Central European Corporate Governance Association
Stredoeurópska asociácia správy a riadenia spoločností

CORPORATE GOVERNANCE CODE FOR SLOVAKIA

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INTRODUCTION

Slovakia has undergone important changes in recent years. Transition from the planned economy to the market economy, privatisation of state-owned companies and emergence of a multitude of new private companies have brought along the first experience with the administration and management of private equity. Corporate governance, initially aimed only at maximising profit regardless of the sustainability of such development, has been gradually improving. The main influence is the growing competition and new experience from international developments in corporate governance, whereas many changes also come through the change of legislative environment. The quality of corporate governance is not a problem only of the Slovak companies. On the contrary, it is among the most discussed issues in the area of company law on a worldwide scale, whereby the Slovak companies have an advantage in being able to skip a historical period of development in this area and utilise the experience of the world's advanced economies. Positive, but particularly negative experience has led, on various platforms, to the formulation of certain principles that should govern the relations between the owners of companies, executive management and other stakeholders. On an international scale, this issue has been most noticeably addressed by the Organisation for Economic Co-Operation and Development, which published the OECD Principles of Corporate Governance in 1999. The Principles were subsequently updated in 2004, due to new experience from accounting scandals in many American and European corporations at the turn of the millennium. The OECD Principles have become a basis for creation of national codes of good corporate governance in a majority of advanced countries of the world.

Similar to many other countries in the world, it was the Stock Exchange that took charge of the initiative to create a national code of corporate governance for Slovakia. In the year 2001, Bratislava Stock Exchange (BSSE) with support of FIRST Initiative Management Unit, London, and in co-operation with the then Financial Market Authority, INEKO economic institute, representatives of professional associations and listed companies hosted 'round table meetings'. The meetings discussed two drafts of the code – one submitted by INEKO and the other by the BSSE. As a result of numerous discussions, and based on a broad consensus of the participating parties, a common code was created in September 2002 under the name 'the Unified Code of Corporate Governance'. In April 2003, the Unified Code of Corporate Governance was incorporated into the Stock Exchange Rules for Shares Admission to the Listed Market.

In order to implement the principles of the Unified Code of Corporate Governance into the everyday practice of companies, the BSSE initiated the establishment of an association with a mission to monitor worldwide development in corporate governance, to bolster public, professional and political discussion of this issue in the society, to ensure professional growth of both current and potential board members and to create professional background allowing to gain up-to-date information in corporate governance. With the support of its 20 founding members, the Central European Corporate Governance Association (CECGA) was founded in October 2004.

A need to revise and update the then valid Unified Code of Corporate Governance resulted from the release of the revised OECD Principles in 2004, from the issue of European Commission recommendations for corporate governance in 2004 and 2005, and from relevant legislative changes in Slovakia. To co-operate in the update of the Code, the CECGA invited the representatives of the National Bank of Slovakia, the Ministry of Finance of the Slovak Republic, the Ministry of Justice of the Slovak Republic, the Ministry of Economy of the Slovak Republic and the Slovak Banking Association. All of the aforementioned became the members of the Steering Committee. A Working Group counting five members was formed from among the Association members, with a mission to draft a new Code in compliance with international recommendations and best practice. The draft of the new Code was published on the CECGA website in September 2007 in order to raise a broad discussion

with expert community, which allowed for collection of many valuable comments and their incorporation into the Code. The result of co-operation between the Steering Committee, the Working Group and the expert community is the new Corporate Governance Code for Slovakia.

The Corporate Governance Code for Slovakia (hereinafter the 'Code') is a part of the Stock Exchange rules for securities admission to the regulated market, which are approved by the BSSE Management Board and the National Bank of Slovakia. In compliance with an Amendment to the Accountancy Act No 431/2002 Coll. as amended by subsequent legislation, effective from 1 January 2008, the Code applies to all companies that have securities admitted to trading on the BSSE's regulated market i.e. on the Main Listed Market, the Parallel Listed Market and/or the Regulated Free Market. In their Annual Reports, for the year 2007 for the first time, said companies will include a statement prepared on the 'comply or explain' basis specifying to what degree they have complied with the principles of good corporate governance. If a company has not so far applied a certain principle, it will give reasons in the Annual Report.

Nevertheless, the Code is not intended only for the companies that have securities traded on the Stock Exchange, although the need for the Code is most noticeable in such companies. That is to say, trading on the Stock Exchange oftentimes changes the ownership of securities. As a result, the owners of companies are not in direct contact with executive management and the administration of their assets tends to get out of their reach. The adoption of certain principles, which govern relations between the owners and the management, is of great importance for all companies whether private or state-owned. The Code is open to all companies that are interested to acknowledge it and gradually implement its principles into their corporate governance.

The Code sets up relations within a company as well as the company's relations with its environment on the principles of openness, integrity and accountability. An open approach to the disclosure of corporate information - within the bounds given by the company's position among its competitors - is a basis of trust which must exist between the company and those that participate in its success i.e. shareholders, employees, creditors, suppliers, customers and other stakeholders. Integrity necessitates the submission of correct information about the company's economy and intentions, as well as the building of a time-tested, truthful image of the company. The principle of accountability is of essential importance for the formation of trustworthy relations of a company, and requires that the board members adopt accountability for their decisions and explain their actions to the shareholders and other stakeholders.

The principles of the Code should be a guideline for companies, but without being too restrictive. They should ensure a balance between control and entrepreneurial freedom in a company, and also foster communication and transparency in the company's corporate governance. The principles and recommendations are very flexible in their nature, which allows for their implementation in every company regardless of size, orientation or corporate culture. The 'comply or explain' basis allows companies a certain degree of deviation from the principles, provided that it is justifiable by specific conditions and an appropriate explanation is given. Whether such explanation is sufficient will be ultimately judged by, for example, potential investors or creditors. They can decide, based on information provided in the Annual Report, whether to invest in the company or whether and under what conditions to lend it.

The Working Group has based the creation of the Code primarily on the OECD Principles issued in 2004, on the European Commission Recommendation No 2004/913/EC fostering an appropriate regime for the remuneration of directors of listed companies and on Recommendation No 2005/162/EC on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Taken into account were also the legal regulations currently effective in the Slovak Republic, as well as the current European Commission initiatives that aim to fulfil the action plan – 'Modernising Company Law and Enhancing Governance in the European Union – A Plan to Move Frorward' from the year 2003.

Aimed to provide a maximum level of readability for the user, the text of the Code is divided into individual principles that copy the OECD Principles, where each principle includes 'Notes' explaining the principles themselves in more detail. Not-binding notes, which are only explanatory or illustrating the best practice, are graphically distinguished from the other text. Given that fact that many of the principles are currently incorporated into laws, the text is supplemented with the indicative list of legal provisions that govern the relevant issue. The Working Group's idea, however, was not to comprise the entire legal framework as that would be an unfeasible task given the ever-changing legislation. Nevertheless, the extensive list of legal provisions highlights the

importance of good corporate governance that has been increasingly penetrating the ’hard law’. The Code does not aim to replace the legal regulations dealing with partial issues in this area. Dominating during its inception was an effort to present a complex view on all the most important principles, the observance of which can help create a balanced, transparent and quality business environment.

Members of the Working Group for Preparation of the Corporate Governance Code for Slovakia:

Rudolf Autner Working Group Chairman	Chairman of the Management Board and Executive Director	European Rating Agency
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For valuable advice and assistance, the members of the Working Group would like to express their acknowledgements to Vratko Kaššovic, Steering Committee Chairman and Honorary President of the CECGA, and to the following members of the Steering Committee: Tibor Bôrik (Member of the CECGA Administrative Board, Chairman of the Management Board and Director General, Union Insurance Company), Iva Pavlovičová (Financial Market Department, Ministry of Finance of the Slovak Republic), Slavomír Šťastný (Member of the Bank Board, National Bank of Slovakia) and Ladislav Unčovský (Executive Director, Slovak Banking Association).

Sincere acknowledgements of the Working Group members also belong to all who have taken part in the discussion and offered suggestions concerning the Draft of Corporate Governance Code for Slovakia.

CONTENT

THE UNDERLYING PRINCIPLE

ENSURING THE BASIS FOR AN EFFECTIVE CORPORATE GOVERNANCE FRAMEWORK

THE CORPORATE GOVERNANCE FRAMEWORK SHOULD PROMOTE TRANSPARENT AND EFFICIENT MARKETS, BE CONSISTENT WITH THE RULE OF LAW AND CLEARLY ARTICULATE THE DIVISION OF RESPONSIBILITIES AMONG DIFFERENT SUPERVISORY, REGULATORY AND ENFORCEMENT AUTHORITIES.

It is necessary for the state to ensure an efficient basic framework of corporate governance by creating an adequate legislative, regulatory and institutional environment, which all market participant can rely on and which can form the basis of their contractual relations. The state should continuously monitor the corporate governance framework thus created, including the requirements of regulators and entrepreneurial practice, with the aim of supporting and reinforcing market integrity and economic performance. It is regarded as best practice if the state monitoring is based on continuous consultations with market participants. Moreover, when forming the corporate governance framework, the legislators and institutions regulating this area should consider the need and utilise the results of close international co-operation in this area. Provided that these conditions are met, the state will prevent over-regulation, support the business environment and limit the risk of conflict of interests between the private sector and public institutions.

Corporate governance principles	Notes
A. The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the incentives it creates for market participants and the promotion of transparent and efficient market.	Economic activities of companies are a strong source of growth of a country's economy. The regulatory and legislative framework, within which the corporations operate, is therefore of key importance and influence on the country's overall economic results. The corporate governance policy makers bear responsibility for the creation of a sufficiently flexible framework that will allow development of new opportunities for companies operating under very different conditions. To achieve this goal the policy makers should focus on final economic results, and when considering policy options they should first analyse the impact of key variables that affect the functioning of the market such as the incentive structures for companies, the efficiency of self-regulatory systems or treatment of systemic conflict of interest. A transparent and efficient market serves to its disciplined participants and supports their responsible behaviour.
B. The legal and regulatory requirements that affect corporate governance practices in a jurisdiction should be consistent with	If a need for new regulations to resolve imperfections in the functioning of the market arises, they should be drafted in a way that enables their implementation and enforcement in an efficient and equal manner towards all companies. The state's best approach to achieving this

the rule of law, transparent and enforceable.	is to have the government and other regulators consult with companies or, respectively, institutions representing them and with other stakeholders. In order to prevent over-regulation, adopting of unenforceable laws and unwanted consequences that could impede or distort entrepreneurial dynamism, the new laws and policy measures must be designed with respect to total costs and benefits. The aim is to adopt enforceable laws that will discourage companies from unfair behaviour, and enable the regulator to impose sanctions for their violation. The aims of good corporate governance are also formed in codes and standards that are not legal regulations or provisions. While these codes play an important role in enhancement of corporate governance, they may leave shareholders and other stakeholders in doubt concerning their status and implementation. If such codes and principles are used as national standards or if they replace a legal regulation or legal provisions, market trustworthiness requires that their status – as far as their implementation, abidance and sanctions are concerned – be clearly specified.
C. The division of responsibilities among different authorities in a jurisdiction should be clearly articulated and ensure that the public interest is served.	Corporate governance requirements and best practice are usually influenced by a number of legal areas – business law, financial law, tax law, labour law and others. Under these conditions there is a great risk that this variability of legislative influences can cause inadvertent overlap, or even conflicts that may foil the ability to comply with the principles of good corporate governance. It is essential that the policy makers are aware of this risk and adopt measures to limit it. An efficient enforceability of regulations requires that the division of responsibility for supervision, implementation and enforcement of legal norms among different institutions be clearly defined, and that the competences of relevant institutions are respected and effective. Overlapping, or possibly mutually conflicting, provisions in a national legislation should be monitored by the state to prevent a regulatory vacuum from growing and to minimise the companies' costs of multiple compliance with the same legal requirements. If regulatory competences or supervision are delegated to non-government institutions, it is necessary to state explicit reasons why and under what circumstances is such delegation of powers desirable. It is essential that the management structure of the institution to which the powers have been delegated is transparent.
D. Supervisory, regulatory and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and objective manner. Moreover, their rulings should be timely, transparent and fully explained.	Regulatory powers should be entrusted to institutions that can pursue their functions without conflict of interest and that can be a subject of judicial review. As the numbers of companies and information duties have been continuously increasing, the resources and capacities of supervisory/regulatory/enforcement authorities are getting under great pressure. Due to this, said institutions will feel a great need for fully qualified employees with investigative capabilities, who will be able to perform efficient supervision and will also be adequately remunerated. The ability to attract such employees under competitive conditions will enhance the quality and independence of supervision as well as the enforceability of its rulings.

I. THE RIGHTS OF SHAREHOLDERS AND KEY OWNERSHIP FUNCTIONS

THE CORPORATE GOVERNANCE FRAMEWORK SHOULD PROTECT AND FACILITATE THE EXERCISE OF SHAREHOLDERS' RIGHTS.

Shareholders have ownership rights that enable their shares to be bought, sold or transferred. Moreover, shareholders have the right to participate in the corporation's profits to a degree corresponding to the amount of investment. These basic rights, the right to participate in the corporation's profits and the right to sell one's shares, are the elements that generate value for shareholders. Shareholders also have a certain responsibility and role in ensuring good governance of the company and increasing the shareholder value. In order for shareholders to be able to fulfil their duties, they must have the right for information on the corporation as well as the right to influence its operation, primarily through own participation and voting at general shareholder meetings.

Corporate governance principles	Notes	Pertaining laws
A. Basic shareholder rights should include		
1. The right to secure methods of ownership registration.	The registration of shares must be properly and securely run by the Central Depository.	**Securities Act:** §99 and following provisions (especially §107)
2. The right to convey or transfer shares.	A company must not gratuitously decline to register a transfer of ownership of shares, as that would affect the ownership rights of shareholders. On the other hand, a company must have the right to decline a transfer of shares, when a shareholder intends to transfer shares to someone who is verifiably involved in illegal activity. This does not apply to shares admitted to trading on the regulated market, as the unlimited negotiability is a condition for their admission to trading.	**Commercial Code:** §156(9) – all joint-stock companies
3. The right to obtain relevant and material information on the corporation on a timely and regular basis.	A company will ensure the provision of regular information to shareholders in the form of annual and semi-annual reports and interim statements of a managing body, all of which the company is required to compile under the law. Nevertheless, it is also necessary that the company informs shareholders of all material changes in the company and in business activities that might affect the price of shares, such as development of a new product, a planned acquisition or the start of bankruptcy proceedings. The company	**Commercial Code:** §39, §178(7), §180, §193 **Accountancy Act:** § 4 and following provisions **Stock Exchange Act:** §§34-37d and §§ 41-50 **Securities Act:** §130

	fulfils the information duty by submitting the information required by the law to a regulatory authority, however, *the best practice is to communicate directly with shareholders who must be sufficiently informed of the condition of both the company and their investments*.	**Companies Register Act:** §§2, 3 **Individual Retirement Savings Act:** § 30
4. The right to participate and vote in general shareholder meetings.	It is necessary for the management board to ensure that the convocation notice of general shareholder meeting is sent to all shareholders, regardless of the size of their shares and sufficiently in advance, that is 30 days before the day of the general meeting as a minimum. *With regard to the continuing globalisation of financial markets it is necessary that shareholders can also participate in a general shareholder meeting using tools provided by modern technologies (live internet broadcasting, the option of electronic voting)*. Due to transparency of voting, the manner of voting at a general shareholder meeting must ensure a correct registration and counting of votes, as well as timely announcement of results.	**Commercial Code:** §180 through §189
5. The right to elect and remove members of the board.	In compliance with the company articles and in compliance with the rules of the nomination committee, the board members should be elected by shareholders at a general shareholder meeting to which the board members will then be accountable for their activity. The election of the board members should be attended by all shareholders who have decided to exercise their rights. This is of great importance particularly in the case of independent board members whose authority is based on their being elected also by minority shareholders. It is necessary to vote separately on all resolutions concerning the appointment of board members, as well as on every new member.	**Commercial Code:** §187, §194 and §200
6. The right to share in the profits of the corporation.	It is necessary that the company management board properly informs all shareholders of the actual financial situation of the company and of its ability to pay out dividends. A general shareholder meeting should be attended by an external auditor and by the members of the audit committee.	**Commercial Code:** §178, §191 and following provisions.
B. Shareholders should have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1. Amendments to the statutes, or articles of incorporation or similar governing documents of the company. 2. The authorisation of additional shares.	As all the mentioned decisions can directly affect the shareholders' rights, it is important that the shareholders can participate in such decisions. It is also important that the company informs the shareholders, in time, of these proposals that are to be discussed at a general shareholder meeting so that particular points of the meeting's agenda can be prepared beforehand.	**Commercial Code:** §182, §184 a §187

3. Extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the company.		
C. Shareholders should have the opportunity to participate effectively in decisions concerning the remuneration of board members and key executives.	Regardless of the fact that decisions on remuneration of individual board members can be made by the management or supervisory board, shareholders should always have the opportunity to make their views known on the overall remuneration policy.	**Commercial Code:** §187
1. Regardless of division of powers in a company, the remuneration policy and any substantial change made to it should be a separate item of the agenda of a general shareholder meeting.	A general shareholder meeting should also have the opportunity to discuss the remuneration statement, whereas in the event that such item is not on the agenda of a general shareholder meeting, the shareholders should be notified by the management board of the possibility to propose that this item is added to the agenda.	
2. Remuneration in the form of shares, share options, or any other rights to obtain shares, or remuneration based on development of share prices and any other changes substantially modifying such remuneration policy should be subject to prior consent of a general shareholder meeting. Any other long-term motivation schemes intended for board members and key executives should also be subject to the shareholders' consent.	The consent of the general meeting should always exist in the case of voting on remuneration in the form of shares, share options or similar types of remuneration. *Nevertheless, it is not essential when voting on remuneration of individual board members or key executives of the company, although such voting can be viewed as good practice.* The general meeting should approve in particular the maximum number of shares that can be granted in this manner, the terms and conditions under which such remuneration can be realised, and terms under which such conditions can be changed. Any other long-term motivation schemes for board members and key executives, which are not provided to other employees of the company under equal conditions, should also be subject to approval by the general meeting. The general meeting should also specify a date by which the relevant body should decide on granting such remuneration to individual board members and key executives.	**Commercial Code:** §187
3. Shareholders should be furnished with sufficient information enabling them to thoroughly consider a decision concerning share-based remuneration.	The invitation to a general shareholder meeting voting on remuneration schemes should describe at least the basic terms of remuneration, and list the names of beneficiaries. It should also contain the relation of this remuneration scheme to the company's overall remuneration policy. The invitation should also inform the shareholders on how the company intends to obtain the shares that are to be given as remuneration. In particular, the company should clearly specify if the shares are to be bought on the market, if they are own shares, or if it will be a new share issue. The invitation should also specify the company's total expenses connected with share-based remuneration. *It is deemed as best practice if the invitation includes*	

	a draft resolution with complete description of the remuneration scheme. All the aforementioned information should be accessible to the shareholders also through the company's website.	
D. Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings:	The company must enable shareholders to fully exercise their rights at a general meeting, and give them the opportunity to keep dialogue with the management board. *The company should encourage shareholders to attend general shareholder meetings.*	**Commercial Code:** §180 and following provisions
1. Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.	The company should create a specific section on its website intended to publish relevant information for shareholders, including description of conditions of access and description of voting procedures at the general meeting. This section should also contain a time schedule of regular reports of the management board, the dates of general shareholder meetings and materials for individual items of the agenda of general meetings. Within a shortest possible time after a general shareholder meeting, the company should place to this section the results of voting and the minutes of the general meeting.	**Commercial Code:** §182 and §184 **Stock Exchange Act:** §§37c-37d, §45
2. Shareholders should have the opportunity to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings and to propose resolutions, subject to reasonable limitations.		**Commercial Code:** §§180-182, §184
3. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Shareholders should be able to make their views known on the remuneration policy for board members and key executives. The equity component (share options) of compensation schemes for board members and employees should be subject to shareholder approval.		**Commercial Code:** §187
4. Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.	Shareholders that cannot attend a general shareholder meeting must have the opportunity to vote in absentia, or by proxy. The company must take into account the shareholders that do not reside in the issuer's country and wish to exercise their rights at a general shareholder meeting. *Utilising modern technologies*,	**Commercial Code:** §§184 -186 **Stock Exchange Act:** §§37c

	the company should enable foreign shareholders to participate in a general shareholder meeting. *The company should also ensure that all documents, as well as the course of the general meeting itself, are interpreted in other languages taking into account the structure of shareholders.*	
E. Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.	To reinforce trust between investors and companies they invest in, it is necessary that the investors are fully aware what rights are attached to their shares at the time of purchase. If a company's structure is such that it is controlled by a single shareholder, although it is not obvious at the first look, such structure must be transparent to all investors.	**Stock Exchange Act:** §41 and following provisions
	Within the framework of privatisation or joint ventures, there will be many cases of direct investments of foreign capital where a foreign shareholder's agreements with shareholders will allow the foreign shareholder a high level of control through various instruments, such as managerial contracts. Those may not necessarily contradict the best corporate governance principles, however, the shareholders must be familiarised with them.	**Commercial Code:** §186a
	Shareholders should be informed of all of the following facts:	
	• Pyramid structures and cross shareholdings, which could be used to limit the ability to affect the company's policy by shareholders that do not own a controlling interest.	**Stock Exchange Act** §41 and following provisions
	• Shareholder agreements between groups of shareholders who alone can own only a relatively small percentage of the total number of shares, aimed at acting in concert and thus creating an actual majority, or at least the largest block of shareholders. *This oftentimes happens in the case of companies that have been established or privatised through the sale of shares to the previous management. Shareholder agreements usually give their parties the pre-emption right to buy shares in the event that the other party to the agreement decides to sell its shares. These agreements can also include provisions that require the parties not to sell their shares for a certain period of time. Shareholder agreements can cover, for example, issues related to the manager of the election of the management/supervisory board or their chairmen. The agreements can also bind the parties to vote as a block.*	
	• Voting caps that limit the number of votes, which the shareholders would otherwise have. *Setting a maximum possible number of votes or grading the number of votes depending on*	**Commercial Code:** §180

	certain nominal values of shares will reallocate control, which can affect the effort to motivate shareholders to participate in general shareholder meetings.	
F. Markets for corporate control should be allowed to function in an efficient and transparent manner.		
1. The rules and procedures governing the acquisition of corporate control in the capital markets and extraordinary transactions, such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.	A company should ensure that its shareholders are informed of the rules, procedures and shareholder rights in the event of extraordinary transactions by placing such rules/procedures to a special section, intended for informing shareholders, on the company's website. If a company prepares, or is the object of, an extraordinary transaction, it is necessary that the company individually informs all shareholders of the course of such transactions as well as of the shareholder rights.	**Commercial Code:** §§ 69 – 69b, §187 (1)j, §§ 218a – 218p, §§ 476 - 488 **Securities Act:** §§ 114 – 118m, §130 (§125a) **Stock Exchange Act:** §34 - 37d
2. Anti-take-over devices should not be used to shield management and the board from accountability.		**Securities Act:** §118d
G. The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated.	Institutional investors should play an active role in the supervision of their investments. Efficient fulfilment of this task requires trouble-free access to all material information concerning events in the company, which affects development of the price of the company's shares. *Institutional investors/shareholders should be prepared to start a dialogue with the company on the basis of mutual understanding of goals. The company should continuously inform institutional investors of the accomplishment of goals adopted at a general shareholder meeting, so that the institutional investors* acting in a fiduciary capacity *can inform their clients. It should be the institutional investors' own interest to endeavour that the companies in which they have invested adopt and comply with the Code.*	**Individual Retirement Savings Act:** §65 and following provisions
1. Institutional investors acting in a fiduciary capacity should disclose their overall corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.		
2. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.		**Individual Retirement Savings Act:** §27, §32, §34, §37 **Collective Investment Act:** §11, §16, §20, §25 **Act on Banks:** §23

H. Shareholders, including institutional investors should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.	*In compliance with the risk management principles, institutional investors spread their investments over a multitude of companies, and hence usually do not have a controlling influence in those companies. In order for them to be able to affect the standard of corporate governance in companies in which they have invested, institutional investors should be allowed to co-operate and co-ordinate their activities when nominating and electing the board members and proposing items on the agenda of a general shareholder meeting. The company should be informed about co-operation between institutional investors/shareholders, so that co-ordination among investors cannot be abused to take control over the company or to manipulate markets.*	**Constitution:** Article 2 **Commercial Code:** §§66a a 66b, §180 and following provisions, §186a §768c (20)

II. THE EQUITABLE TREATMENT OF SHAREHOLDERS

THE CORPORATE GOVERNANCE FRAMEWORK SHOULD ENSURE THE EQUITABLE TREATMENT OF ALL SHAREHOLDERS, INCLUDING MINORITY AND FOREIGN SHAREHOLDERS. ALL SHAREHOLDERS SHOULD HAVE THE OPPORTUNITY TO OBTAIN EFFECTIVE REDRESS FOR VIOLATION OF THEIR RIGHTS.

Corporate governance principles	Notes	Pertaining laws
A. All shareholders of the same series of a class should be treated equally.		
1. Within any share class of the same issue (fungible shares of the same nominal value), all shareholders should have equal rights. Voting rights should be, without exception, determined only by the proportion between the nominal value of shares and the amount of registered capital.	*The Commercial Code only permits two exemptions that can disrupt the proportionality principle between ownership and voting rights. They are as follows:* • *Voting caps that allow determining the highest possible number of votes regardless of the portion of shares that a shareholder owns or, respectively, grading of the number of votes that disrupts proportionality, and* • *Preference shares with the voting rights and, at the same time, the right for a preference dividend.*	**Commercial Code:** §159, §180(1)
If company's articles stipulate exemptions that disrupt the principle of proportionality between ownership and voting rights, the company must ensure that a change of such provision is voted on at least once in five years. When voting on such change, the stipulations disrupting the proportionality principle do not apply.	Publicly traded shares should be subject to the proportionality principle.	
All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in voting rights should be subject to approval by those classes	It is important that investors can rely on the fact that they will be fully informed about their voting rights before they decide to invest. After investing, their rights cannot be changed anymore unless they themselves would be able to decide on that. *Proposals to change the voting rights attached to shares with voting*	**Commercial Code:** §186 **Securities Act:** §112, §§120 and following provisions **Stock Exchange Act:** §26 - 37d

of shares that are negatively affected.	*right should be submitted for approval to a general shareholder meeting by the holders of shares with voting right representing at least 75% of the total number of such shares.*	**Accountancy Act:** §20
2. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress.	*Effective means of redress of minority shareholders are, for example:* • *The pre-emption right for purchase of newly issued shares of the company;* • *The requirement of qualified majority for certain decisions of shareholders;* • *The possibility to use cumulative voting in the election of the board members;* • *Mandatory bid – the obligation of a majority shareholder, who has decided that the company leaves the regulated market, to offer the minority shareholders to buy out their shares for a market price;* • *Court protection.*	**Commercial Code:** §176b, §204a, §186, §187, §202, §211, §218c **Securities Act:** §118g and following provisions, §119 **Constitution:** Article 46 and following.
3. Votes should be cast by custodians or nominees in a manner agreed upon with the beneficial owner of the shares.	The custodians, which are usually banks or securities dealers, that have the securities of their clients in custody, should vote at a general shareholder meeting in accordance with specific instruction they have been given by the clients. If a custodian is not given any specific instructions by the client, it should vote in a manner corresponding to the client's interests.	**Securities Act:** §41 **Act on Banks:** §34
4. Impediments to cross-border voting should be eliminated.	Communication between a company and its shareholders must not be affected by the distance between a shareholder's seat and the issuer's seat. When communicating with shareholders, the company must take into account different timing necessary for domestic and foreign shareholders to react and appropriately adjust the deadlines for submission of proposals and shareholder comments. *Best practice should be that the company allows using modern technologies as a means tantamount to direct participation in general shareholder meetings.*	**Commercial Code:** §180 and following provisions
5. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.	The right to attend the company's general shareholder meetings is the fundamental right of the shareholder. Companies should remove any artificial barriers that prevent shareholders from the exercise of their fundamental right through the suitable choice of place and time of a general shareholder meeting, as well as the suitable choice of voting procedures, which should not be overly demanding from a financial or technical point of view.	**Commercial Code:** §180 and following provisions
B. Insider trading and abusive self-dealing should be prohibited.	*Although abusive self-dealing and insider trading are prohibited, experience from various countries suggests that shareholders should be vigilant in this respect. They should demand that the management board informs them of measures adopted in this respect, as*	**Commercial Code:** §191 and following provisions **Securities Act:** §132 and following provisions

well as the relevant accountability. A company can reduce the likelihood of prohibited share trading by employees to a great extent by compiling a list of the members of the company with access to confidential information, which it provides to the Stock Exchange where the shares are traded. *The existence of this list, coupled with the fact that is contains the names of concrete persons, can oftentimes be a discouraging factor, which will limit this kind of insider trading.*

Insider trading often involves a company's key executives who participate in the development and patenting of new and significant products. As insider trading involves manipulation of capital markets, it is outlawed. *Perhaps equally frequent phenomenon currently in the Slovak Republic are private transactions in company assets, which occur when persons abuse their close relation to a company to the detriment of the company and investors*. Contracts for sale of assets or company products to the management, key executives, board members, shareholders or persons associated with them should be prepared sufficiently in advance, and should be explained at a general shareholder meeting to shareholders who should approve them.

Commercial Code: §191 and following provisions
Securities Act: §131a and following provisions
Stock Exchange Act: §21
Penal Code: § 265
Collective Investment Act: §12 and 16
Individual Retirement Savings Act: §32 and 34
Act on Banks: §23 and 25
Insurance System Act: §38, 39, 40 and 41
Old-age Pension Savings Act: §55 and 58
Health Insurance Companies and Supervision Act: §3 and 4
Labour Code: §81
Bankruptcy and Restructuring Act – § 57
Civil Code: §42a and 42b

C. Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

Members of the board are obligated to inform the board of which they are members about their business, family or other relations outside the company that could affect their judgment with respect to a particular transaction. *If a board member informs of his potential involvement in a transaction, best practice is for that person not to participate in the decision-making process related to that particular transaction.*

Commercial Code: §194, §196, §200
Collective Investment Act: §12 and 16
Individual Retirement Savings Act: §32 and 34
Act on Banks: §23 a 25
Insurance System Act: §38, 39, 40 and 41
Old-age Pension Savings Act: §55 a 58
Health Insurance Companies and Supervision Act: §3 and 4

III. THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

THE CORPORATE GOVERNANCE FRAMEWORK SHOULD RECOGNISE THE RIGHTS OF STAKEHOLDERS ESTABLISHED BY LAW OR THROUGH MUTUAL AGREEMENTS, AND ENCOURAGE ACTIVE CO-OPERATION BETWEEN CORPORATIONS AND STAKEHOLDERS IN CREATING WEALTH, JOBS AND THE SUSTAINABILITY OF FINANCIALLY SOUND ENTERPRISES.

Good corporate governance is of great importance for the inflow of external capital to the company. The support of stakeholders such as employees is important, for example, in order for them to invest their human and physical capital in the company at an economically optimal level. Competitiveness and final success of the company are a result of teamwork, which is shared by various parties including investors, employees, creditors and suppliers. The contribution of stakeholders represents a valuable resource to build competitive and profitable companies upon. As the long-term interest of companies is to support co-operation with stakeholders, which is of a capital-generating character, their administrative or managing bodies should acknowledge that it is beneficial to the company's interests to support the requirements of stakeholders, and that they are a contribution to the long-term success of the company.

Corporate governance principles	Notes	Pertaining laws
A. The rights of stakeholders that are established by law or through mutual agreements are to be respected.	As is the case in other countries, many rights of stakeholders in the Slovak Republic are stipulated by laws (e.g. within the framework of labour law, bankruptcy law, commercial law and civil law, etc.) *Nevertheless, even in areas with no legislation or with only basic legislation, many companies willingly commit themselves with respect to various stakeholder groups (e.g. municipality, neighbouring objects, environment), whether on a contractual basis or through unilateral commitments, and through co-operation with those groups they improve the company's reputation as well as performance, which is viewed as good practice.*	**Collective Negotiation Act** **Labour Code:** §229 and following provisions **Labour Inspection Act**
B. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.	The legal framework and procedures for compensations in the case of violation of stakeholder rights guaranteed by law should be transparent, and should facilitate communication and the possibilities of compensation claims for damaged stakeholders.	**Act on Collection, Safekeeping and Dissemination of Environmental Information**

C. Performance-enhancing mechanisms for employee participation should be permitted to develop.	*The extent of employee participation in board results from legal regulations, and can differ from company to company. In the context of corporate governance, the performance-enhancing mechanisms for employee participation can provide direct or indirect benefits to the company in the form of the employees' readiness to invest their special skills into the company. It is not only the employees' participation in the supervisory board, but also in managing processes such as various work councils that take into account the employees' opinion on certain important decisions. In order to make work processes more efficient, the company's management should try to communicate with employees also on an individual basis, in which process the employees' initiative can be supported, for example, by various forms of remuneration.* *In terms of performance-enhancing mechanisms, pension insurance is often a part of relations between the company and its former and current employees.* If the creation of an independent fund is part of similar commitments of the company, its trustees should be independent from the company management and should administer such fund without bias and for the benefit of all concerned.	**Commercial Code:** §200, § 218la and following provisions **European Company Act:** §35 an following provisions **Labour Code:** § 229 and following provisions
D. Where stakeholders participate in corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.	If stakeholders are to contribute to the company's development in a positive way, it is necessary that hey have access to information needed for their efficient activity.	**Commercial Code:** §39 **Accountancy Act:** §4 and following provisions **Stock Exchange Act:** §§34-37d and §§41-50 **Securities Act:** §130 **Labour Code:** §229 and following provisions
E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.	*Unethical and illegal practices of company officers can be harmful not only to the rights of stakeholders, but also to the company and its shareholders by damaging reputation and increasing the level of risk of future financial obligations.* In respect of illegal and unethical behaviour, the company should therefore create procedures for admission of employee complaints, whether in person or through representative bodies, as well as complaints of other stakeholders from outside the company. *As good practice is regarded if the company, in order to protect said persons or their representative bodies, allows for their confidential direct access to an independent person who could be an independent member of the supervisory board, audit committee or ethics committee. A company can create a function of ombudsman to deal with such complaints. Also a confidential phone line or e-mail for admission of com-*	**Labour Code:** §229 and following provisions **Anti-discriminatory Act:** in particular § 2

	plaints can suitably supplement the system of internal control within the company. *In the event of an insufficient response to a complaint relating to violation of law, the complaining parties should forward their bona fide complaints to relevant public authorities.* The company should refrain from discriminatory or disciplinary action against such employees or their representatives.	
F. The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.	*Creditors represent an important stakeholder group. The conditions, volume and type of loans for companies are to a great degree dependant on the rights of creditors and enforceability of their claims. Companies with good corporate governance are in principle better endowed with the ability to borrow higher amounts and under more favourable terms, compared to companies with insufficient corporate governance or companies with a controlling parent company within their group or controlled subsidiary companies on non-transparent markets.* The management board of a company that is close to insolvency should act also in the interest of creditors, as they are entitled to oppose the company's legal acts that would reduce the satisfaction of their claims that have fallen due, hence the creditors can play an important role in the company's governance. The influence of creditors on the company's corporate governance is the most significant after the start of bankruptcy or restructuring proceedings, as the company is obliged – among other things – to limit its activity just to common legal actions that cannot reduce the interests of creditors concerning the satisfaction of their claims. An efficient bankruptcy law is an important precondition for good corporate governance.	**Bankruptcy and Restructuring Act:** the entire Act, in particular §4, §14, §114 **Commercial Code:** §193, §194 **Civil Code:** §§42a-42b

IV. DISCLOSURE AND TRANSPARENCY

THE CORPORATE GOVERNANCE FRAMEWORK SHOULD ENSURE THAT TIMELY AND ACCURATE DISCLOSURE IS MADE ON ALL MATERIAL MATTERS REGARDING THE CORPORATION, INCLUDING THE FINANCIAL SITUATION, PERFORMANCE OWNERSHIP AND GOVERNANCE OF THE COMPANY.

A prerequisite for market-directed monitoring of companies is a strong disclosure system that supports real transparency; it is also important for shareholders to be able to exercise their ownership rights on an informed basis. Experience from countries with big and active capital markets shows that disclosure can be an important instrument to influence the behaviour of companies and to protect investors. A good disclosure system can attract capital and sustain confidence in the capital markets.
Shareholders and potential investors require access to regular, trustworthy, comparable and sufficiently detailed information so that they can evaluate the governance of companies and are able to make informed decisions concerning the valuation, ownership and voting of shares.. Insufficient or unclear information can limit the market's ability to function, increase the price of capital and lead to insufficient division of resources.
Many obligations relating to disclosure of company information are stipulated by laws, however, it is deemed as good practice if a company also discloses information in compliance with non-obligatory recommendations such as the OECD Guidelines for Multinational Enterprises.

Corporate governance principles	Notes	Pertaining laws
A. Disclosure should include, but not be limited to, material information on:		
1. The financial and operating results of the company	*Audited annual financial statements, which clarify the company's financial performance and situation, are the most common source of company information. One of the most important purposes of annual financial statements is to allow monitoring of the company and provide a basis for assessment of securities.* *Bad corporate governance is often associated with the inability to disclose the 'whole picture' of a company, especially if off-balance sheet items are used as guarantees among related companies.* It is therefore essential that transactions made within a group of companies are disclosed in compliance with internationally recognised standards, and that they include information on doubtful liabilities and off-balance sheet transactions.	**Commercial Code:** §40 **Accountancy Act** **Act on Banks:** §37 **Individual Retirement Savings Act:** §65

2. Company objectives	In addition to their objects, companies should disclose also their broader objectives, policy related to business ethics, the environment and other obligations towards public order. *Such information can be important for investors and other information users so that they can better assess the relation between companies and communities in which they operate, as well as steps taken by companies to meet their goals.*	**Companies Register Act:** §§2, 3
3. Major share ownerships and voting rights	One of the basic rights of investors is the right to be informed about a company's ownership structure and their rights as compared to the rights of other owners. This right should include information on the structure of a group of companies and intra-group relations. The law stipulates that shareholders inform the company about their share in voting rights if certain threshold values are exceeded. The company should at least disclose information on major shareholders and other shareholders who have a direct or indirect influence on governance, or could control the company through special rights, shareholder agreements, direct or indirect ownership of a controlling/substantial portion of shares and important cross-shareholder relations.	**Stock Exchange Act:** §§ 41-50 **Accountancy Act:** §20 **Commercial Code:** §156 **Individual Retirement Savings Act:** §36 **Collective Investment Act:** §24 **Health Insurance Companies and Supervision Act:** §12 **Act on Banks:** §28 **Old-age Pension Savings Act:** §66 **Insurance System Act:** §35
	In terms of potential conflicts of interests, related parties transactions and insider trading, the information on registered ownership should be complemented with information on beneficial owners. Particularly with respect to major portions of shares held through intermediary structures or agreements, it should be possible to obtain information on beneficial owners at least through regulatory and enforcement bodies, or through courts. *The OECD template titled "Options for Obtaining Beneficial Ownerhip and Control Information" can be a useful instrument.*	**Securities Act:** §107
4. Remuneration policy for members of the board and key executives, and information about board members, particularly through a remuneration statement that should include at least: a) Explanation of relative importance of variable and non-variable components of remuneration b) Sufficient information on what performance criteria are used to assess the right for remuneration in the form of shares, share options and right for variable components of remuneration	*Shareholders are interested in information about remuneration of board members and executives, particularly with regard to the relation between remuneration and performance of the company.* Every company should disclose a remuneration statement, either as a separate document or as part of the annual report, or notes to financial statements. This statement should also be published on the company's website. The remuneration statement should focus on the comparison of the last accounting period with the next one, or possibly with other accounting periods. Any more significant changes in the manner of remuneration, in comparison with the previous accounting period, should be apparent to anybody reading it. The statement should also evaluate the strategy of remuneration of the board members, or possibly other key executives, in relation to the length of term of	**Old-age Pension Savings:** §109

c) Sufficient information on interconnection between performance and remuneration
d) Main conditions and reasons for obtaining annual bonuses and non-monetary benefits
e) Basic description of supplementary pension or remuneration in the event of early retirement
f) Information on preparatory work and decision-making process concerning remuneration strategy
g) Information on total amounts of paid remuneration and other benefits provided to the board members and possibly other key executives in the last accounting period, in the following structure:
    a. Summary of basic salaries
    b. Summary of remuneration and benefits provided by other companies within a group
    c. Summary of remuneration paid in the form of profit sharing or bonuses, plus reasons why they were paid out
    d. Summary of remuneration for services provided outside of the capacity
    e. Summary of compensations provided for ending the capacity
    f. Summary of contributions to the supplementary pension system
    g. Estimated summary of non-monetary benefits provided within the framework of remuneration
h) In relation to remuneration in the form of share options, the remuneration statement should contain particularly the following summary information for the last accounting period:
    a. Number of share options offered or provided by the company, and the conditions for their exercise
    b. Number of exercised share options as well as the number of shares to which those options referred

different directors, notice periods and payments in the event of early retirement.
In respect of preparation and decision-making processes, where relevant, the remuneration statement should include information on the mandate and composition of the remuneration committee, possibly the names of external advisors and the role of general meeting in the approval of remuneration strategy.

Information in the remuneration statement should not include commercially sensitive information that might be harmful to the company.

The company should disclose at least summary information on remunerations and other benefits provided to the board members and possibly other key executives as a whole, divided according to the specified minimum criteria, so that shareholders and potential investors can assess the proportion between costs and usefulness of remuneration strategies, as well as the contribution of motivation schemes for the company's performance.

It is deemed as good practice if a company discloses structured information on remuneration of each member of the management board separately; however, as the best practice is regarded if such information is published by the company individually for all members of the board and key executives. In such a case, it is appropriate to disclose this kind of information about every person that has worked as a member of the board or as a key executive during any period of the last accounting period.

If company shareholders decide to motivate the management through a remuneration system linked to shares, it is desirable that the structure of such system is transparent and subject to inspection. In the past, it was the remuneration schemes like that which led the management of many companies to try – through inaccurate and untrue information - to manipulate the price of company shares for their own benefit. In many cases, distortion of performance results in order to manipulate the market has led to the collapse of a company as well as a related auditing company or bank.

c. Number of unexercised share options and the conditions for their exercise d. Any changes in the conditions related to this manner of remuneration		
5. Information about board members, including their qualifications, the selection process, other company directorships, and whether they are regarded as independent by the board.	Following up on the 5th principle that defines requirements for qualification, independence and selection of the board members, it is necessary that the company discloses at least basic information about the board members, based on which the fulfilment of those requirements can be evaluated. In the event that, for example, not all requirements are met to clearly demonstrate the independence of a supervisory board member, the company should explain the reasons why the supervisory board member can still be regarded as independent, notwithstanding the aforementioned. *It is then left to the decision of shareholders, potential investors and stakeholders whether or not they accept such reasons as legitimate.* *It is viewed as good practice if the company discloses also more detailed information about the selection process, in particular its openness to a wide range of candidates.*	**Accountancy Act:** §19a
6. Related party transactions	For the market, it is important to know if a company is managed in the interest of all investors. It is therefore essential that the company discloses important transactions between related parties, either individually or on a group basis, including the fact whether they have been closed under preferential or standard market conditions. *Related parties can be persons controlling the company or those under the same controlling company, major shareholders including the members of their families and important managers.* *Transactions either directly or indirectly involving major shareholders (or their close relatives etc.) are potentially the most complex type of transaction.* Big shareholders should seek information on the nature of the relation with a related party, on the type and volume of transaction. As these transactions are oftentimes non-transparent, the transferee must provide information on such transaction to the board, which should subsequently disclose it. Nevertheless, this should not free the company from the obligation to monitor the situation by own means, which is one of important duties of the board.	**Stock Exchange Act:** §35 **Securities Act:** §132d **Commercial Code:** §§66a - 66b, §194
7. Foreseeable risk factors	*The users of financial information and market participants need information on adequately foreseeable substantial risks such as risks specific to a given industry or geographic area, dependency on commodities, financial market risks, interests and exchange rate risks, risks associated with derivatives and off-balance sheet transactions, risks related to environ-*	**Stock Exchange Act:** §34, §35

	ment and so forth. Disclosure of information is sufficient in such an extent that is required to completely inform investors of substantial and foreseeable risks associated with the company. *Disclosure of risk is the most efficient if it relates directly to a specific industry. It is viewed as good practice to disclose information on the system of monitoring and management of risks.*	
8. Issues regarding employees and other stakeholders	Companies should provide information on matters important to employees and other stakeholders, which could have an important effect on the company's performance. *Disclosure can apply to relations between the management and employees as well as relations with other stakeholders such as creditors, suppliers and local communities.* Companies should disclose their planned rate of preservation of jobs, *and it is regarded as good practice if companies disclose also their strategies in the area of human resources e.g. educational and development programs.*	**Labour Code:** §73, §229, §§237-239, §§241-250
9. Governance structures and policies, in particular the content of any corporate governance code, or policy and the process by which it is implemented.	*The obligation to submit reports of a company's approach concerning corporate governance in the form of a statement in the annual report is stipulated by the law for all companies that have securities admitted to the regulated market. Reporting on the 'comply or explain' basis is also required by the rules of the Bratislava Stock Exchange.* If the company has established auxiliary committees, the report should include the statutes of these committees and a brief description of their activity in the previous year. In addition, the audit committee should express its view on the independence of the company's audit. *It is regarded as good practice if the company discloses other information that can help to create a more complex picture of the company. Among such information is, for example, self-evaluation of the supervisory board and its members, including the evaluation of its work in the previous accounting period, as well as the evaluation of the work of auxiliary committees (particularly the audit committeet, but also remuneration committee, nomination committee and other committees if they exist) and a review of what they have done to contribute to the improvement of corporate governance in the company.*	**Accountancy Act:** §19a, §20
B. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure.	*The use of high quality standards is expected to significantly improve investors' ability to monitor the activities of the company. The quality of information to a large extent depends on the standards based on which it is collected and disclosed, as quality standards can ensure increased trustworthiness and comparability of the disclosed reports and a better overview of the company's functioning.*	**Accountancy Act:** §17-17b **Act on Auditors, Audit and Its Supervision:** §18

C. An annual audit should be conducted by an independent, competent, and qualified auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.	In addition to confirmation that the financial statements represent the actual financial situation of the company, the auditor's statement should include an opinion on the manner of compilation and submission of financial statements, which should contribute to a better control in the company.	**Act on Auditors, Audit and Its Supervision:** §23
	External auditors should be recommended by an independent audit committee; they should be also appointed by this committee, or directly by shareholders at a general shareholder meeting. The audit committee should also supervise internal audit as well as the relations with external auditor, including activities of non-auditing character provided by the auditor. The provision of non-auditing activities by an external auditor can significantly violate their independence, so that it can happen that they will audit their own work. The company should disclose payments provided to external auditors for non-auditing activities or, respectively, the external auditor should not at all provide such activities to the company he is auditing. *It is regarded as good practice to ensure the rotation of auditors (whether partners or auditing firms) that audit the company. As good practice is also viewed if the company temporarily refrains from employing the auditor that has already audited it.* The independence of auditors is also ensured by banning auditors and persons dependant on them from having a financial share or a managing position in companies which they audit. It is regarded as good practice if such ban extends also to the lower-level employees of auditing companies.	**Accountancy Act:** §19, 19a **Act on Auditors, Audit and Its Supervision:** §19, §24 and following provisions
D. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.	The requirement that external auditors should be recommended by an independent audit committee, and that they should also be appointed by this committee or directly by general shareholder meeting, clarifies that the external auditor is accountable for his activity to shareholders. It also confirms that the external auditor is accountable for their activity to the company and not only to one or more persons from the company's management who could affect their work.	**Accountancy Act:** §19,19a **Act on Auditors, Audit and Its Supervision:** §19, §25 and following provisions
E. Channels for disseminating information should provide for equal, timely and cost efficient access to relevant information by users.	*The way in which information is disseminated can be of equal importance as the content of information. Information is usually disclosed on the basis of law, however, the access to information can be lengthy and costly. The systems for electronic storage and retrieval of data have significantly simplified the storage of and access to certain obligatory reports. Development of e-government services should contribute to the integration of various sources of company information, including information on shareholders. The internet and other information technologies currently*	**Commercial Code:** § 3a, §21 **Stock Exchange Act:** §45,§47 **Securities Act:** §125a, §132b **Accountancy Act:** §21 **Act on Banks:** §37 **Individual Retirement Savings Act:** §65

	represent the most effective way how to improve the dissemination of information. It is regarded as good practice if the board and committees appoint from their members a person responsible for communication with shareholders, creditors, employees as well as other stakeholders. The obligation of certain companies to continuously disclose certain information is stipulated by the law, whereby the companies should immediately disclose information about substantial changes.	**Old-age Pension Savings Act:** §77
F. The corporate governance framework should be complemented by an effective approach that addresses and promotes the provision of analysis or advice by analysts, brokers, rating agencies and others that is relevant to decisions by investors, free from material conflicts of interest that might compromise the integrity of their analysis or advice.	In addition to the requirement of independent and qualified auditors, and provision of timely dissemination of information, also important is the independence of professions serving as intermediaries of market analysis and consulting. *If these intermediaries act impartially and free of personal interests, they can play an important role in stimulating the boards of companies so that they abide by good corporate governance practices.* *There are well-founded concerns, however, related primarily to the conflict of interests that can affect decision-making. The conflict of interests can occur, for example, when a provider of consulting services provides also other services to the same company, or when such provider is directly involved in the business of the company or its competitors.* This is where the disclosure and transparency requirements need to be adhered to, primarily those that focus on professional standards of market analysts, rating agencies, investment banks and so on.	**Act on Auditors, Audit and Its Supervision:** §19 **Act on Tax Advisors:** §16 **Advocacy Act:** §21

V. RESPONSIBILITIES OF THE BOARD

THE CORPORATE GOVERNANCE FRAMEWORK SHOULD ENSURE THE STRATEGIC GUIDANCE OF THE COMPANY, THE EFFECTIVE MONITORING OF MANAGEMENT BY THE BOARD AND THE BOARD'S ACCOUNTABILITY TO THE COMPANY AND THE SHAREHOLDERS.

The two-tier board system is dominant in the Slovak Republic. It is a system that separates managing and supervisory functions into two different bodies. It is therefore reasonable to say that the management board is a body that bears main responsibility for business strategies and ensures appropriate return on investment to the shareholders, whereas the supervisory board is a body that bears responsibility for monitoring of the management board as well as the activity of other key executives of the company who are not members of the management board. The supervisory directors cannot concurrently be members of the management board, procurators or persons authorised to act on the company's behalf based on an entry in the Commercial Register. The supervisory board is therefore composed only of non-executive directors. The management board, on the other hand, only comprises executive directors.

In the case of the one-tier board system, which is in Slovakia permitted only for European company forms, it is necessary to point out that this system joins the functions of the supervisory board and the management board into one body – the administrative board, which thus combines managing and supervising functions. Due to the concentration of powers within one body, it is necessary that its members performing supervision do not participate in day-to-day management of the company, and therefore their capacity is subject to similar requirements as the capacity of the supervisory directors in the two-tier board system. At the same time, the capacity of the administrative board chairman should belong to a non-executive director, and under no circumstances should this capacity be linked with the capacity of the company's Chief Executive Officer (CEO). In the one-tier board system, employees should only be represented in the capacity of non-executive members of the administrative board that perform supervisory functions.
The company bodies are not only accountable to the company and its shareholders, but also must act to their best interest. The company bodies are also expected to apply due care towards and to treat fairly other stakeholders, including employees, creditors, customers, suppliers and local communities. In this context, it is also relevant to follow the social and environmental standards.

In the text of this Code, 'board' essentially refers both to the management board and supervisory board (in the two-tier system) or the administrative board (in the one-tier system). However, if it is appropriate to make a distinction – the management and supervisory board are mentioned separately because two-tier board system is dominant in Slovakia. Where necessary, board members (directors) are also divided between members of the management board (managing directors) and members of the supervisory board (supervisory directors). Nevertheless, where the supervisory board/supervisory directors are mentioned, provisions shall apply ´mutatis mutandis´ also to the non-executive part of the administrative board. Moreover, where management board/ managing directors are mentioned, provisions shall apply ´mutatis mutandis´ to the executive part of the administrative board in one-tier board system.

Corporate governance principles	Notes	Pertaining laws
A. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.	The law also stipulates the obligation to act with due care in compliance with the interests of the company and all its shareholders. This principle sets two key components of fiduciary accountability of the board members: the duty of care and the duty of loyalty. The duty of care primarily includes the obligation to act in good faith and with due diligence and care, and the duty to obtain and take into account all available information related to the object of company. *According to good practice, it means that the board members should be convinced that the company's key information and control systems are in principle trustworthy.* The duty of loyalty primarily forbids the board members to prefer their own interests, the interests of only certain shareholders or third parties to the interests of the company. However, it also imposes duties such as the duty of secrecy concerning confidential information the disclosure of which to third parties could harm the company, or imperil its interests or the interests of the shareholders. *The obligation of loyalty supports effective implementation of other principles related, for example, to equitable treatment of shareholders or monitoring of related party transactions or remuneration of board members and key executives of the company.* It is a very important principle also for board members working within a group of companies: although a company could be controlled by another company, the duty of loyalty of a board member stipulated by the law relates to the company and all its shareholders, and not to the company that controls the group.	**Commercial Code:** §194, §200 **Penal Code:** §237 **Collective Investment Act:** §12
B. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.	*Although individual board members can be nominated by certain shareholders, the board as such should not be perceived or act as the assembly of independent representatives of electoral districts.* An important feature of work of the board should be that their members, after assuming office, perform their duties impartially for all shareholders. *This principle is important primarily in the case of majority shareholders that can nominate all board members who perform management and control in the company.*	**Commercial Code:** §56a, §66 §176b, §194, §200
C. The board should apply high ethical standards. It should take into account the interests of stakeholders.	*The board plays a key role in setting the ethical standards of the company, not only through their activity but also through appointment of key executives and supervision of their work. High ethical standards are in the long-term interest of the company, as they are important for increasing the company's trustworthiness not only for day-to-day operations, but primarily for long-term commitments.* *It is viewed as best practice if the company creates own*	**Commercial Code:** §194, §200 **Collective Investment Act:** §12 **Act on Banks:** §23 **Old-age Pension Savings Act:** §54 **Insurance System Act:** §38

	code of corporate governance, based on professional standards and rules of conduct in a broader sense. The rules of conduct can include for example the company's (including its subsidiaries) voluntary obligation to act in compliance with the OECD Guidelines for Multinational Enterprises, which take into account all four principles contained in the Declaration of the International Labour Organisation (ILO) on Fundamental Labour Rights. *The codes of companies should serve as standards of conduct for the board as well as for key executives, and should set a framework for negotiations between various – and oftentimes opposing - interests of those that have elected them. The code of ethics should formulate at least clear limitations to the promotion of private interests, including handling of the shares of the company. The overall framework of ethical conduct should exceed the boundaries of law, which should be its fundamental requirement.*	**Individual Retirement Savings Act:** §28
D. The board should include certain key functions, including: 1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestitures.	In addition to laws, the activity of the board reflects also the company's internal legislation (the articles, the competence scheme, the statute, rules of procedure, the code of ethics...), which specifies the decision mechanisms, the responsibilities of individual members, the preparation and course of meeting of the board. The board should direct and revise corporate strategies. *The management of risks is an area of increased importance of the board. This strategy includes specifying the types and levels of risk the company is willing to accept in the accomplishment of its goals. Hence they are key guidelines for the management, which must manage risks in order to meet the required risk profile of the company*.	**Commercial Code:** §173 **Commercial Code:** §191 and following provisions, §197 and following provisions **Collective Investment Act:** §12 **Act on Banks:**§23 **Old-age Pension Savings Act:** §54 **Insurance System Act:** §38 **Individual Retirement Savings Act:** §28
2. Monitoring the effectiveness of the company's governance practices and making changes as needed.	The monitoring of corporate governance by the board encompasses also continuous review of the internal structure of the company, so that the boundaries of accountability of the company's management are clearly defined. An important part of review is the self-evaluation of activity by the board as well as the review of activity of individual members of the board. *It is regarded as good practice if the board evaluates, at least once a year, its work for the previous period and adopts measures to improve it. The output of such evaluation, in the form of a statement, should be disclosed in the annual report of the company. It is viewed as best practice if the self-evaluation of the board is examined by an independent entity or, respectively, reviewed by the audit committee.*	**Commercial Code:** §182, §191 and following provisions, §197 and following provisions

3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.	*Although the election and removal of the board members is entrusted primarily to the general meeting by the law, in order to ensure effective monitoring by the supervisory board it is viewed as good practice if the articles entrust this power to the supervisory board, which can react more flexibly to the errors of the management board members and to the needs of the company. Such entrustment of the supervisory board certainly cannot affect the general meeting's option to actively participate in this process, as the possible 'last word' must always belong to the shareholders.*	**Commercial Code:** §66, §187, §194
4. Aligning key executive and board remuneration with the longer-term interests of the company and its shareholders.	The remuneration of the board members and key executives should put emphasis on the longer-term interests of the company over those short-term. *It is regarded as good practice if the issues of remuneration strategy and contracts for the board members/executives are dealt with by a special remuneration committee.*	**Commercial Code:** §66, §187
5. Ensuring a formal and transparent board nomination and election process.	Shareholders should play an active role in the nomination and election of the board members. The board fulfils mainly its fundamental role, which is to participate in ensuring transparent procedures of nomination and election. The candidates for membership in the board should have sufficient knowledge, skills and professional qualification required to supplement the existing professional qualification of the board, and thus increase the potential of added value for the company. *It is viewed as good practice if the board elaborates, monitors and modifies, if necessary, the succession policy in the company at the level of the board as well as executive management of the company. The company should train and educate its executives in order to maintain succession through people the company and its needs know the best. Seminars and training courses for the future executives should thoroughly prepare their participants for their duties. The board's concern should therefore be not only the present of the company but also its future, and that should include investments in the 'upbringing' of its elites.*	**Commercial Code:** §66, §187, §194, §200, §466 and following provisions **Collective Investment Act:** §12 **Acton Banks:** §23 **Old-age Pension Savings Act:** §54 **Insurance System Act:** §38 **Individual Retirement Savings Act:** §28
6. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.	An important duty of the boards, the supervisory board in particular, is to supervise the internal control systems including financial reporting and use of corporate assets, in order to prevent from inappropriate related parties transactions. In the event that these functions are performed also by an internal auditor, he should have direct access to the board to be able to efficiently perform his duties. For the performance of supervision it is important that the board supports anonymous reporting of unethical/illegitimate action, so that those reporting such action need not fear retaliations. *The existence of the company's code of ethics should facilitate these*	**Commercial Code:** §65, §186a, §196 and following provisions **Accountancy Act:** §19a **Collective Investment Act:** §12 **Act on Banks:** §23 **Old-age Pension Savings Act:** §54 **Insurance System Act:** §38 **Individual**

	procedures, which should be supported also through legal protection of concerned individuals.	**Retirement Savings Act:** §28
7. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular systems for risk management, financial and operational control and compliance with the law and relevant standards.	To ensure integrity of basic reporting and monitoring systems it is required that the board specifies and pushes forward a clear-cut division of duties and responsibility. The boards (the supervisory board in particular) also have to ensure appropriate supervision over the company's top management. *One of the ways to do it can be for example the system of internal audit, which submits reports directly to the board. It is deemed as good practice if the internal auditors submit reports to an independent audit committee that is responsible also for relations with an external auditor, which should ensure objective evaluation of these facts. Nevertheless, the ultimate responsibility for ensuring integrity of the accounting and financial reporting systems is borne by the board, and its powers should correspond with this fact.* The systems of stimuli in the company should be in compliance not only with the law but also with the ethical and professional standards, so that the abidance by these values is remunerated and violation of the law is penalised. These systems should also apply to subsidiaries where possible.	**Commercial Code:** §35 and following provisions, §191 and following provisions, §197 and following provisions **Accountancy Act:** §19a **Collective Investment Act:** §12 **Act on Banks:** §23 **Old-age Pension Savings Act:** §54 **Insurance System Act:** §38 **Individual Retirement Savings Act:** §28
8. Overseeing the process of disclosure and communicatio	The tasks and duties of the board and other executives related to disclosure and communication should be clearly defined, so that efficient overseeing can be performed in this area.	**Commercial Code:** §27, §173, §191 and following provisions, **Companies Register Act:** §5 and following provisions **Stock Exchange Act:** §34 and following provisions, §42 and following provisions, etc.
E. The board should be able to exercise objective independent judgement on corporate affairs.	*The way how objectivity of the board is kept depends mainly on the ownership structure of the company. A majority shareholder has substantial powers in the appointment of members of the board and executives. Even in this case, however, the board are accountable to the entire company and all its shareholders*, including minority shareholders. To perform their duties of monitoring the management actions, preventing the conflict of interests and balancing competitive requirements, the board should be able to make only objective decisions.	**Commercial Code:** §182, §194, §200 **Collective Investment Act:** §12 **Act on Banks:** §23 **Old-age Pension Savings Act:** §54 **Insurance System Act:** §38 **Individual Retirement Savings Act:** §28
1. The supervisory board should include independent members, in order to be able to efficiently supervise the management. The supervisory board chairman should always be an independent person.	Efficient supervision of the activity of the company's management board, as well as broader management, by the supervisory board requires complete independence and objectivity of at least a part of its members, whereas the supervisory board chairman should always be independent. *It is deemed as good practice,*	**Commercial Code:** §173, §200 **Accountancy Act:** §19a **Individual Retirement Savings Act:** §32 **Health Insurance**

if a majority of the supervisory board is independent. Best practice is when all the supervisory directors can be deemed independent.

Companies and Supervision Act: §4
Act on Banks: §23
Insurance System Act: §40

2. A director could be considered to be independent only if he was and still is free of any business, family or other relationship, with the company (or its management) or with the shareholder controlling the company (or with its management), which could cause a conflict of interests that might affect its decision making.

It is not possible to specifically list all facts that could imperil the independence of the supervisory directors; however, there are various facts that can help to decide whether a supervisory director may be regarded as independent.

Collective Investment Act: §16
Old-age Pension Savings Act: §58

For example, an independent supervisory director should not have been a member of this company's management, or of an associated company, in the last 5 years. He also should not have been employed by the company in the last 3 years (except for the representatives of employees in the supervisory board who are not simultaneously members of the company's management). An independent director should not be given any substantial remuneration from the company, or from an associated company, except for remuneration resulting from the capacity of the supervisory director. An independent director should not in any way represent a shareholder controlling the company and should not have any substantial, direct or indirect, business relationship with the company or with an associated company (whether as a shareholder, director, senior employee, customer, creditor etc) in the last year. An independent supervisory director should not have been, in the last 3 years, an external auditor or partner or employee of an auditing company that has audited the company (or an associated company) where he is to be supervisory director. A supervisory director cannot be deemed as independent if he is in some way interconnected with managing directors of the same company in other companies. An independent director should not have worked in the supervisory board for a period longer than 15 years. A supervisory director should not be deemed as independent if he has a close family relation with a member of management, or with any person that should not be considered independent according to the aforementioned criteria.

Commercial Code: §65 and following provisions, §186a, §196 and following provisions, §200
Accountancy Act: §19a

An independent supervisory director should strive to keep his independence under any circumstances, and should not request nor accept any inadequate advantage that could cast doubt on his independence, and should always clearly express his opposing view if he finds out that the supervisory board's decision could harm the company. If the supervisory board adopts a decision the independent director fundamentally disagrees with, he should draw appropriate consequences from it, including his resignation and informing the audit committee, the general meeting and possibly bodies outside the company about his reasons for resignation.

3. It is required to publish, in an appropriate manner and on a regular basis, information on which members of the supervisory board (or its committees) are deemed independent by the supervisory board, together with grounds for such opinion. This information must also be made public in the event of nominations for the election of new members.	*To decide which supervisory directors should be deemed as independent is ultimately up to the supervisory board. Due to certain specific circumstances, a person may not be deemed as independent even when he meets the aforementioned criteria. Nevertheless, the supervisory board can also make an opposite decision.* In such a case however, the supervisory board must state reasons why it deems its member as independent despite the fact that he doesn't meet certain criteria necessary to determine independence. In the event of election of supervisory directors, information on independence of candidates should be included in the invitation to a general shareholder meeting so that the shareholders have enough time to review the suitability of candidates, or to raise objections against independence of directors to be elected. If some of the conditions recommended to judge independence are not met, the company must explain why it still deems such directors as independent and disclose this information so that independence can be judged by all shareholders as well as possible investors, creditors and other stakeholders. For shareholders, this information should be included in the invitation to an ordinary general meeting. As appropriate disclosure to stakeholders is regarded, for example, if information is published on the company's website. In order to ensure the correctness of information on independence of supervisory directors, their independence should be reviewed at least once a year on the basis of the aforementioned criteria as a minimum.	**Accountancy Act:** §19a **Commercial Code:** §184
4. Boards should consider assigning a sufficient number of non-executive board members, capable of exercising independent judgement to task where there is a potential for conflict of interest. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board. To eliminate the possibility of conflict of interests, the company should establish at least a nomination committee, a remuneration committee and an audit committee. Fewer committees can be established in well-founded cases. In extraordinary cases, their functions can be performed by the supervisory board provided that certain conditions are met. The decisions of these committees should be deemed as recommendations.	*Whereas financial reporting, remuneration and nominations of new directors are the responsibility of the board, independent non-executive directors can provide further protection of interests of market participants.* The board should establish special committees for areas where there is the greatest risk of conflict of interest, whereby such committees should meet strict independence criteria so that the possibility of conflict of interest is eliminated as much as possible. *Although the existence of committees can enhance the operation of the board, the questions may arise concerning the accountability of individual directors.* To be able to determine the importance of these committees, it is necessary that the market gets a complete and clear picture about their purpose, duties and composition, in which process the board members' responsibility stipulated by the law cannot be affected. *The decisions of the nomination committee, remuneration committee and audit committee should be regarded as recommendations, and should serve as a basis for decision making of the board. Their main purpose should be to enhance efficiency of the supervisory board, or information–awareness of the general meeting, primarily through preparation of erudite working documents papers unaffected by conflict of interest.*	**Accountancy Act:** §19a **Commercial Code:** §173

The committees should have at least 3 members each. However, under extraordinary conditions the committees can have 2 members or the company can combine the functions of committees as it deems appropriate, while the conditions for the performance of their activity need to be met. In case of small companies, a company can decide that the duties of the committees will be performed by the supervisory board. Under these conditions, however, the supervisory board should itself meet the strict conditions for composition of committees. In such a case, the company should provide a clear explanation as to why it has decided to combine the functions of certain committees or, respectively, why it has decided to not establish these committees and to have the supervisory board perform their functions. The company should at the same time specify how it is going to perform the functions that would otherwise be performed by the committees.

The composition of the nomination committee, remuneration committee and audit committe should take into account the qualifications required for due fulfilment of their functions. Undue reliance should not be placed on individuals, and the composition should be permuted in a manner ensuring continuity of their operation. The exact conditions of membership in these committees and a description of their work should be stipulated in their statutes, approved either by the supervisory board or by the general meeting, depending on which of these bodies decides in the area where the specific committee performs its advisory functions.
The statutes of the committees should contain, among other things, stipulations that clearly specify in what manner a direct communication of the committee chairmen with the shareholders is ensured.
The committees should be provided with sufficient resources needed to properly discharge their duties, e.g. to utilise the services of independent professional consulting. Other directors and executives should furnish the members of these committees with any information needed for their decision making and should, when requested, provide explanation also at a committee's meeting. Nevertheless, no one except for the committee members should be allowed to attend a meeting without being invited by the committee, so that the objectivity of the committee's decision making is not affected.

A. The nomination committee can comprise of supervisory directors, managing directors or other executives; however, a majority of its members should be independent members of the supervisory board.
Its main task should be to provide recommendations concerning the election and removal of directors,

Where the managing directors are elected and removed by the supervisory board, the nomination committee should be established as its advisory body. If this function is within the general meeting's competence, the nomination committee should be established as a permanent advisory body that would give recommendations to the general meeting.
If the nomination committee gives recommendations to the general meeting, such recommendations should

Commercial Code:
§173, §184, §187, §194
Accountancy Act:
§20

and to evaluate the overall board composition as well as the individual directors.

be included in the invitation to every general shareholder meeting whose agenda includes the election/removal of the directors or, respectively, which discusses the annual report that includes a report on the company's approach to corporate governance, whereby such report contains an evaluation of the composition and work of the board.
If the company deems appropriate for members of the company management to participate in the nomination committee (including e.g. Chief Executive Officer), it is permissible. However, to achieve the goal for which this committee is established, a majority of its members should be composed of the supervisory directors that can be regarded as independent.
The nomination committee should give recommendations in particular on the election/removal of the directors. The committees should primarily do the following:

- Identify and recommend candidates for vacancies in the board, while taking into account the balance of skills, knowledge and experience of the board members. Based on the aforementioned, the committee should then determine the personal traits of the person needed to fill the vacancy;
- To regularly evaluate the size and composition of the board and provide recommendations and proposals for possible changes;
- To regularly evaluate the skills, knowledge and experience of individual directors;
- To prepare working papers concerning the succession strategy for positions;
- To evaluate the management board's strategy related to the appointment of members of senior management.

When reviewing the candidates for board membership, the nomination committee should consider all proposals that have been submitted. With regard to candidates for membership in the management board or other members of the company's management, the committee should carefully consult such candidates primarily with the Chief Executive Officer of the company.

B. The remuneration committee should be comprised solely of the supervisory directors, a majority of whom should be independent supervisory directors.
Its main task should be to submit proposals and recommendations concerning the rules of all forms of remuneration of managing directors and possibly other key executives of the company, as well as to oversee that the remuneration of in-

If the rules of remuneration of the managing directors and other key executives are subject to approval by the supervisory board, the remuneration committee should be established as its advisory body. If this function is within the general meeting's competence, the remuneration committee should be established as a permanent advisory body that would give recommendations to the general meeting.
If the remuneration committee gives recommendations to the general meeting, such recommendations should be included in the invitation to every general shareholder meeting whose agenda includes the rules

Commercial Code:
§173, §184, §187, §191

dividuals is in compliance with the company's remuneration rules.

of remuneration of directors.
Within the framework of its activity, the committee should consult at least with the chairmen of the company boards and with general director (provided that he is not concurrently a managing director).

The remuneration committee should do primarily the following:

- Submit proposals concerning the rules of all forms of remuneration;
- Submit proposals concerning remuneration of individual managing directors;
- Give recommendations concerning remuneration of other key executives of the company;
- Oversee that remuneration of individuals is in compliance with the rules of remuneration, and forward its findings to the supervisory board or possibly to the general meeting.

The committee's proposals concerning performance-based remuneration should include, among other things, recommendations related to objectives and evaluation criteria so that remuneration takes into account the long-term interests of the company and its shareholders.
As for remuneration in the form of shares or share options, the committee should evaluate the strategy of this type of remuneration and possibilities of choice between a right to subscribe new shares and a right to buy shares. The committee's conclusions should be included in the annual report, and the information should be on the agenda of a general shareholder meeting.

C. The audit committee should be comprised solely of the supervisory directors and members appointed by the general meeting, a majority of which should be independent supervisory directors.
Its main task should be to submit proposals and recommendations concerning the exercise of internal control and external audit, and to oversee the conformity with legal regulations and recommendations related to financial reporting and audit in the company.
The committee should report to the supervisory board on its activities and findings at least once per six months.

Companies that have securities admitted to trading on the regulated market are obliged to establish the audit committe under the law. It is in the interest of good corporate governance that the audit committee meets stricter criteria than those stipulated by the law. With regard to independent directors, in particular, it is necessary that a majority of the committee members are independent.

Accountancy Act: §19a
Commercial Code: §173, §197, §198, §201

As for the committee's functions, it should primarily do the following:

- Monitor the compilation and integrity of financial information (financial statements in particular) that the company provides, and relevance of accounting procedures of the company, as well as of the group of companies in which the company operates (including e.g. consolidated annual financial statements);
- Inspect, at least once per year, the systems of internal control and risk management and ensure that the main risks are well identified and disclosed;
- Ensure the efficiency of internal control of the

company through recommendations on issues of staffing and financial coverage of the company's department of internal control and through monitoring of the company management's reactions to the findings of internal control;
- Give recommendations related to selection, appointment and removal of the external auditor;
- Monitor the independence of objectivity of the external auditor, and examine the observance of recommendations related to the rotation of auditors and their remuneration;
- Oversee the nature and extent of services unrelated to the audit provided to the company by the external auditor, in order to prevent the conflict of interests from occurring;
- Examine the efficiency of the external audit and particularly the management's ability to react to the findings and recommendations of such audit;
- To investigate any instigations and facts that have led to the resignation of the external auditor, and give recommendations related to the company's possible action in these issues;
- Monitor the compliance of the company's procedures with recommendations related to anonymous submission of complaints by employees concerning violations of rules and regulations in the company, and oversee that such complaints are examined on an independent and efficient basis.

To enable the audit committee to perform its functions at the required level, the company should provide induction courses upon installation of new audit committee members into office as well as other regular trainings, which will ensure that the members of the audit committee have adequate education in audit and that they have sufficient information related to the accounting and financial specifics of the company.

The audit committee should obtain regular reports, relevant for internal control in the company, from individual board members as well as other members of the management and company employees responsible for internal control. It should also obtain any information relevant for the control of external audit. The external auditor should provide the committee primarily with all findings resulting from audit, as well as information on its relation to the company and to other companies within the group.

5. The board members should have sufficient qualification and experience, and should have a responsible attitude to their duties.

In order to improve the work of the board and performance of its members, it is necessary that the company involves the board members in education and that these directors conform themselves to voluntary and regular self-evaluation, following the needs of the company. Upon their installation into office, the

Commercial Code:
§194, §200
Accountancy Act:
§19a

board members should either have or acquire relevant knowledge. Subsequently, they should keep up with new legal regulations and changing business risks through internal or external trainings.

The supervisory board, in particular, should be comprised of members whose overall qualification and experience guarantee efficient control, taking into account primarily the structure and activity of the company. The supervisory board should regularly examine its composition. In the case that imperfections are identified, it should try to supplement the qualification of its members and thus the qualification of the supervisory board as a whole, or possibly use the services of independent professional consultants for selected areas.
Performing the functions of a board member in an excessive number of companies can disrupt the efficiency of such directors. The company should consider if one person's directorship in several companies is compatible with the efficient performance of board activities, and the management board should disclose information on the commitments of individual directors in the annual report. Information on commitments in other companies should be provided also in the event of nomination of new members of the board before their election.
Control can be accomplished also through disclosure of the records of attendance of individual board members.

F. In order to fulfil their responsibilities board members should have access to accurate, relevant and timely information.

For their decisions, the board members need relevant information at an appropriate time. Accurate, relevant and timely information is of great importance for the consistent discharge of their duties.
The supervisory directors, in particular, usually do not have access to information equivalent to that of the management board or of other key executives of the company. The contribution of the supervisory directors for the company can be increased by providing access to certain key executives, as well as ensuring independent external consulting at the company's cost.

Commercial Code: §193, §195, §197, §201
Collective Investment Act: §12
Act on Banks: §23
Old-age Pension Savings Act: §54
Insurance System Act: §38
Individual Retirement Savings Act: §28

LEGEND: PERTAINING LAWS

Anti-discriminatory Act – Act No 365/2004 Coll. on Equitable Treatment in Certain Areas and on Protection of Combat Against Discrimination and on Amendments and Supplements to Related Laws, as amended

Commercial Code: – Act No 513/1991 Coll. – Commercial Code as amended

Civil Code: – Act No 40/1964 Coll. – Civil Code as amended

Penal Code: – Act No 300/2005 Coll.– Penal Code as amended

Constitution – 460/1992 Coll.– the Constitution of the Slovak Republic as amended

Act on Auditors, Audit and Its Supervision – Act No 540/2007 on Auditors, Audit and Its Supervision and on Amendment and Supplement to the Act No 431/2002 Coll.on Accountancy, as amended

Advocacy Act – Act No 586/2003 (Col.) on Advocacy and on Amendments and Supplements to Act No 455/1991 Coll.on Commercial Trade (Trade Act), as amended

Act on Banks – Act No 483/2001 Coll.on Banks and on Amendments and Supplements to Related Laws, as amended

Stock Exchange Act – Act No 429/2002 Coll.on the Stock Exchange as amended

Securities Act – Act No 566/2001 Coll.on Securities and Investment Services and on Amendments and Supplements to Related Laws, as amended

Individual Retirement Savings Act – Act No 650/2004 Coll. on Individual Retirement Savings and on Amendments and Supplements to Related Laws, as amended

Act on Tax Advisors – Act No 78/1992 Coll.on Tax Advisors and on the Slovak Chamber of Tax Advisors, as amended

European Company Act – Act No 562/2004 Coll.on European Company and on Amendments and Supplements to Related Laws, as amended

Labour Inspection Act – Act No 125/2006 Coll.on Labour Inspection and on Amendments and Supplements to the Act No 82/2005 Coll.on Illegal Labour and Illegal Employment and on Amendments and Supplements to Related Laws, as amended

Bankruptcy and Restructuring Act – Act No 7/2005 Coll. on Bankruptcy and Restructuring and on Amendments and Supplements to Related Laws, as amended

Collective Investment Act – Act No 594/2003 Coll.on Collective Investment and on Amendments and Supplement to Related Laws, as amended

Collective Negotiation Act – Act No 2/1991 Coll.on Collective Negotiation as amended

Companies Register Act – Act No 530/2003 Coll.on Companies Register and on Amendments and Supplement to Related Laws, as amended

Insurance System Act – Act No 95/2002 Coll.on Insurance System and on Amendments and Supplement to Related Laws, as amended

Labour Code – Act No 311/2001 Coll.– Labour Code as amended

Old-age Pension Savings Act – Act No 43/2004 Coll.on Old-age Pension Savings and on Amendments and Supplement to Related Laws, as amended

Accountancy Act – Act No 431/2002 Coll.on Accountancy as amended

Broadcast and Retransmission Act – Act No 308/2000 Coll. on Broadcast and Retransmission and on Amendments to the Act No 195/2000 on Telecommunications, as amended

Health Insurance Companies and Supervision Act – Act No 581/2004 Coll.on Health Insurance Companies, Supervision of Healthcare and on Amendments and Supplement to Related Laws, as amended

Act on Collection, Safekeeping and Dissemination of Environmental Information – Act on Collection, Safekeeping and Dissemination of Environmental Information and on Amendments and Supplements to Related Laws, as amended

(All Acts are available, in consolidated version and free of charge, for example at the webpage of Ministry of Justice of the Slovak Republic: http://jaspi.justice.gov.sk)