 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 of their monitoring and supervision;
- in Annual Reports, disclose all significant risks and methods of their management, including the description of the internal control system;

- the Management Board 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 the Supervisory Board that it 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 The large companies with State's capital assets should set up internal audit activity and perform internal audits with employees in their own internal audit department (external service providers should only be of a casual assistance when required). The medium-sized companies should occasionally 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 medium term and annual plans. In case of significant risks 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 appointed for a limited time period, 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 function (in terms of the content) and shall report to the Audit Committee of the Supervisory Board or the Supervisory Board of the company, and in terms of the administration, to the Management Board of the company.

9.2.10 It is expected from the Supervisory Board that it will:

- ensure that the company has set up a suitable internal audit activity and that it makes an assessment whether it 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, or upon significantly changed circumstance, and terms of the company's operation, or significantly increased operation risk levels;
- 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 competences and responsibilities of internal auditors;
  - upon the proposal of the Management Board, approve the appointment, remuneration and dismissal from the office of the head of the internal audit;
  - directly communicate with the head of the internal audit;
  - approve the internal audit medium term and annual plan of work which is developed on risks;
  - verify and provide for an independent operation of the internal audit;
  - monitor the operation of the internal audit, and be informed of significant findings and recommendations given by internal auditors;
  - monitor the implementation of recommendations and require their implementation in the set time periods;
  - be informed of internal quality assessments and monitor the implementation of improvements regarding the internal audit operation;



- make an assessment of how many years it is suitable to ensure an external quality assessment of the internal control activity;
- be informed of findings (including the assessment on the compliance with standards and codes) 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 the company and the head of internal audit and determine whether there are any unsuitable 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 of the internal audit whose main task should be an independent monitoring of the orderliness and cost-effectiveness of the company's operations, with a special emphasis placed on the quality and the suitability of the internal control system.**

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

## **10. ADOPTION OF CODE OF ETHICS AND CORPORATE INTEGRITY**

**10.1 A company with State's capital assets should adopt and introduce in practice the Code of Ethics in which the principles of ethics and ethical rules for 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.**

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

- Principal company values
- Areas of responsibility:
  - A responsible attitude from the management bodies to the company and its employees:
    - role model on the part of the company's management personnel
  - A responsible attitude of employees towards the company:
    - avoiding employees' conflicts of interests between their work in the company and their personal affairs or affairs of their relatives;

- employees' attitudes towards the assets of the company, a responsible management of the company's assets;
  - protection of business secrets and other confidential information of the company;
  - operation in accordance with general interests of the company.
- A responsible attitude towards clients, buyers, suppliers and partners;
- A responsible attitude towards company's shareholders:
  - Functioning of the company in the direction of increasing added value for owners;
  - Notification of owners on significant events in the operation of the company;
  - A prudent use of company's assets.
- A responsible attitude of the company towards the wider society:
  - Adherence to legislation and internal legal documents of the 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;
  - The 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 –individual measures for the dissemination of the content of the Code of Ethics;
  - internal measures –the four-eye principle, risk management, violation reporting, education and training;
  - control and sanctions –verifying the credibility, internal audit, sanctions.

10.1.2 The Supervisory Board shall be informed of the Code of Ethics of the company.

10.1.3 A company shall set up a suitable method of 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.

**10.2 The companies with State's capital assets, by taking into account the size of the company and the degree of corporate integrity related violations in the company (detected or alleged), should establish the corporate integrity system with as much as possible elements as defined by the Slovenian Corporate Integrity Guidelines.<sup>8</sup> SSH supports the solution that, particularly in large companies, the supervision over the corporate integrity as an independent and autonomous function be entrusted with a Corporate Integrity Officer who, for the purpose of ensuring free operation, will be provided with suitably qualified and paid professional assistance, suitable supplies and authorization. The latter will also include an autonomous right for reporting, firstly to the management bodies and afterwards also to supervisory bodies in the company, as well as to other internal and external supervisory bodies.**

10.2.1 The companies with State's capital assets shall describe the corporate integrity system in the company in the Corporate Governance Statement.

## **11. CODE ENTRY INTO FORCE**

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

The Code is publicly published on SSH web site. The publication on SSH web site is considered to be a public publication in accordance with this Code.

The Code is observed as appropriate by SSH during its operation.

With the entry into force of this Code, the Corporate Governance Code for State Capital Investments of the Republic of Slovenia, adopted by SOD, d.d., on 15 May 2013 ceases to apply.

SSH Management Board

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<sup>8</sup> [http://www.korporativna-integriteta.si/Smernice/Smernice\(SSKI\).aspx](http://www.korporativna-integriteta.si/Smernice/Smernice(SSKI).aspx).



**APPENDIX 1: Recommended remuneration amounts for the performance of services and attendance fees**

**Attendance fees for the President and members of the Supervisory Board are:**

<b>Company size</b>	<b>Attendance fee - member</b>	<b>Attendance fee - President</b>
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 services of a Supervisory Board member amounts to:**

<b>Company size</b>	<b>Basic payment for service performance</b>
Micro companies	€ 3.000 to € 3.500 gross per annum
Small companies – poor financial condition	€ 3.500 to € 4.200 gross per annum
Small companies – good financial condition	€ 4.200 to € 5.200 gross per annum
Medium sized companies – poor financial condition	€ 5.200 to € 6.200 gross per annum
Medium sized companies – good financial condition	€ 6.200 to € 8.200 gross per annum
Medium sized companies – good financial condition (with one criteria for large companies)	€ 8.200 to € 10.200 gross per annum
Large companies – poor financial condition	€ 10.300 to € 11.000 gross per annum
Large companies – good financial condition	€ 11.300 to € 13.000 gross per annum
Large companies – good financial condition (their securities are traded on regulated market, or banks)	€ 13.000 to € 15.000 gross per annum

## **APPENDIX 2:**

### **GENERAL MEETING RESOLUTION SAMPLE - SUPERVISORY BOARD MEMBERS REMUNERATION**

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 commission receive the attendance fee for their participation at a session of the commission 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 in which he/she participates, in an individual business 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 the services 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 commissions in which he/she participates, in an individual business year, an individual Supervisory Board member, who is a member of a Supervisory Board commission or commissions, is entitled to receive the payment of attendance fees related to his/her participation at the sessions of the Supervisory Board and commissions up to the total amount of attendance fees that reaches 50% of the basic payment for the performance of the services of a Supervisory Board member at the annual level, increased by 25%.

2. In addition to attendance fees, the Supervisory Board members 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 the services of the Supervisory Board member, while the Vice President/Deputy of the Supervisory Board President, is entitled to receive the additional payment in the amount of 10% of the basic payment for the performance of the services of the Supervisory Board member.

The members of the Supervisory Board's commission receive the additional payment for the performance of services which amounts to 25% of the basic payment for the performance of services of the Supervisory Board member. The President of a commission is also entitled to receive the additional payment for the performance of the services in the amount of 50% of the payment for the performance of services of the Supervisory Board's commission member.

Regardless of the above mentioned, that is, regardless of the number of sessions in which he/she is a member or a President, in an individual business year, an individual member of a Supervisory Board's commission 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 the services of a Supervisory Board member at the annual level. If the mandate of an individual Supervisory Board member is shorter than the business year, the individual member of a Supervisory Board's commission, irrespective of the above mentioned, that is, regardless of the number of commissions in which he/she is a member or a President , is entitled to receive additional payments in an individual business year up to a total amount of such payments that reaches the value of 50% of the basic payment for the performance of the services of the individual Supervisory Board member for the duration of the time for which his/her mandated lasted in the relevant business year

3. The Supervisory Board members and members of the Supervisory Board's commission receive the basic payment and the additional payment for the performance of the services in the proportional monthly payments to which they are entitled until they carry out the function. 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 commissions' 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 the 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 for the transportation during business trips and accommodation during business trips). 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 commission 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.