
CORPORATE GOVERNANCE CODE



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The Corporate Governance Code for Joint Stock Companies was jointly phrased and adopted by the Ljubljana Stock Exchange, Inc., Ljubljana, the Association of Supervisory Board Members of Slovenia, and the Managers' Association of Slovenia on 18 March 2004, agreeing on adopting its amendments on 14 December 2005. This is an English translation of the Code; only the Slovene version is binding.

PREAMBLE

Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia and the Managers' Association of Slovenia agreed to adopt this Corporate Governance Code (herein called "the Code"). The Code incorporates the Slovene legislation, principles of business ethics, internal bylaws of the three institutions and internationally recommended best practices of responsible and good governance.

The purpose of the Code is to define in more detail the principles of directing and managing public joint-stock companies, whose shares are listed on the regulated market. The recommended practices should be applied also by other public and non-public companies, so that a transparent and understandable governance system is set up in Slovenia, which will promote the confidence of domestic and foreign investors, of employees and the general public in the Slovene two-tier system of governing public companies. The Code's provisions summarise the relevant laws, indicate recommended conduct practices for public companies' bodies and bridge the gap between their existing and the future legal regulation.

The Code's provisions, which summarise the currently valid legislation, are expressed by using the appropriate form of the meaning "must" (shall, is obliged, shall not,...), therefore the public joint-stock companies are required to observe the provisions and may not deviate from them. The Code's provisions containing the word "should", have the nature of recommendation and are not legally binding. As they represent the basis of a good governance system, companies shall disclose any deviations from such provisions once a year in a special statement on corporate governance, to inform the investors of any deviations from such provisions and give considered reasons for deviations. Excluded from this rule are the Code's optional recommendations, where disclosure of non-compliance is not required and which are expressed with the words "it is recommended / it can".

The institutions which cooperated in preparing the Code, will regularly review the effectiveness and adequacy of the Code against the legal and actual environment of companies and amend and supplement it, if necessary.

The signatories of the Code, Ljubljana Stock Exchange, the Managers' Association of Slovenia and the Association of Supervisory Board Members of Slovenia, hereby invite all capital market participants, regulators, professional associations, investors and all other organisations active on the Slovene capital market, to sign the declaration of accession in support of the Code's provisions and contribute to improve the culture of corporate governance in Slovenia.

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Definition of terms used in this Code:

Code: a collection of best practice recommendations in relation with corporate governance, including mandatory legal provisions and optional recommended practices for public joint-stock companies. Its purpose is to encourage the setting up of a good governance system and create conditions for sustainable development of joint-stock companies. At the same time it should prompt shareholders and important stakeholders (employees, creditors, contracting partners, the company's wider environment...) to actively cooperate and exercise their rights responsibly.

Public company: a company whose securities (shares or bonds) are listed on the regulated market in the Republic of Slovenia.

Public joint-stock company: a joint-stock company whose shares are listed on the regulated market in the Republic of Slovenia.

Related persons: legally independent persons, who are connected with each other, either in terms of governance, capital or in some other manner, and these connections make them cooperate in setting up their business policy and work in harmony to reach common business goals, or result in one person having the opportunity to direct or materially influence another person in deciding on the matters of finance and business operations, or result in one person's business operations business results materially influencing another person's business operations or business results. Related persons are deemed persons, whose connections are similar to those of immediate family members, so that one person or persons, who are deemed related, collectively, indirectly or directly participate in another person; so that in both persons the same person or persons participate, who are deemed related; so that they form a group of companies, pursuant to the company law; as members of management board or supervisory board or procurators or employees, on the basis of employment contract, to which the tariff part of the collective wage agreement does not apply, with the company in which they perform this function or in which they are employed, and immediate family members of this person.

Controlling interest: is the relation between a subsidiary and the parent company or a similar relation between any natural and legal persons.

Indirect holding: an indirect holder of shares, partnership shares or other rights, which ensure participation in governance or in capital, is a person, for whose account another person as indirect holder acquired the shares, partnership shares or other rights, ensuring participation in governance. A person is the indirect holder of shares, partnership shares or other rights, which ensure participation in governance, or of other securities, whose direct holder is another person, controlled by this person.

Qualifying share: is an indirect or indirect holding of a partnership share, shares or other rights in a legal person, on the basis of which the holder acquires either a minimum 5 % share of voting rights or a minimum 5 % share in this legal person's capital, or a share of voting rights or share in this legal person's capital, which is less than 5 %, but still provides a significant influence on this legal person's governance.

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

Substantial shareholder: is a person whose shares indirectly or directly represent 5 % or more of the share capital of a joint-stock company, or 5 % or more of voting rights in a joint-stock company.

Institutional investor: is a legal person, whose main activity is investing assets to maintain the assets value and generate returns on such investments (f.e.: insurance companies, pension funds, fund management companies etc.)

Pre-emptive right: is the right giving existing shareholders the first opportunity to buy shares of a new issue (before it is offered to a third party), in proportion to their current holding in the share capital in the event of increase in the company's share capital. Pre-emptive right to shares of a new issue is one of the property rights carried by a share, which ensures its holders to maintain the existing proportionate holding interest or equity investment, thus making possible that, upon the increase in share capital, internal relations among shareholders in principle cannot be changed.

Counterproposal: enables a shareholder to submit to the company a well-grounded counterproposal to the resolution, proposed within the agenda of the company's general meeting of shareholders. A counterproposal cannot include a proposal for deciding on an additional item to be put on the agenda. Shareholders may present counterproposals also after a 7 days period from the convocation of the meeting and at the meeting itself, whereby the 7 days period after the published convocation is meant to bind the management board to notify all other shareholders of the counterproposal's content.

Independence: absence of influence on a person's impartial, professional, objective, honest and complete assessment in carrying out his/her duties or in decision making, within the function he/she is performing. Persons are deemed dependent if they have a business relationship, are personally or in some other way closely connected with the company or its management board.

Conflict of interest: a conflict of interest exists when a person's impartial and objective performance of duties or decision-making, within the function he/she is performing, is jeopardised because personal business interests are involved, or the family's interests, his emotions, political or national (favourable or unfavourable) disposition or any other related interests with other natural or legal persons. A conflict of interest is an impediment to voting and the person disclosing it shall explain it.

Inside information: inside information is any accurate information referring indirectly or directly to one or more issuers of financial instruments (shares, bonds,...) or to one or more financial instruments, that has not yet been made available to the public or has not yet been released and if publicly known, would be likely to have a material impact on the price of these financial instruments or price of the related derivative financial instruments.

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

Public disclosure: means that data or information is adequately disclosed, verbally at the general meeting of shareholders or in written statements, included in the shareholder information material, in the company's annual report, on its web site, through publications in newspapers or through electronic means of communication or another prescribed manner in accordance with law.

Supervisory board's committees: the supervisory board may establish special committees, which may be set up for the duration of the supervisory board's term of office or are set up upon the occurrence of extraordinary events, to effectively resolve the complex issues.

Expanded/core management: company's expanded/core management as defined by a company's internal bylaws.

1. RELATIONSHIP BETWEEN THE CORPORATION, SHAREHOLDERS AND OTHER STAKEHOLDERS

1.1. Company goals

1.1.1. The key goal of a joint-stock company engaged in a gainful activity is to maximise the company's value. This and other goals, pursued by the company in performing its activity, should be stated in the company's articles of association.

1.2. Equal treatment of shareholders and protection of their rights.

1.2.1. Company's shares should be issued by applying the principle of "one share, one vote".

Companies shall not issue shares which, although of equal nominal amounts, would carry different numbers of votes.

1.2.2. In the event of shares with limited or no voting rights, companies should publicly disclose their type and volume and rights carried by these shares.

1.2.3. When a company's shares are traded on the regulated market, statutory limitation of voting right stipulating that the number of votes held by an individual in relation to the number of shares, cannot exceed a specified number or percentage, shall not be allowed.

1.2.4. Companies shall treat equally all shareholders, who hold shares of the same class, internal and external, minority and substantial shareholders, the state as shareholder and domestic and foreign shareholders.

1.2.5. In the event of increase or decrease in a company's share capital and in the event of acquisition or alienation of the company's own shares, the company should, by applying the principle of equal treatment of shareholders, observe the provisions on shareholders' pre-emptive right, in proportion to their current holding in the company's capital.

1.2.6. Companies should encourage all shareholders to actively and responsibly exercise their rights and warn them of the manners of exercising their right which could damage the company or other company's shareholders. Companies should encourage direct and indirect exercising of shareholders' rights through financial and other organisations and by proxy (organised collection of proxies).

1.2.7. It is recommended that, due to possible conflicts of interest, supervisory board members, management board members or core management members do not collect or accept proxies to vote at the general meeting of shareholders. When supervisory board members, management board members or core management members collect or accept proxies for voting at the general meeting of shareholders, this should be publicly announced.

1.2.8. When collection of proxies is paid by the company, it is recommended that invitation for granting proxies be addressed to all shareholders.

1.2.9. If organised collection of proxies for voting at the general meeting is carried out prior to the meeting, individual proxies should only be valid for one general meeting. The proxy should be unambiguous and understandable and should mainly contain the following:

- summons to the shareholder to give his proxy precise instructions for exercising the voting right;
- statement of proposals on which the proxy will vote, unless otherwise instructed;
- caution that the shareholder may revoke the proxy and attend the general meeting in person, whereby he/she shall observe the provisions of the company's articles of association referring to the duty of attendance notification prior to the meeting;

1.2.10. Companies shall encourage substantial shareholders, institutional investors or the state to inform the public of their investment policy in relation to the company, e.g.: voting policy, degree of corporate governance activity and its method, mechanisms and frequency of communication with the management board and the supervisory board.

1.3. General meeting of shareholders

1.3.1. Shareholders exercise their rights at the general meeting of shareholders. Companies should provide for timely and correct information on the convening of the meeting and encourage active exercise of shareholders' voting rights.

1.3.2. If attendance at the general meeting and exercising of voting rights depend on advance notification of shareholders' attendance, companies are recommended to enable shareholders to do so by mail or by use of information technology.

1.3.3. Decisions, which could materially affect the nature, scope and risk factors of a company's operation, and decisions, which could materially affect the position of a shareholder group, may only be taken if adopted by the majority of shareholders, prescribed by the company's articles of association. This mainly refers to decisions on:

- change of company status (merger, division, transfer of assets or modification of legal organisational form);
- defensive actions in the event of take-over,
- increase or decrease in share capital,
- profit distribution,
- authorisation given to the management board for acquisition and alienation of own shares,
- withdrawal of shares from the regulated market,
- appointment of members of the company's supervisory board,
- share option plans.

1.3.4. The management board shall convene a general meeting of shareholders at least once a year, always when it is in the company's best interest or upon request of shareholders, representing 5% of share capital (or 5% of shares with voting rights) of the company, or a smaller number, if so stipulated by the company's articles of association.

1.3.5. When convening a general meeting, the management board should ensure proper information dissemination and effective exercise of shareholders' rights by using information technology. The management board should observe the rules of proper information dissemination and place the notice of meeting, full text of proposed resolutions, conditions for attendance and all written material, also on the company's web site.

It is recommended that companies use information technology also in conducting the general meeting of shareholders.

1.3.6. When convening a general meeting the management board shall publish the agenda of the meeting.

For every item on the agenda the management board or supervisory board should publish the full text of proposed resolutions. The proposed resolutions should be clear and unambiguous, to enable shareholders' assessment of their impact on their rights.

1.3.7. The management board shall, upon a written request, inform financial services providers and shareholders' associations, who will act as proxies at the general meeting of shareholders, of convening the meeting, its agenda and proposed resolutions, at the same time and in the same manner as all the shareholders.

- 1.3.8. If election of members of the supervisory board is an item on the agenda, the supervisory board should, in cooperation with the management board, provide for timely public announcement of relevant information on nominees (education, previous experience, employment, supervisory board memberships, potential conflicts of interest...)
- 1.3.9. Supervisory board members should be elected individually.
- 1.3.10. It is recommended that the majority of members of the management and supervisory boards be present at the general meeting of shareholders.
- 1.3.11. In accordance with law, minority shareholders have the right to convene a general meeting, expand the agenda and file counterproposals. The chairman of the general meeting shall, in accordance with law, ensure that minority shareholders' rights are properly observed.
- 1.3.12. The management board shall, as soon as possible, publish the resolutions adopted at the general meeting of shareholders and the information on any challenging actions, announced at the meeting.

In its public announcement a company should include:

- any (additional) price-sensitive information presented at the meeting;
 - represented voting shares with which individual resolutions were voted (expressed in percentage of total voting shares);
 - voting shares of the five substantial shareholders present at the meeting (expressed in percentage of total voting shares);
 - majority reached with individual voted resolutions or with resolutions which were voted down.
- 1.3.13. The management board should place the resolutions, adopted at the general meeting and other information related to the concluded meeting on the company's web site, in line with the rules of proper information dissemination.

1.4. **Relationship between the company and other stakeholders**

- 1.4.1. In relations with other stakeholders (employees, creditors, customers, suppliers, the natural and business environment and the state) a company should exercise its rights responsibly and fulfil undertaken obligations in the manner that is compatible with the company's goals and that serves its long-term interests.
- 1.4.2. For the duration of the relationship with representatives of individual shareholder groups, a company should provide for a correct communication and mutual observance of confidentiality and of codes of good practices.

It is recommended that a company warns all stakeholders of the manners of exercising their right which could damage the company or other company's stakeholders.

- 1.4.3. When deciding on a matter, a company should study and consider legitimate interests of all stakeholders, in particular the employees. Decisions, which have a direct impact on a given stakeholder group, should be immediately notified to this group by the company, unless they are considered a business secret or inside information.

2. MANAGEMENT BOARD

2.1. Duties and responsibilities

- 2.1.1. The management board shall manage a company independently and on its own responsibility. It shall act in line with the company's goals and in the company's best interests. The running of a company's business cannot be delegated from the management board to any other company's body.
- 2.1.2. The management board shall ensure that all contractual obligations of the company, legal and executive regulations and generally accepted principles are observed, and make every effort to ensure that the associated companies observe them as well.
- 2.1.3. The management board should develop the company's strategy together with the supervisory board and should make sure that it is implemented.
- 2.1.4. The management board shall provide for appropriate risk management and risk monitoring in the company.
- 2.1.5. Members of the management board shall act with reasonable care and diligence and observe business confidentiality.
- 2.1.6. Members of the management board shall be jointly and severally liable for any damage, resulting from the violation of their duties, unless they provide evidence that they performed their duties honestly and scrupulously.

2.2. Composition

- 2.2.1. It is recommended that the management board be composed of several members and one of them be appointed president of the management board. The articles of association or, with the supervisory board's consent, the rules of procedure of the management board, should specify the allocation of areas of responsibility and duties among the members and the method of their cooperation.
- 2.2.2. At the beginning of their term of office, the members of the management board should, in addition to requirements stipulated by law, meet additional requirements related to the position of a management board member. These requirements should be stipulated by the company's articles of association or a supervisory board's resolution.
- 2.2.3. In addition to meeting the requirements, stipulated by law, the company's articles of association or other bylaws, the president of the management board should have good management and organisational skills and have the reputation of being a good businessman in the wider company's environment.
- 2.2.4. The management board members should thoroughly, accurately and promptly inform the president of all major events and individual transactions developments in the areas of their responsibility.

2.3. Remuneration, compensation and other benefits and ownership of company shares

- 2.3.1. Remuneration, compensation and other benefits of management board members (salary, profit sharing, reimbursement of expenses, insurance premiums, fees, other additional payments or other benefits, such as loans, use of company car etc.) shall be determined by the supervisory board.
- 2.3.2. The method of determining the level of remuneration, compensation and other benefits of the management board members should be specified in advance and should observe the following criteria:
 - duties of individual members,

- performance of individual members,
 - size of the company and its financial position
 - requirements for managing the company with respect of its business and organisational complexity
 - the company's general economic environment
 - the company's performance
 - implementation of strategic and annual plans
 - remuneration of management board members in related companies
 - recommendations for remuneration, adopted by relevant professional organisations.
- 2.3.3. Remuneration of management board members should be composed of a fixed and a variable component. The variable component should contain payments during the year or on a yearly basis, related to individual performance, implementation of plans and the corporate performance. In addition, the variable component, i.e. incentive payments should be a long-term encouragement for achieving higher productivity. The supervisory board should assess a management board member's performance and determine the amount of the variable component of his remuneration, in line with the criteria in his contract.
- 2.3.4. Share options or comparable financial instruments may serve as the variable component of earnings, which should improve productivity and loyalty to the company. Relevant criteria should be specified in advance by applying comparative parameters such as performance of the stock index or achievement of projected share price growth of the company. Performance criteria and other conditions from the share option plan should not be changed retroactively
- Compensation and cash payments for not exercising an option shall not be allowed.
- 2.3.5. A management board member, who acquires shares on the basis of share option plan or share plan, should not be entitled to sell such shares for at least 2 years after the end of the term of office during which he acquired the shares.
- In the new term of office he may alienate them only if he acquires new shares prior to the alienation of the shares from the previous term of office.
- 2.3.6. Details from the share option plan or comparable remuneration system should be disclosed to shareholders and the public so that the benefits to individual entitled persons are made clear.
- 2.3.7. The proposed share option plan and other forms of management board members' earnings that are related to the company's shares, and other forms of individual or collective schedules of remuneration on the basis of profit sharing or company's shares, should be prepared by the supervisory board, who should notify of it the general meeting of shareholders. The management board members may participate in profits only if this is in line with the company's articles of association and the resolution of the company's general meeting of shareholders.
- 2.3.8. Remuneration, compensations and other benefits of the management board members should be disclosed for each year in the Notes to the Financial Statements and shall be disclosed for each management board member in net and gross amounts. Remuneration should be broken down as follows:
- fixed component of earnings,
 - variable component of earnings (long-term and short-term incentives for achieving higher productivity and performance-related earnings, excluding profit sharing),
 - profit sharing,
 - share options,
 - other earnings (severance pay, additional insurance premiums, benefits).

If a management board member is paid in company's shares, his earnings should be broken down separately, in money and in company's shares.

2.3.9. A management board member shall deliver to the company, in the prescribed manner, all data about any changes in his ownership of shares in the company's capital, at the latest the next succeeding day after the transaction of acquisition or alienation of securities, issued by the company in which he is employed or its related company, has been concluded. The company shall appropriately disclose these data to the public.

2.4. Conflict of interest

2.4.1. The management board members shall be loyal to their company in all areas of their activity. In decision making they shall not put their own interests before those of the company or take advantage of the company's business opportunities for personal gain.

2.4.2. A management board member shall immediately disclose the existence of potential conflict of interest to the supervisory board and notify of it the other management board members.

2.4.3. During his term of office a management board member shall observe the competition clause and not perform any gainful activity in the company's area of activity, without the consent of the supervisory board, and shall not conclude transactions for his own or for a third-party account.

2.4.4. All legal transactions between the company and a management board member, as well as transactions between the company and persons or companies related to the member, in which he is personally involved, shall be concluded by observing the code of good practices and be publicly disclosed.

2.4.5. Members of the management board shall not demand or accept from third parties any payments in connection with their work, or enjoy other benefits for themselves or for a third party, or provide to third parties illegal benefits.

2.4.6. Members of the management board should not be members of supervisory boards in more than five (5) joint-stock companies, of which not more than three (3) unrelated public joint-stock companies.

2.4.7. A management board member should accept memberships in supervisory boards of companies, unrelated to the company only after having informed of it the chairman of the supervisory board of the company in which he is a management board member.

A management board member should disclose his memberships in supervisory boards of unrelated companies in the annual report of the company in which he is a management board member.

3. SUPERVISORY BOARD

3.1. Duties and responsibilities

3.1.1. The duties of the supervisory board are to appoint and supervise the management board and provide advice in running the company's business and preparing its strategy, by acting independently of the management board and in line with the company's goals.

3.1.2. In performing his duties a supervisory board member should not depend on the opinions or instructions of those who elected him, nominated or appointed him, he should assume full personal responsibility for performing his function. All supervisory board members should have equal rights and duties, independently of the body that elected, nominated or appointed them.

3.1.3. A supervisory board member should endeavour, under all circumstances, to ensure that independent analysis, decision-making and actions are carried out.

3.1.4. Throughout the duration of his term of office, a supervisory board member should act according to the highest standards of integrity and competence.

Throughout the duration of his term of office and after its expiry, he shall adhere to the business confidentiality principle. He shall treat all decisions adopted by the supervisory board, proposed resolutions and papers of the supervisory board as business secrets until the company makes them available to the public.

3.1.5. The supervisory board should draw up and adopt its rules of procedure and make them available to all shareholders and the workers' council under the same conditions.

3.1.6. The supervisory board should meet regularly, at least quarterly. The board's decisions should be taken at meetings. The supervisory board should evaluate the performance of the management board and its members once a year, when deciding on their remuneration.

3.1.7. The supervisory board should meet without the presence of the management board members when deciding on the appointment of the president of the management board, on the management board's remuneration and when evaluating its own performance.

3.1.8. The chairman of the supervisory board co-ordinates the work of the board and conducts the meetings. Voting on supervisory board members should be open within the board, however, information about the votes of individual members should not be revealed to the public. A supervisory board member should clearly express his disagreement, with a record of it entered in the minutes, when he feels that the supervisory board's decision could jeopardise the company's goals or could damage the company.

3.1.9. The supervisory board should use information technology for distributing materials and convening meetings. All supervisory board members should be invited to meetings in the same manner. If it is deemed fit, due to the size of the board or geographical distance of the members' locations, it is recommended that the supervisory board use information technology also for holding its meetings and voting on proposed resolutions. At least once a year the supervisory board members should attend a meeting in person.

3.1.10. The chairman of the supervisory board should encourage the members to perform their function effectively and actively. If a member fails to attend the board's meetings or is not active in performing his function, this should be evident from a written report to the general meeting of shareholders. Once a year the supervisory board should evaluate the performance of the board as a whole and of individual members. This procedure should assist the board in determining the measures to be taken for improving its effectiveness (composition, education, dynamics and attendance at meetings, acquisition of information and preparation for meetings,...)

3.1.11. The supervisory board should report on its work to the shareholders by written reports at the general meeting of shareholders. The board's report should accurately and fairly present its activities during the year. The board should make a thorough presentation of its supervision of the management board's work and the company's business operations, of its cooperation with the management board and with the external auditor, and it should state its opinion on the auditor's report. Separately, the supervisory board shall state in the report to the general meeting of shareholders how it has reviewed the company's annual report, if it approves it and whether it has any comments on it.

3.1.12. The company should publish the supervisory board's report.

3.2. **Appointment and removal of the management board**

3.2.1. The supervisory board appoints and may dismiss the management board members, whereby it endeavours to ensure continuity of their work by carefully and timely selecting the successors to individual members of the management board. The management board should cooperate in this. The president of the management board should propose the successors to the management board and notify of it the supervisory board at least one year before the end of the term of office.

3.2.2. The supervisory board may delegate the responsibility for leading the process of selecting the nominees for new management board members to a special committee. In selecting the candidates, the supervisory board, or the committee, should consider special criteria, determined in advance, which the nominees should meet. The president of the management board may, by authority conferred by the supervisory board, propose nominees for the other members of the management board. The supervisory board may accept or completely reject his proposal.

3.2.3. The supervisory board is obliged to provide for appropriate service contracts with management board members. The contract should determine the duties and competence of a management board member, remuneration system and the criteria for the variable portion of remuneration, his duties relating to loyalty to the company and the methods of removal and severance pay. A member's removal for other business reasons, pursuant to the Companies Act, should not mean removal for culpable conduct. Grounds of culpable liability resulting in removal should be enumerated in the contract of the management board member. In the event of removal on the grounds of culpable liability, a management board member shall not be entitled to severance pay.

3.3. **Composition**

3.3.1. To ensure the supervisory board's independence and its effective supervision of the management board, the majority of supervisory board members should be independent. Independence of a supervisory board member means that there is no influence on his impartial, professional, objective, fair and comprehensive assessment in carrying out his duties or in his decision-making. A supervisory board member is deemed dependent if he has a business relationship with the company, is personally or in any other way closely connected with the company or its management board.

3.3.2. A supervisory board member's economic dependence on the company is only allowed if he is elected as the representative of the company's employees. If the number of employee-elected representatives in the supervisory board does not ensure the independent members' majority, the employees should appoint as their representatives to the board external experts who are not employed in the company and have no business relationship with the company or are in any other way dependent on it.

- 3.3.3. Every supervisory board member shall ensure to have sufficient time available to undertake his duties. Throughout his term of office a supervisory board member should refresh and update his knowledge in the fields important for high quality and effective carrying out of his duties. Education and training of members of supervisory boards should be encouraged, organised and financed by the company in line with assessed needs of the company and the supervisory board.
- 3.3.4. At least one member of the supervisory board should be an expert in the field of finance or accounting.
- 3.3.5. The supervisory board or its special committee should carefully prepare proposals for new supervisory board members to be elected at the general meeting of shareholders. They should obtain the nominees' consent to their candidature beforehand.
- 3.3.6. In collecting the nominations, the supervisory board or its special committee should consider special criteria, determined in advance.

It is recommended that in selecting the nominees, the following is considered:

- comprehensive business knowledge and appropriate expertise for effective performance of the function (whereby the company's specific features should be taken into account, such as the industry in which the company operates, international activities etc.)
- potential conflicts of interest as specified in chapter 3.5 of this Code,
- business ethics and personal integrity
- appropriate documents and evidence of relevant knowledge, evidencing that a nominee is qualified for serving on supervisory boards,
- sufficient time available

It is recommended that knowledge, experience and qualifications of individual members are well balanced.

- 3.3.7. A nominee, with whom from the outset conflicts of interest exist which could materially influence his decision-making and activities, should not be proposed for supervisory board membership.
- 3.3.8. Prior to the general meeting at which shareholders are to elect supervisory board members, the supervisory board should properly introduce the nominees to the shareholders and disclose any potential conflicts of interest.
- 3.3.9. To ensure the continuity of work and facilitate the exchange of experience between the members of the supervisory board, it is recommended that election or re-election of supervisory board members is not held simultaneously for all members, or that they are not elected for the same term of office.
- 3.3.10. The number of employee-elected representatives in the supervisory board should be determined in the articles of association. The procedure for their election or removal should be regulated by a general act, in selecting the nominees the required professional qualifications should be considered. It is recommended that employee-elected representatives in the supervisory board should not be appointed from among the expanded management team, or else this should be publicly disclosed. If there are no appropriate nominees from among the company's employees, the workers' council should propose independent nominees from outside the company.
- 3.3.11. It is recommended that a person, who has been a member of the company's management board or member of management boards of associated companies within the last three years, is not appointed chairman of the supervisory board.

3.4. Remuneration, compensation and other benefits and ownership of company's shares

3.4.1. For their work the supervisory board members should be entitled to:

- remuneration for performing the function,
- remuneration for serving on the supervisory board committees,
- attendance fees, and
- reimbursement of expenses.

Supervisory board members should not be remunerated with share options or comparable financial instruments. It is not recommended that the major part of their remuneration is directly related to the company's performance.

3.4.2. The amount and method of determining individual remuneration, compensation and other benefits of supervisory board members shall be determined by resolution of the general meeting of shareholders or by articles of association. In determining the amount of remuneration, the following criteria should be considered:

- extent of duties and responsibility of supervisory board members,
- expertise and activity of supervisory board members,
- size of the company and the complexity of its business operations,
- the company's general economic environment.

It is recommended that in determining the appropriate remuneration method, the criteria for remuneration of supervisory board members as adopted and determined by the appropriate professional organisation, are considered.

3.4.3. Remuneration, compensation and other benefits of supervisory board members should be disclosed in the Notes to the Financial Statements. It is recommended that remuneration amounts are disclosed for each individual supervisory board member. They should be broken down as specified in the section 3.4.1. of this Code and include profit sharing and the share option plan, if it exists, and all other earnings and benefits that the supervisory board members received from the company.

3.4.4. A supervisory board member, who is also a management board member in a related company, should not receive special remuneration for performing his duties as supervisory board member, except for reimbursement of expenses.

3.4.5. A supervisory board member is obliged to deliver to the company, in the prescribed manner, data about any changes in his ownership of stake in the company's capital, at the latest the next succeeding day after the transaction of acquisition or alienation of securities, issued by the company in which he performs its function or its related company, was concluded. The company shall appropriately disclose these data to the public.

3.4.6. Supervisory board members' liability insurance should protect the interests of the company and not the board members.

3.4.7. If supervisory board members take out liability insurance, they cover the insurance cost themselves. The company should take out liability insurance only for the portion of damages which could exceed the assets of supervisory board members and for which the company would not be indemnified without insurance.

3.5. Conflicts of interest of supervisory board members

3.5.1. A supervisory board member's activity and decision-making should primarily observe the company's goals, so that any other personal interests or interests of third parties, the management board, shareholders, the general public or the state, should be subordinated to them.

- 3.5.2. Supervisory board members shall not perform any managerial or executive or advisory duties for competing companies and should not be substantial shareholders or partners of such companies.
- 3.5.3. Supervisory board members shall protect the company's business secrets and shall not take advantage of the company's business opportunities for personal gain or the gain of third parties.
- 3.5.4. A supervisory board member should take all the necessary precautionary measures to avoid conflicts of interest which could influence his judgement. A conflict of interest exists when a board member's impartial and objective performance of duties or decision-making is jeopardised because personal economic interests are involved, or the family's interests, his emotions, political or national (favourable or unfavourable) disposition or any other related interests with other natural or legal persons.

A supervisory board member has a conflict of interest if:

- he has, or has had, within the past three years, an important business relationship with the company or its related company;
 - he is a member of the expanded management team of the related company;
 - he is the person who cooperated in drafting a proposal of the company's annual report;
 - he is the company's substantial shareholder;
 - he has a business relationship, is personally or in some other way closely connected with a substantial shareholder or its management board;
 - he is a major supplier of goods or services (including advisory or auditing services);
 - he has received, within the last three years, or currently receives major additional payments from the company or a related company, excluding the remuneration received as a supervisory board member;
 - within the last three years he has been a partner or employee of the existing or former external auditor of the company or related company;
 - he has been on the supervisory board for over 12 years;
 - he is an immediate family member of another member of the supervisory board or of the management board.
- 3.5.5. Detailed company's criteria for assessing the existence of conflicts of interest and the measures to be taken to avoid them, should be determined by the company in the rules of procedure of the supervisory board, articles of association or in a separate corporate governance code. It is recommended that at least the following measures are taken in this respect:
- a conflict of interest could be an impediment to voting and the person disclosing it shall clarify it;
 - in well-grounded cases the chairman of the supervisory board may, prior to voting, demand from the board members to declare whether they have any conflicts of interest related to the subject-matter of voting;
 - if a supervisory board member, for whom a conflict of interest exists, fails to abstain from voting, the supervisory board should decide on the impediment by the votes of all present members, prior to the voting on the matter in question;
 - if the voting establishes that a conflict of interest exists, the relevant supervisory board member should not vote. It is then deemed that the non-voting member is not present at the meeting and the votes are counted accordingly as is the adoption of the resolution.

The existence of a material conflict of interest or existence of an evident conflict of interest, which is not of a temporary nature, should, in relation to a supervisory board member, be ground for termination of his term of office.

- 3.5.6. A supervisory board member should inform the board of any conflicts of interest, which arise or could arise in performing or with reference to the performance of his function. In addition, each supervisory board member should inform the board of any memberships in the supervisory boards of other companies.

- 3.5.7. In its report the supervisory board should, at least once a year, inform the general meeting of shareholders of any existing conflicts of interest and of the measures taken in this respect. The existence of a material conflict of interest or a conflict of interest, which is not of a temporary nature, should, in relation to a supervisory board member, be ground for termination of his term of office.
- 3.5.8. Any agreements and contracts on consultancy and other services made between a supervisory board member and the company shall require the supervisory board's approval.
- 3.5.9. The provisions on conflict of interest and independence of supervisory board members apply to all members, irrespective of who nominated, elected or appointed them.

3.6. Formation of supervisory board committees

- 3.6.1. It is recommended that the supervisory board should form special committees for drafting proposals of resolutions and for supervising their execution, with the aim of improving the effectiveness of the board's work and resolving more demanding issues. If due to the size, complexity or riskiness of business operation this is not appropriate, the supervisory board itself shall perform the duties of individual committees.
- 3.6.2. The supervisory board committees may not take independent decisions on issues that are within the competence of the supervisory board, but can prepare proposals and materials for the supervisory board and advise the board members.
- 3.6.3. The supervisory board committee should consist of a minimum three (3) members. In setting up a committee, the supervisory board should determine its planned mandate and competence and powers. In this it should consider the special features of the company and the number of supervisory board members and their expertise. At least one internal member should be in each committee, i.e. a committee member, who is also a supervisory board member.
- 3.6.4. At their first meeting the committee members should elect a chairman from among them, who should not be the chairman of the supervisory board. The chairman of a committee should regularly report to the supervisory board on the committee's work.
- 3.6.5. In performing their function, all committee members shall observe exclusively the company's goals. The rules on conflicts of interest applicable to supervisory board members, stipulated in the chapter 3.5 of this Code, also apply to external members of committees, i.e. members, who are not at the same time supervisory board members.
- 3.6.6. The company should ensure that the committees have sufficient resources and appropriate powers for carrying out their duties, which include the right to obtain (especially from persons in charge in the company) all the necessary information and the right to seek independent professional advice on issues that are within their competence.

3.7. Audit committee

- 3.7.1. The supervisory board may set up an audit committee. Its main responsibilities are: to oversee the functioning of the risk management system, internal audit department or system of internal controls, cooperate in selecting the independent auditor and preparing the agreement between the auditor and the company, monitor the independence, impartiality and effectiveness of the external auditor, cooperate in determining the important segments to be audited, and to review the completed auditor's work and other duties, stipulated by the articles of association. In addition, the audit committee evaluates the composition of the annual report.

The audit committee reports on its activities to the supervisory board.

- 3.7.2. The audit committee members should have appropriate professional skills and personal characteristics to be able to perform their duties properly and independently, especially:
- independence from the management board,
 - available time for working on the committee,
 - wide professional knowledge,
 - knowledge of the company's areas of business,
 - knowledge of finances, accounting and auditing.

At least one member of the supervisory board should be an expert in the field of finance and accounting.

- 3.7.3. The chairman of the audit committee shall not be a former member of the management board of the company at least five (5) years after expiration of his term of office. Other committee members shall not represent the majority of former members of the company's management board at least five (5) years after expiration of their term of office.

- 3.7.4. The audit committee should cooperate with the external and the internal auditors also without the presence of the management board and ensure on-going and effective exchange of opinions.

3.8. **Nomination committee**

- 3.8.1. The supervisory board may set up a nomination committee with the following responsibilities:

- provide assistance to the supervisory board and prepare proposals relating to the criteria for management board appointments and nominees for management board appointments, whereby it shall ensure that the balance between skills, experience and expertise meets the requirements, prepare the description of duties and determine the qualifications required for individual appointments;
- assess the size, composition and activity of the management board at regular intervals;
- provide assistance in the evaluation of the management board's performance and state the grounds for removal of individual members of the management board, when they occur;
- prepare a draft of the proposed list of nominees for new members of the supervisory board to be presented at the general meeting of shareholders.

- 3.8.2. Members of the nomination committee should have appropriate professional skills and personal characteristics to ensure the quality and independence of their work, in particular:

- independence from the management board,
- knowledge of personnel recruiting and remuneration systems,
- sufficient time available for working on the committee,
- extensive expertise and knowledge of company law,
- knowledge of all business areas of the company and the group.

At least one member of the nomination committee shall be a company law expert and one an expert in management.

- 3.8.3. The chairman of the nomination committee shall not be a former member of the company's management board.

3.9. **Remuneration committee**

- 3.9.1. The supervisory board may set up a remuneration committee with the following principal responsibilities:

- providing assistance to the supervisory board and prepare proposals relating to the policy on remuneration, compensation and other benefits for management board members;
- monitoring the existing targets and criteria for evaluation of management board members and appraising the performance of individual management board members at regular intervals;
- advising the supervisory board on the adequacy of draft service contracts between the management board members and the company;
- monitoring disclosure of information about the earnings of individual management board members;
- cooperation in preparing the company's policy on granting options.

3.9.2. Members of the remuneration committee should have appropriate professional skills and personal characteristics to ensure the quality and independence of their work, in particular:

- independence from the management board,
- knowledge of the remuneration and compensation systems and other benefits for the management board members,
- sufficient time available for working on the committee,
- extensive expertise and knowledge of company law,
- knowledge of all business areas of the company and the group.

At least one member of the remuneration committee shall be a company law expert and one an expert in management.

4. COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

- 4.1. The management board and the supervisory board cooperate closely in the company's best interests. The articles of association or the rules of procedure should determine in detail the division of responsibilities between the management board and the supervisory board and the method of their cooperation.
- 4.2. In adopting the company's key decisions, which could have a material impact on the company's business or financial position or legal status, the management board and the supervisory board should endeavour to act by mutual agreement.
- 4.3. The articles of association should determine the type of transactions for which the management board is required to obtain the supervisory board's approval, whereby such restrictions should not be an obstacle to the management board's work. If necessary, such approval may be stipulated by a supervisory board's resolution.
- 4.4. The management board and the supervisory board are jointly responsible for providing timely and comprehensive information to the supervisory board. The management board shall regularly, timely and comprehensively inform the supervisory board of all significant issues referring to the company's business operations, its strategy, risk management etc. The management board's reports shall be delivered to the supervisory board at least quarterly. The management board is obliged to draw the supervisory board's attention to any deviations from projected targets. The supervisory board is entitled and obliged to demand from the management board additional explanations and reports on any ambiguities related to business operations of the company or its subsidiaries.
- 4.5. The chairman of the supervisory board should be in regular contacts with the president of the management board and consult with him about the company's strategy, business development and risk management. The president of the management board shall immediately notify the chairman of the supervisory board of significant events, which are of key importance for assessing the company's position and any consequences that could arise and affect the running of the company. The chairman of the supervisory board should notify the board of significant events and, if necessary, convene an extraordinary meeting.
- 4.6. The chairman of the supervisory board consults with the president of the management board about the training of supervisory board members and induction programmes for new members.
- 4.7. The supervisory board should specify the content and deadlines for regular and ad hoc reporting of the management board. The management board should deliver reports in writing (or additionally in electronic form, if proper protection against unauthorised access is provided). Documents, required for decision-making, should be available to all supervisory board members and the members of the board's committees on time.
- 4.8. The management board shall regularly report to the supervisory board on all important risk factors and risk monitoring mechanisms. In particular the supervisory board shall be informed of risks, deriving from the company's activity, geographical area, dependence on raw materials, of financial risks, off-balance-sheet risks and strategy risks.
- 4.9. The management board members and the supervisory board members shall consistently observe the duty to protect confidentiality and business secrets throughout their term of office and after its expiration. In addition, the management board shall ensure that the company's employees adhere to the two principles. The management board should adopt special rules of procedure for protection of business secrets and inside information, in which it should specify the information designated as business secret, protection of such information, and sanctions for any violations.

4.10. Compliance with corporate governance principles

Members of the management board and of the supervisory board individually, and both boards as a whole, as bodies of a joint-stock company, should respect the corporate governance principles and ensure that they are applied in the company.

Companies should publish a Statement of Compliance with the Corporate Governance Code. The Statement should contain:

- a statement as to whether the company meets the provisions of the Code and explanations of any deviations from its provisions;
- time period or day to which the statement refers
- date of adoption or amendment of the Code to which the statement refers;
- signatories of the statement (the company's management and supervisory boards).

4.11. Actions related to take-over procedure

4.11.1. In deciding on a take-over bid and throughout the take-over procedure, the management board and the supervisory board shall act in the interests of the company and the shareholders. In doing so, the management board and the supervisory board should consistently observe the principle of equal treatment of shareholders before, during and after the time limit for acceptance of take-over bid is expired, and promptly inform them of the course of procedure.

4.11.2. The management board should form a standpoint about the take-over bid and publicly announce it or deliver it to all the shareholders. The standpoint should contain its explicit opinion on the adequacy of the take-over price.

4.11.3. In the event of take-over bid, the management board of the target company should not conduct any activities outside the ordinary course of business which could jeopardise the success of the take-over bid.

4.11.4. If the company's articles of association or a valid resolution of the general meeting of shareholders give the management board of the target company the authority to use defence mechanisms in the event of take-over bid, the latter shall be appropriately disclosed to the shareholders and explained.

5. ASSOCIATED COMPANIES

- 5.1. The management board of the parent company is responsible for strategic management of the entire group of companies. It shall supervise the business operations of all subsidiary companies and take care of its investments in the subsidiary companies and of the long-term successful performance of the group as a whole.
- 5.2. The management board of the parent company shall ensure that the responsible persons in the subsidiary companies are informed of the strategy and principles of corporate governance and that they comply with these documents as appropriate.
- 5.3. The parent company's management board shall provide for adequately qualified members of subsidiary companies' bodies through relevant company law mechanisms.
- 5.4. The supervisory board of the parent company exercises supervision over the operation of the entire group through reports of the parent company's management board. The supervisory board of the parent company may, at any time, request from the management board of the parent company a report on the operations of a subsidiary company, but cannot request reports directly from the subsidiary company's management board or its employees.
- 5.5. Relations within a group of companies shall be regulated in a transparent manner. Agreements on controlling interests, participation in profits and other agreements that have the nature of entrepreneurial agreements, shall be concluded and registered in the prescribed manner. Management boards of subsidiary companies are obliged to prepare transparent reports on subsidiary relationships and strictly observe legal regulations. The report on subsidiary relationship shall present the actual position and give a true view of all business transactions, concluded due to the influence of the parent company and their economic impact or potential damage.
- 5.6. Members of management and supervisory boards are jointly and severally liable for any damage incurred by the company on account of their violation of legal regulations, unless they can prove that they acted prudently and in accordance with law.

6. AUDIT AND THE SYSTEM OF INTERNAL CONTROL

6.1. External auditors

- 6.1.1. Auditing shall be conducted in line with professional and ethical principles and generally accepted standards on auditing.
- 6.1.2. The supervisory board shall propose an independent auditor, who will conduct the audit independently, impartially and in line with accepted standards on auditing. It is recommended that the proposed auditor should not come from an auditing firm that already provides advisory services to the company or an auditing firm, whose services to the company represent 30% or more of its total revenues.
- 6.1.3. Before appointing the auditor at the general meeting of shareholders (on the proposal of the supervisory board) shareholders shall be informed of any other services that the auditor provides or has provided to the company in professional areas related to auditing. Shareholders shall be made aware also of any other fact that could cause a conflict of interest to the proposed auditor.
- 6.1.4. The auditor should be present at the company's general meeting of shareholders. When the company does not have a special audit committee, the auditor should be present at all meetings of the supervisory board where decisions are taken about the annual report, the internal control system and risk management.
- 6.1.5. The company should change the auditing firm or auditor-partner at least after five successive years.

6.2. Internal audit department and the system of internal control

- 6.2.1. To protect shareholders' interests and the company's assets, the company's management board shall provide for the establishment and operation of an appropriate and effective system of internal control. The internal audit department shall be responsible for evaluating the operation and assessing any potential weaknesses of the system.
- 6.2.2. Persons responsible for internal control shall be directly accountable to the company's management board and impartial in their work.
- 6.2.3. The principal duty of persons, responsible for internal control, is to identify and limit the risks, which could have a negative effect on achieving business targets. Their work includes reviewing operating business procedures and identifying and limiting financial and business risks, limiting profiteering to the detriment of the company, in order to improve its operating effectiveness and performance.

7. DISCLOSURE

7.1. Disclosing information and reporting

7.1.1. Companies shall promptly report on their financial position and legal status and business operations by publishing:

- unaudited annual financial statements,
- summary from the annual and semi-annual reports and other interim financial results,
- review of financial results in previous years
- any variance from the projections, and
- forecasts and plans for future business operations.

Companies shall, as soon as possible, provide for the disclosure of all material information about themselves, their business operations, ownership and governance, any changed terms of business and events in their business environment, which could affect their financial position and legal status.

7.1.2. Companies should publish their announcements also in the English language.

Annual report and semi-annual report

7.1.3. Companies' annual and semi-annual reports shall be prepared in a clear and transparent manner. They shall give a true and fair view of a company's assets and liabilities, its financial position and results of operations. The annual report shall contain a company's development forecasts, indicate the significant risks and uncertainties to which the company is exposed, the goals and measures of risk management. Its component part shall also be the corporate social responsibility report (responsibility to employees, consumers, local community and the natural environment).

7.1.4. In order to assure the comparability of financial statements, companies should prepare and publish annual and interim consolidated and unconsolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

7.1.5. The annual report should include the management responsibility statement relating to the preparation of financial statements and explanatory notes.

7.1.6. Companies should include in their annual reports a Statement of Compliance with the Corporate Governance Code and disclose whether or not they have complied with the provisions of this Code, and give considered reasons for any deviations from the Code. The Statement should also include the information as to where this Code is publicly available, both in the Slovene and English languages.

7.1.7. The annual report should also be published in the English language.

7.1.8. The annual report and the semi-annual report should be available for inspection at the company's registered office, and freely available on the company's web site and the stock exchange information system SEOnet.

Data from the prospectus and its availability

7.1.9. Companies should publish their updated prospectus, or the significant changes of data stated in the prospectus, at least once a year.

Calendar of the company's significant announcements

7.1.10. Companies should prepare a calendar of expected significant announcements (shareholder meetings, publishing of dividend payment date, annual and interim reports,...) for the forthcoming financial year. The

calendar of significant announcements should be published and be available to the public on the company's web site.

Resolutions of the supervisory board

- 7.1.11. Companies should, as soon as possible, publicly announce the resolutions of their supervisory boards, which are classified as price sensitive information pursuant to section 7.1.6. of this Code.

The company's ownership structure, cross-holdings and take-over

- 7.1.12. Companies should promptly disclose any changes in ownership structure, especially indirect or direct acquisition or disposal of 5 % stake of share capital (qualified stake) and/or of voting rights.
- 7.1.13. Companies should publicly announce any cross-holdings with other companies (holding of a minimum 5 % qualified stake in another company, which holds the shares of the first company) at least once a year.
- 7.1.14. In the event of take-over bid, the bidder and the target company should, as soon as possible, inform the public of all procedures related to the take-over bid.
- 7.1.15. Companies should promptly disclose the acquisition or alienation of the issuer's own shares, or at the moment when the acquired or alienated shares reach 1 % of the issuer's share capital at the latest, and upon each subsequent exceeded whole percent.

Share ownership of members of a company's management board and supervisory board

- 7.1.16. Companies should, as soon as possible, publicly announce any changes in the shareholding, held by individual members of the management board or supervisory board of the company or a related person.

Amendments to the articles of association and increases or decreases in the company's share capital, changes in the company's status

- 7.1.17. In the event of proposed resolution of the general meeting of shareholders on amendments to the articles of association (increase or decrease in capital, change in the nominal amount of shares, change in the type of share) or change in the company's status (division, merger, transfer of assets, change in legal organisational form), the company should publish a clear information about the consequences of the resolution for the existing shareholders and investors and the reasons for the proposed resolution. In addition, it should ensure a transparent course of procedure related to the proposed changes by promptly informing all shareholders equally and disclosing all significant events.
- 7.1.18. In the event of proposed resolution on increase in share capital and exclusion (in part or fully) of pre-emptive rights of existing shareholders to subscribe to the new shares, the company should publish a written report on the reasons for complete or partial exclusion of pre-emptive rights, and explain the consequences of adopted resolution for the existing shareholders.

Admission to the regulated market and withdrawal from the regulated market

- 7.1.19. In the event of proposed resolution of the management board or the general meeting of shareholders on listing company shares on the regulated market, or resolution of the general meeting of shareholders on withdrawal of shares from the regulated market, the company should publish a clear information about the consequences of the proposal or resolution for the existing shareholders and the reasons for the proposed resolution. The company should disclose the expected course of activities related to the listing on the regulated market or withdrawal from the regulated market.

Risk factors

- 7.1.20. Companies shall regularly disclose the material risk factors and the risk management mechanisms applied.

Rumours and the press

- 7.1.21. In the event of misleading rumours and articles in the press, related to a company or its business operations, the company should publish its own press release and affirm and state the grounds or deny the statement from other sources.
- 7.1.22. Companies shall promptly and accurately inform the public of all material decisions which are or will be necessary due to fundamental changes occurring in them.

7.2. Manner of information disclosure

- 7.2.1. Companies should disclose information in a manner that does not result in unequally informed public. A public announcement shall include all the information required for the investor to assess a situation and evaluate the impact of a business transaction on the price of securities. The content of the public announcement should be clear, understandable and not misleading.

Place of public announcements

- 7.2.2. Companies shall determine the place of publishing their announcements in their articles of association, and notify the public of it or of any relevant changes. Companies may publish announcements in a daily newspaper, which is distributed throughout the territory of the Republic of Slovenia, or in electronic form through the stock exchange information system SEOnet, unless otherwise provided by special regulations.

Companies shall ensure that all information is placed also on their official web sites, for at least seven days, however only after having provided for public announcement in a daily newspaper and in the electronic form through the stock exchange information system SEOnet.

Public announcements outside the country

- 7.2.3. Companies which, due to the admission of securities to a regulated market outside the Republic of Slovenia, are obligated to publish the information about their business activity also outside the Republic of Slovenia, shall ensure that information with equal contents be published simultaneously in the Republic of Slovenia.

7.3. Data confidentiality

- 7.3.1. Companies shall prevent the creation of opportunities for trading in securities on the basis of inside information (misuse of inside information). Companies shall not deliver price sensitive information before it is made public to third parties, except for government authorities on the basis of their jurisdiction and the persons, who act as their advisers or persons, with whom they are negotiating or co-operating in carrying out a business transaction. These persons shall be cautioned that the information has not yet been published and has the nature of inside information.
- 7.3.2. Members of companies' bodies, related persons and employees who have access to inside information, shall observe the regulations which prevent the misuse of inside information, and regulations which govern trading in company shares or in shares of related companies. Companies shall set up a documented and monitored access to such information.
- 7.3.3. Companies shall draw up and promptly update a list of persons with access to inside information. The list shall include the legal persons which employ the natural person or in which this person is a substantial shareholder. Companies shall inform the natural and legal persons of having entered them on or removed them from the list of persons with access to inside information.
- 7.3.4. Companies should evaluate the need for a provision in their internal bylaw, which would specify the rules on limitation of trading and on disclosure of trading in company shares and shares of associated companies. It is

recommended that the companies specify in the bylaw a complete list of persons to whom limitation of trading applies, and the time period of limitation of trading, related to disclosure of information.

7.4. Companies' communication strategy

The management board is responsible for preparing and implementing a company's communication strategy. The strategy should include:

- identification of stakeholders and of communication strategy and co-operation with individual shareholders (creditors, suppliers, buyers, the media, analysts, state authorities, local community, employees);
- selection of persons responsible for communicating with investors or the public (recommended persons responsible for organisation of internal procedures are management board members, financial directors or persons in charge of investor relations);
- clearly defined flow of, and internal supervision of price-sensitive information within the company, from its origin to its public announcement and provision of protection of business secrets,
- identification of the contents and procedures of public relations (f.e.: prompt disclosure of information through public announcements, publications, press conferences, the companies' web sites, delivery of materials, open-door days).

7.5. Companies' web sites

7.5.1. Companies should provide for clearly structured web pages in the Slovene and English languages. The web site should contain all essential information on the company and its business operations such as:

- financial calendar,
- updated prospectus or significant changes in data stated in the prospectus,
- financial data for the current and the previous years,
- annual and semi-annual and interim data on operations for the current year and archive of reports for the previous years,
- statement of company strategy,
- statement of environmental and social policies,
- information on convening a general meeting of shareholders,
- information on the contents of resolutions adopted at a general meeting of shareholders and on the voting results,
- public announcements and archive of public announcements,
- information on members of the management and supervisory boards and background information on individual members' previous experiences and mandates in other companies,
- ownership structure and any cross-holdings with other companies, where it is recommended that the company refreshes the list of 50 substantial shareholders quarterly,
- information on the company's activity,
- news and news' archive,
- the company's history,
- information on associated companies,
- own corporate governance principles and statement of compliance with this Code and of considered reasons for any deviations from the Code, for a minimum five year period after public announcement.

7.5.2. The web site should contain the consolidated version of a company's articles of association.

7.5.3. Companies should post on their web sites the name of and contact information on the persons in charge of investor relations, especially if information, indicated in sections 7.1.2., 7.1.7., 7.5.1. and 7.5.2. of this Code is not available in English.

8. ADOPTION OF THE CODE AND ENTRY INTO FORCE

8.1. Adoption of the Code

This Code was adopted by the Association of Supervisory Board Members of Slovenia, the Managers' Association of Slovenia and the Ljubljana Stock Exchange Inc., Ljubljana.

8.2. Amendments and supplements to the Code

Amendments and supplements to this Code shall be prepared and adopted annually in accordance with the Memorandum of Cooperation between the three signatories of the Code.

8.3. Entry into force of the Code

This Code shall enter into force on the day it is signed by representatives of the three institutions that prepared the Code.

This Code shall be published in the Official Gazette of the Republic of Slovenia and in the newsletters and on the web sites of the three institutions.

Ljubljana, 14 December 2005

Ljubljana Stock Exchange, Inc.,
Ljubljana

dr. Marko Simoneti

The Association of Supervisory Board
Member of Slovenia

mag. Branko Pavlin

The Managers' Association
of Slovenia

Franjo Bobinac