
CORPORATE GOVERNANCE CODE



ZDRUŽENJE ČLANOV
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MANAGER
ZDRUŽENJE MANAGERJEV SLOVENIJE



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PREAMBLE

Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia and the Managers' Association has agreed to adopt this Corporate Governance Code (the Code). The Code incorporates Slovene legislation, principles of business ethics and the internal Articles of the three institutions. The purpose of the Code is to specify corporate governance standards in Slovenia. The Code's provisions define more precisely the statutory provisions, present recommended standards for good and responsible governance of Slovene public joint-stock companies and summarize the regulations in force in order to make it easily accessible to both foreign and domestic investors. Primarily, the Code is addressed to public joint-stock companies.

Provisions in the Code are recommendations and are not legally binding unless they are applied to regulations by statute. Listed companies are compelled to disclose any deviations from the Code's provisions in a declaration of compliance with corporate governance principles. It is recommended that non-listed companies also apply the Code. All deviations from the Code as well as the reasons for deviations shall be disclosed to investors. The Code also contains suggestions which can be deviated from without disclosure; for this the Code uses the word »should«.

The Ljubljana Stock Exchange, the Association of Supervisory Board Members and the Managers' Association will review the Code regularly against the legal and actual environment of enterprises and will adjust it, if necessary.

This is an English translation of the Code; only the Slovene version is binding.

1. RELATIONSHIP BETWEEN THE CORPORATION, SHAREHOLDERS AND OTHER STAKEHOLDERS

1.1. The equitable treatment of shareholders and the protection of their rights

- 1.1.1. In principle, each share carries one vote. A company may not issue shares with multiple voting rights.
- 1.1.2. In case of non-voting rights or limited voting rights, the company shall publicly disclose information on their existence, nature and impact.
- 1.1.3. When the shares of a company are listed or traded on an organised market, no statutory limitations of voting rights, which maximize the percentage of votes, held by a single (legal or natural) person, are allowed.
- 1.1.4. A company is compelled to treat all shareholders of the same class, whether internal or external shareholders, minority or majority shareholders, domestic or foreign shareholders, equally. The company's treatment of all shareholders in respect of information shall be equal.
- 1.1.5. In case of an increase or decrease in the company's share capital, in the case of acquisition or disposition of own shares, the company shall exercise the principle of equal treatment and pre-emptive rights of shareholders corresponding to their share of the equity capital.
- 1.1.6. A company shall encourage shareholders to exercise their rights actively and responsibly and advise shareholders of any methods of doing so which may harm the company or other shareholders. A company shall encourage direct and indirect execution of shareholders' rights. Large companies should arrange for the organised collection of shareholders' authorisations and proxies.

1.2. General Meeting of Shareholders

- 1.2.1. Shareholders exercise their rights at a General Meeting of Shareholders. The company shall provide for timely and detailed information on the convening of a General Meeting of Shareholders, encouraging active exercise of shareholders' voting rights.
- 1.2.2. Decisions that could materially affect the nature, scope and risk factors of the company's operations, and decisions that could materially affect the status of a certain shareholders group, shall be valid only if approved by a majority of votes, as determined by company's Articles of Association. These decisions cover inter-alia:
 - Transformation (reconstruction or reorganisation) – i.e. change in the corporate form (merger, division, any other change of corporate form);
 - defensive actions in the event of a takeover;
 - increase or decrease of company's share capital;
 - distribution of profits;
 - authorisation of the Management Board for acquisition or disposal of company's own shares;
 - withdrawal/delisting of shares from the organised market;
 - the election of members of the supervisory board;
 - stock option plans...
- 1.2.3. The Management board shall convene a General Meeting of Shareholders at least once a year. The Management Board shall always convene a General Meeting of Shareholders, when it is in the best interests of the company and the shareholders or if a quorum of shareholders representing 5% of share capital (or 5% of shares with voting rights), or a smaller quorum if a smaller quorum as determined in the company's Articles of Association, demands it.
- 1.2.4. When convening a General Meeting, the Management Board shall ensure proper information dissemination and effective execution of shareholders' rights using information technology. The company should make it possible for shareholders to follow a General Meeting using modern technology.
- 1.2.5. When convening a General Meeting of Shareholders, the Management Board must publish the agenda for the Meeting. For every item on the agenda the Management Board or the Supervisory Board shall provide a full text of the proposed proposal. Each proposal shall be stated in a manner that enables the shareholders to assess its potential influence on the shareholders' rights.
- 1.2.6. The company shall announce the convening of a General Meeting of Shareholders, with information on proposed resolutions, the conditions for registration and with additional background materials, by publishing these documents on the company's web site.
- 1.2.7. The Management Board shall inform shareholders' associations and financial services providers, who will act as proxies at a General Meeting of Shareholders and have requested such notification, of the convening of a General Meeting of Shareholders, the agenda and the proposed resolutions in the same manner and at the same time as all shareholders.
- 1.2.8. When the election of members of the Supervisory Board is an item of the agenda of a General Meeting of Shareholders, the Supervisory Board shall in cooperation with the Management Board provide for timely public announcement of background information on the proposed candidates for the mandate (education, professional experience, age, memberships on supervisory boards...).
- 1.2.9. In the case that an organised collection of authorisations or proxies for voting is held before a General Meeting of Shareholders, the authorisations, given by individual shareholder shall be valid for one General Meeting of Shareholders only. The terms of authorisation shall be unambiguous and understandable to the average shareholder and shall at least be comprised of the following:

- appeal to the shareholder that he or she shall give explicit instructions for exercising of his or her voting rights;
- list of proposed decisions about the votes (for/against/abstention) for each of the items on the agenda, in case the shareholder does not specify instructions for the individual item on the agenda;
- a notice to the shareholder, that he or she can at any moment prior to the registration date, recall the given authorisation and exercise his voting right personally at the General Meeting of Shareholders.

1.2.10. A quorum of shareholders is entitled to demand a convening of a General Meeting of Shareholders, the extension of the agenda and to file counter-motions.

1.2.11. The Management Board shall, as soon as possible, publicly announce the approved decisions of a General Meeting of the Shareholders and information on potential contestation lawsuits.

When any price sensitive information is given to the shareholders at a General Meeting of Shareholders, the Management Board shall include this information in the public announcement of the approved decisions of the General Meeting of Shareholders.

1.2.12. The Management Board shall publicly announce approved decisions and all other information at the General Meeting of Shareholders on the company's web sites, following the rules for proper information dissemination.

1.3. The relationship between the company and other stakeholders

1.3.1. In relationships with other stakeholders (employees, creditors, customers, suppliers, the natural and business environment...) the company shall exercise its rights prudently and fulfil its obligations in a responsible manner, that preserves the long-term prosperity of the company and its shareholders.

1.3.2. The company shall at all stages of the relationship with a certain group of stakeholders provide for appropriate and equitable communication and mutual observance of confidentiality.

1.3.3. When reaching decisions the company shall observe and consider not only shareholders' interests but also the interests of other stakeholders, especially of the employees. The company shall inform separate stakeholders of decisions that directly affect him without delay, unless such decisions are classified as business confidentiality or inside information.

2. MANAGEMENT BOARD

2.1. Tasks and responsibilities

2.1.1. The role of the Management Board is to manage the company independently and on its own responsibility. In doing so, the Management Board must act in the best interests of the company and its shareholders and provide for increasing the sustainable value of the company. The business leadership of the company cannot be transferred from the Management Board to any other body of the company.

2.1.2. The Management Board shall protect shareholders' rights by ensuring that all contractual obligations of the company and all provisions set by law, by-laws and standards are abided by and works to achieve their compliance by group companies.

2.1.3. The Management Board develops the company's strategy in coordination with the Supervisory Board and provides for its implementation.

2.1.4. The Management Board ensures appropriate risk management and risk control in the company.

- 2.1.5. Each member of the Management Board shall act with due care of a good businessman and strictly observe confidentiality.
- 2.1.6. The members of the Management Board shall be jointly and severally liable for the damage inflicted by the violation of their obligations, unless they provide for evidence that they discharged their obligations honestly and scrupulously.

2.2. Composition

- 2.2.1. The Management Board should consist of several members. One of the members shall be appointed as the Chairman. The company's Articles of Association or, with the Supervisory Board's consent, the board's terms of reference shall regulate the allocation of areas of responsibilities as well as the cooperation among the members of the Management Board.
- 2.2.2. At the beginning of their mandate, the members of the Management Board shall fulfil the requirements, prescribed by law, as well as additional conditions required for the position of a Management Board member. These conditions can be set by the company's Articles of Association or the Supervisory Board's resolution.
- 2.2.3. In addition to fulfilling these conditions, the Chairman shall have developed organisational skills and leadership ability as well as the status of an acknowledged and good manager in the wider company's environment.
- 2.2.4. Each member of the Management Board shall consistently, precisely and without delay inform the Chairman of all important events that are essential for the assessment of the current situation and development as well for the management of the company, in the area of their responsibility.

2.3. Compensation and share ownership of the company

- 2.3.1. The compensation of the Management Board members (salary, share of profits, returns and other benefits...) is determined by the Supervisory Board.
- 2.3.2. Methods for determination of the appropriate compensation shall be specified in advance by special criteria, such as:
- tasks of an individual member,
 - personal performance,
 - size of the company and its' financial status,
 - economic environment of the company,
 - performance of the company taking in account its peer companies,
 - fulfilment of strategic and annual plans,
 - compensation of the Management Board members in group companies.

In determining the appropriate amount of compensation, the criteria for the Management Board members' compensation set by a corresponding professional organisation should also be considered.

- 2.3.3. The compensation of the members of the Management Board shall be comprised of a fixed and variable component. Variable components should include one-time and annually payable components linked to the business performance of an individual member, the fulfilment of plans and the performance of the company. Variable components shall also include the long-term incentives. The Supervisory Board evaluates the performance of individual board member and determines the amount of the variable component, in accordance with conditions set in his contract.

- 2.3.4. Stock options or comparable financial instruments can serve as variable components, increasing loyalty and having a long-term incentive effect. The methodology for these instruments shall be specified in detail in advance, using comparative parameters such as performance of the stock index or achievement of predetermined share prices or their book value. Changing such performance targets and other conditions in a stock option plan retroactively shall be excluded. Damages for non-exercising the option are prohibited.
- 2.3.5. The members of the Management Board shall not exercise rights, deriving from stock options or comparable financial instruments prior to the expiry of 2 years after their acquisition. The members of the Management Board shall not alienate these shares prior to the end of their mandate.
- 2.3.6. The details of the stock option plan or other comparable means of compensation shall be publicly disclosed in a manner that enables a clear understanding of a beneficiary's profits.
- 2.3.7. The total compensation of the members of the Management Board shall be reported in the Notes of the consolidated financial statements. Compensation should be disclosed for each individual member. Components of compensations shall be disclosed subdivided according to the:
- fixed component,
 - variable component (long-term and short-term incentive components, bonuses and part of performance related components excluding share in profits),
 - share of profits,
 - option components,
 - other compensation (redundancy payments, additional insurance premiums, advantages)..
- If a member of the Management Board receives compensation in shares, each form of compensation shall be reported separately for compensation in cash and for compensation in company's shares.
- 2.3.8. Each member of the Management Board is obliged to report to the company any change in his holdings of the company's shares or the group company's shares no later than in 24 hours after the transaction is concluded. The company must publicly disclose this information.
- 2.3.9. The members of the Management Board may take a share of profits if the General meeting of shareholders decides so and the company's Articles of Association allows it.
- 2.3.10. The Management Board shall set out rules on prohibition of trading with company's shares and with group company's shares in the company's internal rules. Members of the company's and group company's bodies and the employees who have access to insider information must abide by these rules.

2.4. Conflicts of Interest

- 2.4.1. Members of the Management Board are bound by the company's best interests. A member of the Management Board must subordinate any personal interests when reaching decisions in the Management Board and may not use business opportunities intended for the company for himself or herself.
- 2.4.2. A member of the Management Board shall disclose any conflict of interest to the Supervisory Board without delay and inform the other members of the Management Board thereof. All transactions between the members of the Management Board as well as persons they are close to or companies they have a personal association with or any personal interests in must comply with good business practices.
- 2.4.3. During their mandate in the board, each member of the Management Board is subject to a comprehensive non-competition obligation. A member of the Management Board may not, without the consent of the Supervisory Board, take on any profit-making activities in the company's sphere of activity, nor conclude transactions for his or hers or a third parties' account.

- 2.4.4. Members of the Management Board may not, in connection with their work, demand nor accept from third parties payments or other advantages for themselves or for any other person nor grant third parties unlawful advantages.
- 2.4.5. Members of the Management Board shall not be members of the Supervisory Boards in more than five (5) unrelated companies simultaneously. Members of the Management Board shall accept any such Supervisory Board mandate only after obtaining approval of the Supervisory board.

3. SUPERVISORY BOARD

3.1. Tasks and responsibilities

- 3.1.1. The main tasks of the Supervisory Board are to appoint and to supervise the Management Board and advise it in the management of the company and actively participate in the formation of company's strategy. In doing so, the Supervisory Board must act independently of the Management Board and pursue the best interests of the company as a whole.
- 3.1.2. In the process of decision-making, each member of the Supervisory Board shall act at his or her own responsibility and shall not at any time be bound by those who elected or appointed him or her. All members of the Supervisory Board shall have same rights and duties, independently of the body, that elected them .
- 3.1.3. During the mandate, a member of a Supervisory Board shall act with the due care and diligence of a prudent and conscientious businessman and observe the confidentiality of all materials and decisions of the Supervisory Board, until they are publicly announced.
- 3.1.4. The Supervisory Board shall publish its terms of reference and make it available to all shareholders and to the workers' council.
- 3.1.5. The Supervisory Board shall meet on a regular basis and at least once every three months. All decisions of the Supervisory Board shall be taken at its meetings. The Supervisory Board shall evaluate the performance of the Management Board and its members once a year, when deciding upon their compensation.
- 3.1.6. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and chairs its meetings. The voting procedure of the members of the Supervisory Board shall be held openly within the meeting. The votes of individual members shall not be publicly disclosed.
- 3.1.7. The Supervisory Board shall use information technology for distribution of materials and for convening of the meeting. All members of the Supervisory Board shall be invited to the meeting in the same manner. In the case of a large number of Supervisory Board members or their geographical remoteness the Supervisory Board can hold the meeting and enable voting using modern technology. The Supervisory Board members shall meet in person at least once a year.
- 3.1.8. The chairman of the Supervisory Board shall encourage the members to perform their mandate actively and efficiently. If an individual member does not participate in the meetings of the Supervisory board or is inactive at the meetings, the shareholders should be notified of this fact in the report of the Supervisory Board, disclosed at a General Meeting of Shareholders. The Supervisory Board shall assess the performance of the Supervisory Board and its members once a year and shall define measures for the improvement of performance (composition, education, dynamics and participation at the meetings, notification of and preparation for the meetings...).

- 3.1.9. The Supervisory Board shall accurately and reliably report on its work annually to a General Meeting of Shareholders. The report presents in detail the performance of the Management Board and the company, the Supervisory Board's cooperation with the Management Board and the auditor, and the Supervisory Board's opinion on the Auditor's Report. The Supervisory Board shall report in detail about the method of monitoring of the Annual Report, whether it approves it or has any comments on it.

3.2. Appointment and Dismissal of the Management Board

- 3.2.1. The Supervisory Board shall appoint and decide on the members of the Management Board. In doing so, it shall ensure that there is long-term succession planning, providing for diligent and timely appointment of a successor to any individual member of the Management Board. The Management Board shall be involved in this process. The Chairman of the Management Board shall propose a successor at least one year prior to the end of a member's mandate.
- 3.2.2. The Supervisory Board may appoint a special »Personnel Committee« for the procedure of choosing appropriate candidates for the members of the Management Board. In doing so, the Supervisory Board or special committee shall observe special requirements and criteria, determined in advance. The Chairman of the Management Board can, by the Supervisory Board's authority, propose other members of the Management Board. The Supervisory Board is free to accept or refuse his or her proposal.
- 3.2.3. The Supervisory Board is obliged to make arrangements for a service contract of every member of the Management Board. The contract shall determine tasks and the competence of members of the Management Board, compensation and conditions for variable components, duties of members relating to loyalty to the company, methods of dismissal and redundancy payments. In accordance with the provisions of the Companies' Act, a dismissal of the member of the Management Board whether culpable or non-culpable shall be determined in an individual member's contract. In the case of culpable dismissal the member of the Management Board is not entitled to a redundancy payment.

3.3. Composition

- 3.3.1. For achieving independence of the Supervisory Board in advising and supervising of the Management Board, the majority of the members shall be independent. This shall mean they are not economically, personally or in any other manner strongly connected to the company or its Management Board. An independent member of the Supervisory Board is one who has no conflict of interest in accordance with Chapter 3.5. of this Code and is under no direct influence of those who appointed them.
- 3.3.2. Every member of the Supervisory Board must ensure that he or she has sufficient time to perform his or her mandate. During the mandate, each member of the Supervisory Board shall study and improve the quality of his or her knowledge in the areas that are significant for efficient performance of the mandate. The company shall stimulate, organise and finance education of members of the Supervisory Board in accordance with the company's considered needs and the needs of the Supervisory Board.
- 3.3.3. The Supervisory Board or its special committee shall diligently make suggestions for new candidates for the Supervisory Board to be elected by a General Meeting of Shareholders. The Supervisory Board shall obtain the approval of candidature from each candidate for the mandate.
- 3.3.4. The Supervisory Board or special committee for proposed candidates shall consider special requirements and criteria, determined in advance. Special care shall be taken that the Supervisory Board, at all times, is composed of members who have the appropriate knowledge, abilities, professional experience and sufficient time for proper and efficient performance of their mandate. Their knowledge, abilities and personal experience should interact. The international activities of the company, potential conflicts of interest and an age limit of the members shall be taken into account. Documents which certify relevant qualifications of a candidate

should be obtained. Also recommended to be considered are criteria of appropriate professional background and certificates that prove the candidate's qualification for the mandate.

- 3.3.5. The Supervisory Board shall ensure that the candidates for the mandate in the Supervisory Board are properly presented to the shareholders before a General Meeting of Shareholders.
- 3.3.6. To ensure the continuity of their work and to facilitate the exchange of experience, the election or re-election of members of the Supervisory Board should not be held simultaneously for all candidates or for the same period of mandate.
- 3.3.7. In Supervisory Boards with codetermination, the number of representatives of employees shall be determined in the company's Articles of Association. The procedure of their election and dismissal shall be determined in general documentation. Expert knowledge of candidates shall also be taken into account.

3.4. Compensation and share ownership of the company

- 3.4.1. Methods for determination of the appropriate compensation of the Supervisory Board members (salary, returns and other benefits) are determined by the company's Articles of Association or by resolution of a General Meeting of Shareholders. The criteria shall be specified in advance and shall relate to the following:
- the tasks of the member,
 - the performance of individual member and of the Supervisory Board as a whole,
 - the size of the company and complexity of its operations,
 - the economic environment of the company,
 - the situation and outlook of the company taking in account its peer companies,
 - the amount of individual member's compensation by group companies.

In determining the appropriate compensation method, the criteria for the Supervisory Board members' compensation set by a comparable professional organisation should also be considered.

- 3.4.2. The compensation of the members of the Supervisory Board shall be comprised of a fixed and variable component. Variable components shall include one-time and annually payable components linked to the business performance of an individual member as well as of the Supervisory Board as a whole. Variable components shall also include any long-term incentives. Variable components shall not be linked predominantly to business performance of the company. The compensation of the members of the Supervisory Board should not include stock options or comparable financial instruments.
- 3.4.3. The total compensation of the members of the Supervisory Board shall be reported in the Notes of the consolidated financial statements. Compensation for each individual member should be reported. The total compensation shall be subdivided according to:
- fixed component,
 - variable component (long-term and short-term incentive components, bonuses and part of performance related components excluding share in profits),
 - share in profits,
 - option components,
 - other company's compensation payments and benefits.
- 3.4.4. Each member of the Supervisory Board is obliged to report to the company any change in his holdings of the company's or group company's shares no later than in 24 hours after the transaction is concluded. The company must publicly disclose this information.

3.5. Conflicts of Interest

- 3.5.1. A member of the Supervisory Board is bound by the company's best interests. A member of the Supervisory Board must subordinate any personal interests or interests of third parties, the Management Board, shareholders, public or the country when reaching decisions in the Management Board.
- 3.5.2. A member of the Supervisory Board may not perform managerial or similar services or advisory services for companys' competitors and may not hold a qualified stake in competitors' capital.
- 3.5.3. A member of the Supervisory Board must safeguard the company's business secrets and may not use business oportunities of the company for their own account.
- 3.5.4. A member of the Supervisory Board has a conflict of interest, especially if:
- he had or still has any important business relationship with the company or group company,
 - he is a member of the wider management team of the company or group company,
 - he is a close relative of a manager or of the management of the company,
 - he is a majority shareholder or a shareholder with a qualified stake in company's shares;
 - he is a person with a business, financial or close family relationship with a majority shareholder or a shareholder with a qualified stake in companys' shares;
 - he is an important supplier of goods and services (including advisory and audit services),
 - he is in any other way connected to the above mentioned groups so that it could affect his decision making.
- 3.5.5. The detailed criteria of conflicts of interest shall be determined by the company' Articles of Associations or by the company's corporate governance code.
- 3.5.6. Each member of the Supervisory Board shall inform the Supervisory Board of any conflicts of interest which may result from his mandate in the Supervisory Board. Each member must also inform the board of any candidature or membership in the Supervisory Board of other companies.
- 3.5.7. In its report, the Supervisory Board shall inform the General Meeting of Shareholders of any conflicts of interest which have occurred together with their treatment. Material conflicts of interest and those which are not merely of a temporary nature in respect of a person of a Supervisory Board member shall result in the termination of his or her mandate.
- 3.5.8. Advisory and other service agreements and contracts between a member of the Supervisory Board and the company require the Supervisory Board's approval.
- 3.5.9. All provisions governing conflicts of interest and independence of members of the Supervisory Board apply to all members, irrespective of the body that appointed them, i.e. to both the shareholders' representatives and the employees' representatives. All members of the Supervisory Board are bound by the company's best interests and shall take on full personal responsibility.

3.6. Formation of special committees of the Supervisory Board

- 3.6.1. The Supervisory Board may form special committees for preparation of proposed resolutions of the Supervisory Board and supervision or examination of upon their performance. The committees of the Supervisory Board serve to increase the efficiency of the Supervisory Board's work and to handle complex issues. The Supervisory Board itself shall perform the individual committee's tasks if this be required because of the size, the complexity and the riskiness of the company's operations.

- 3.6.2. The committees of the Supervisory Board may not take any decision in place of the Supervisory Board, but they may prepare proposals and documents and may act in an advisory capacity to the members of the Supervisory Board.
- 3.6.3. The committee shall consist of at least three (3) members. When forming the committee, the Supervisory Board shall take into account the specifics of the company and the number of its members and their professional knowledge. Each committee shall have at least one (1) inside member, i.e. a member who is both the committee and the Supervisory Board member.
- 3.6.4. The members of the committee shall at their first meeting appoint a chairman of the committee. The chairman of the committee shall not be the actual chairman of the Supervisory Board. The chairman must report regularly to the Supervisory Board on the work of the committee.
- 3.6.5. During a mandate, a member of special committee of the Supervisory Board is bound by the company's best interests. An external member (one who is not already a member of Supervisory Board) must also follow all provisions governing conflicts of interests, provided in Chapter 3.5 of this Code.

3.7. Audit Committee

- 3.7.1. The Supervisory Board may appoint an Audit Committee. Its duties are: supervision of risk control, internal audit and the system of internal control, advising in the process of selection of the independent auditor and in preparation of his contract, and cooperation in determination of audit focal areas. The Audit Committee shall evaluate the annual report and inform the Supervisory Board about its findings.

The Audit Committee reports on its activities to the Supervisory Board.

Members of Audit Committee shall have appropriate professional and personal attributes that ensure the quality and independence of their work, such as:

- Independent from the Management Board;
- ability to judge objectively;
- absolute and complete understanding of the purpose and responsibility of the Audit Committee;
- availability of sufficient time for participation in the committee,
- wide professional skills,
- knowledge of areas of the business operation of the company,
- substantial knowledge of finance, accounting and auditing standards.

At least one member of the committee shall be expert in accounting and finance.

- 3.7.2. The chairman of the Audit Committee shall not be a former member of the Management Board of the company at least five (5) years after expiration of his mandate. Other members of the Audit Committee shall not form the majority of former members of the Management Board at least five (5) years after expiration of their mandate.
- 3.7.3. The Audit Committee shall cooperate with the appointed auditor of the company and with the person who is accountable for internal control, without the presence of the Management Board and shall facilitate ongoing and effective exchange of opinions and information, necessary for their work.

3.8. Personnel committee

- 3.8.1. The Supervisory Board may form a personnel committee (Personnel Committee). Its main activities include:

- assistance to the Supervisory Board and preparation of proposals concerning criteria for membership in the Management Board and candidates for the Management Board,
- support in evaluating the Management Board performance and compensation of the Management Board members,
- formation of the list of new candidates for the Supervisory Board membership, presented at a General Meeting of Shareholders...

3.8.2. Members of the Personnel Committee shall have appropriate professional and personal attributes that ensure the quality and independence of their work, such as:

- independent from the Management Board;
- knowledge of personnel and compensation systems,
- availability of sufficient time for participation in the committee,
- wide professional knowledge, especially of the company law,
- knowledge of all areas of the business operation of the company and of the group.

The Personnel Committee must have at least one expert in corporate law and one expert in management.

3.8.3. The Chairman of the Personnel Committee may not be a former member of the Management Board of the company.

4. COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

4.1. The Management Board and Supervisory Board shall cooperate closely to the benefit of the company and its shareholders. The company's Articles of Association or terms of reference shall determine the division of tasks and areas of responsibility for the Management Board and the Supervisory Board respectively as well as the method for their cooperation.

4.2. For transactions of fundamental importance that may significantly affect the assets, financial or earnings situation of the company or its legal status, the Management Board and the Supervisory Board should strive to reach decisions by consent. .

4.3. The Articles of Association shall define the areas of operation for which the Management Board must obtain the Supervisory Board's consent. These limitations should not put unecessary obstacles to the Management Board's work. If necessary the Supervisory Board may require the Management Board to obtain its consent.

4.4. The Management Board and the Supervisory Board are jointly accountable for providing timely and comprehensive information. The Management Board informs the Supervisory Board regularly, timely and comprehensively, of all issues, important to the company, its operation, strategy, risk situation and risk control. The Management Board must report to the Supervisory Board at least once every three months. The Management Board is obliged to point out deviations of the actual business development from previously formulated plans. The Supervisory Board is entitled and obliged to demand additional explanations about and reports on any unclear issues relating to business operations of the company or its subsidiary companies.

4.5. The chairman of the Management Board shall keep informed the chairman of the Supervisory Board without delay about all important issues and facts, which are essential for assessment of the company's business situation as well as of the possible consequences that may affect the managing of the company. The chairman of the Supervisory Board shall notify the members of the board thereof and convene an extraordinary meeting of the Supervisory Board, if necessary.

- 4.6. The chairman of the Supervisory Board counsels with the chairman of the Management Board about the training of the Supervisory Board members and introduction of new members.
- 4.7. The Supervisory Board shall determine precisely the contents and deadlines for regular and ad-hoc reporting of the Management Board. The Management Board's reports to the Supervisory Board shall be submitted in writing (or additionally in electronic form, if proper protection from unauthorised access is applied). Documents required for decisions shall be submitted to the members in due time before the meeting.
- 4.8. The Management Board must report regularly to the Supervisory Board about all important risk factors and mechanisms for risk control. The Management Board must in particular inform the Supervisory Board of the risks evolving from the company's sphere of activity, geographic position, dependence on raw materials, financial risks, off-balance sheet risks and strategic risks.
- 4.9. During their mandate and afterwards, all members of the Supervisory Board as well as members of the Management Board shall precisely observe confidentiality. The Management Board must ensure that the employees of the company observe the confidentiality obligation accordingly. The Management Board shall adopt rules on confidentiality and methods for protection of such information and sanctions for violation of these rules.

4.10. **Compliance with Corporate governance principles**

The Management Board and Supervisory Board shall comply with the principles of good corporate governance (enshrined in this code) and strive for their observance and compliance in the company.

4.11. **Actions in the event of a takeover offer**

- 4.11.1. When deciding on a takeover offer and during the whole procedure of the takeover, the Management Board as well as the Supervisory Board shall act in company's and shareholders' best interests. The Management Board and the Supervisory Board shall respect the principle of equal treatment of shareholders before, in-between and after the procedure of takeover offer is concluded and publicly announce all material information about the procedures and decisions taken without delay.
- 4.11.2. The Management Board shall adopt an opinion regarding the takeover offer. The Management Board shall disclose its standpoint to both the public and the shareholders. The Management Board shall adopt an express opinion on the takeover price.
- 4.11.3. After the announcement of the takeover offer, the Management Board of the target company may not take any actions outside the ordinary course of business that could prevent success of the offer unless the shareholders decide upon such actions before or after the receipt of the takeover offer. When necessary, the Management Board shall convene an Extraordinary General Meeting of Shareholders in order to decide upon these actions.
- 4.11.4. When the Management Board of the target company is already authorised by the provisions of the Articles of Association or with a valid resolution of the General Meeting of Shareholders for the use of preventative actions in case of a takeover offer, these provisions or resolutions must be properly disclosed and explained to the shareholders.

5. GROUP COMPANIES

- 5.1. The Management Board of the parent company is responsible for strategic management of the entire group . It must supervise operations of all subsidiary companies. The Management Board shall provide for its investments in subsidiary companies and for long-term success of the group.
- 5.2. The Management Board of the parent company must strive for disclosure of information on the company's strategy and corporate governance to the management team of a subsidiary company and for the reasonable consideration of these documents.
- 5.3. The Management Board of the parent company provides for personnel suitability of members of a subsidiary company's bodies through corresponding corporate law mechanisms.
- 5.4. The Supervisory Board of the parent company supervises business operations of the entire group through reports of the Management Board of a subsidiary company. The Supervisory Board of the parent company can at any time require from the parent company's Management Board a report on business operations of an individual subsidiary company, but may not claim the reports directly from the subsidiary company's Management Board or the employees.
- 5.5. Relations in groups must be regulated in a transparent manner. Agreements on control, distribution of profits and other corporate agreements must be concluded and registered according to regulations. The management of subsidiary companies are compelled to prepare a transparent report on subsidiary companies and strictly observe statutory provisions. The report must present the actual state of affairs and present in fact all transactions made under the influence of the parent company as well as their economic impact or potential detrimental consequences.
- 5.6. Members of the Management and Supervisory Boards are jointly and severally liable for damages imposed on the company by their violation of statutory regulations, unless they prove diligence and legality of their actions.

6. AUDITING AND THE SYSTEM OF INTERNAL CONTROL

6.1. External Auditor

- 6.1.1. Auditing must be conducted in line with professional and ethical principles and standards, applied in the Republic of Slovenia.
- 6.1.2. The Supervisory Board must endeavour to propose an independent auditor who is in a position to perform the auditing independently, objectively and in compliance with auditing standards. The candidate for auditing services should not come from an auditing company that already performs advisory services for the company or when these auditing services represent 30% or more of the auditing company's total income.
- 6.1.3. Before the appointment of the auditor at the General Meeting of Shareholder (on proposal of the Supervisory Board), shareholders shall be informed of any other services performed for the company in the past and present, especially in the field of auditing. Shareholders shall as well be informed of any fact or circumstances, which could cause a conflict of interest for the proposed auditor.

- 6.1.4. The appointed auditor shall be present at a General Meeting of Shareholders. If there is no special Audit Committee in the company, the appointed auditor shall be present at the Supervisory Board meetings where decisions about the annual report or the system of internal control and risk management are taken.
- 6.1.5. The company shall not appoint the same auditor for more than 5 (five) successive years.

6.2. Internal auditing and the system of internal control

- 6.2.1. For protection of shareholders' interests and the company's assets, the Management Board shall provide for establishment and operation of a proper and effective system of internal control. The internal auditor shall provide for an assessment of its operation and relevance of its potential weaknesses.
- 6.2.2. The persons, responsible for the area of internal control shall be directly accountable to the Management Board and impartial in their work.
- 6.2.3. The main task of persons, responsible for this area, is to indicate the risks, which could potentially affect or harm business performance and successful accomplishment of business plans. Their work includes checking of procedures for efficient operation of the company as well as discovering and limiting financial and other risks and preventing exercising of unlawful advantages in order to facilitate an optimal economic operation of the company and successful risk management.

7. PUBLIC DISCLOSURE OF INFORMATION

7.1. Public announcements

Financial statements

- 7.1.1. The company shall report on an ongoing basis by public announcement of the unaudited financial statements, abstract of interim and annual report as well as with quarterly reports of business results, preliminary estimates of the financial statements and forecasts or any material deviation of the results from forecasts.
- 7.1.2. Public announcements of financial statements and other information on the business operation of the company shall enable the shareholder to make an assessment with regard to the issuer's legal status, financial standing, business prospects and the rights attaching to the securities.

Annual report and interim report

- 7.1.3. The annual and interim (half-year) reports of the company shall be composed in a clear and transparent manner. They shall express a true and fair disclosure of assets and liabilities of the company, its financial status and future forecasts in line with the law and the rules of the Ljubljana Stock Exchange. The report shall include understandable comments and analysis of the Management Board on operation of the business year. The annual report shall also be published in a world language.
- 7.1.4. The company shall enclose a declaration of compliance with the Code to the annual report, disclosing how the company follows corporate governance principles and disclose and explain any discrepancy from the Code.
- 7.1.5. The annual report and interim report shall be available to the shareholders at the head office of the company, as well as on its web site and on the electronic dissemination system of the Ljubljana Stock Exchange SEOnet free of charge.

Other price sensitive information

- 7.1.6. The company is obliged to publicly disclose in line with the law and without delay any new facts which have arisen within its operation, about the company, its ownership structure and company governance, if such facts could substantially influence the price of the company's registered securities and if confidentiality of these facts cannot be secured.

Financial calendar

- 7.1.7. The company shall publish the calendar of expected essential announcements (for example, of a General Meeting of Shareholders, annual and interim report) for the next year. The calendar of essential announcements shall be available to the public via the company's web sites.

Resolutions of the Supervisory board

- 7.1.8. The company shall as soon as possible publicly announce resolutions of the Supervisory Board, which are classified as price sensitive information in line with provision 7.1.6. of this Code.

Ownership structure, cross-shareholdings and takeover offer

- 7.1.9. The company shall immediately disclose any changes in ownership structure of the company, especially direct or indirect acquirement or disposal of 5% stake of its original capital (qualified stake).
- 7.1.10. The company shall at least once a year disclose information on cross-shareholdings (ownership of at least 5% of qualified stake in another company that owes the first company's shares).
- 7.1.11. In the case of takeover offer, both the company that gives the offer as well as the target company shall publicly announce information related to the takeover offer and its procedure.

Entrance to the organised market and withdrawal from the organised market

- 7.1.12. In the case that a proposal to enter trading on the organised market is made by the Management Board or a shareholder of the company, or in case of a proposal for withdrawal from the organised market is made to the General Meeting of Shareholders, the company shall publicly announce such proposal together with an assessment of possible consequences for existing or potential shareholders and appropriate arguments for it.

Share ownership of members of Supervisory Board and members of Management Board

- 7.1.13. The company shall as soon as possible publicly announce the shareholdings and any change thereof, held by individual Management Board member and Supervisory Board member.

Risk factors

- 7.1.14. The company shall disclose on a regular basis all material risk factors and mechanisms for risk management, unless they are business secrets.

Rumours and articles

- 7.1.15. In case of rumours and articles relating to the company or its operation, which might be misleading for investors, the company shall publicly make a statement and confirm and explain these reports or deny them.
- 7.1.16. The company must without delay and accurately inform the public of all important decisions, relating to changes in the company's operation.

7.2. The manner of reporting

- 7.2.1. The company shall use the media, determined in its Articles of Association, for timely public announcement of all important information in a manner that doesn't cause unequal conditions for investors trading in securities.

- 7.2.2. The company shall strive for wide information dissemination by publishing information at the same time or after their public announcement on its web sites.

The contents of public announcements

- 7.2.3. A public announcement must include all information that enables investors to make an assessment with regard to the company's legal status, financial standing, business prospects and the price or book value of securities.
- 7.2.4. The company shall prevent the publishing of any misleading or non-comprehensive information.

Time of public announcements

- 7.2.5. The company shall endeavour to ensure the public announcement of price sensitive information as soon as possible. Prior to a public announcement the company shall prevent their disclosure to unauthorised persons and observe that their confidential nature is abided by.

Place of public announcements

The company shall invariably determine the media for public announcements in its Articles of Association. The company shall, should the place of publication of its announcements be altered, inform the public beforehand. The media for these publications are:

- a daily newspaper, which is distributed throughout the entire territory of the Republic of Slovenia, or
- electronic format, published on the stock exchange system for electronic information dissemination, unless another special media is required by law.

Confidentiality of information

- 7.2.7. The company shall strongly prevent the creation of possibilities for trading on the basis of inside information. The company shall not deliver to a third person information contained in an announcement prior to its publication, except to the government authorities on the basis of their jurisdiction or persons, who act as the company's advisers or persons, with whom it is negotiating or co-operating in carrying out a business transaction, with explicit requirement to these persons that they shall observe its confidentiality.

Public announcement outside the Republic of Slovenia

- 7.2.8. A company which, due to the listing of its securities on an organised market outside the Republic of Slovenia, is obliged to publish notices of its business activity also outside the Republic of Slovenia, shall ensure that notices with equal contents be published at the same time in the Republic of Slovenia.

7.3. Investor relations strategy

The Management Board is responsible for implementation of the company's communication strategy. In doing so, its strategy shall be comprised of :

- selecting and appointing persons, accountable for investor relations (strongly recommended are person are members of the Management Board, directors of financial sectors or head officers of Investor Relations (IR) departments);
- a clearly defined information-flow system and procedures for appropriate information dissemination, covering all aspects, from the moment of occurrence of important facts or information up to their publication, together with rules for obtaining confidentiality of insider information.
- Definition of contents and procedures for communication with public (for example: ongoing reporting with public announcements, other publications, press conferences, information on the company's official web-sites, dissemination of materials for a General Meeting of Shareholders, ...);
- Determination of groups of stakeholders and strategy for communication and cooperation with individual group of stakeholders (shareholders, creditors, suppliers, customers, media – press, analysts, governmental bodies, local community, employees...).

7.4. Company's official Web-site

- 7.4.1. The company shall provide for clearly structured web site in Slovene as well as in English. The company's website shall contain all essential information about the company and its operations, such as:
- financial calendar;
 - financial data for the current year and previous years;
 - the current annual report and archives of annual reports of previous years of operation,
 - statement of the company's strategy;
 - statement of the company's environmental and social policies,
 - information on convening of a General Meeting of Shareholders,
 - information following each General Meeting of Shareholders, including approved decisions and voting results,
 - other ad-hoc/price sensitive information,
 - introduction of members of the Management and Supervisory Board and background information on each member's professional experience and their mandates in other companies,
 - share ownership structure of the company and possible cross-shareholdings,
 - presentation of company's sphere of activities,
 - news and archives of these news,
 - history of the company,
 - presentation of group companies,
 - corporate governance standards, declaration of compliance with the Code and disclosure and explanation of any discrepancies from the Code.
- 7.4.2. The website shall also offer the consolidated version of the company's Articles of Association.
- 7.4.3. Price sensitive information can only be published on company's web-site at the same time or after it was publicly announced in accordance to the law (in a daily newspaper, which is distributed throughout the entire territory of the Republic of Slovenia, or in electronic format, published on the Ljubljana Stock Exchange system for electronic information dissemination. (SEOnet)).

8. ADOPTION OF THE CODE AND ENTRY INTO FORCE

8.1. Adoption of the Code

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

8.2. Review of the Code

The Code will be reviewed and adjusted annually, in accordance with the Memorandum of Cooperation between the three signatories of the Code.



ZDRUŽENJE ČLANOV
NADZORNIH SVETOV



8.3. Entry into force

The Code will come into force when signed by the three parties involved in the preparation of this Code.

This Code is published in the Official Gazette of the Republic of Slovenia and posted on websites of the three signatories.

Ljubljana, 18 March 2004

Ljubljana Stock Exchange, Inc.

The Association of the Supervisory
Board's Members of Slovenia

The Managers' Association
of Slovenia

Dr Draško Veselinovic

Jakob Piskernik

Tatjana Fink