

## Corporate Governance Statement

Pursuant to point 72 of the Corporate Governance Code for Companies with State Capital Investments, the Management Board and Supervisory Board hereby declare that Telekom Slovenije, d. d., in its work and operations, complies with:

- The Corporate Governance Code for Companies with State Capital Investments of 15 May 2013 which, pursuant to the Act Amending the Slovenian Sovereign Holding Company Act, was issued by Slovenska odškodninska družba, d. d. [hereinafter: SOD] and is accessible at the following website: <http://www.so-druzba.si/en-us>
- the Recommendations of the Manager of Indirect and Direct State Capital Investments of 12 April 2013, accessible on the SOD's website at: <http://www.so-druzba.si/en-us>
- the Corporate Governance Code of 8 December 2009, accessible in Slovene and English on the Ljubljana Stock Exchange's website at <http://www.ljse.si/cgi-bin/jve.cgi?doc=1468>
- the Recommendations to Public Companies Regarding Notification of 1 February 2013, issued by the Ljubljana Stock Exchange and accessible on the latter's website at <http://www.ljse.si/cgi-bin/jve.cgi?doc=1468> and
- the Code of Business Ethics of Telekom Slovenije, d. d. of 27 March 2012 and 5 June 2012, accessible on the Company's website at [www.telekom.si/en](http://www.telekom.si/en)

In line with the Recommendation to Public Companies Regarding Notification of 1 February 2013 [point 6.3.2], this statement relates to the previous financial year, i.e. from 1 January 2013 to 31 December 2013. In the period from the conclusion of the accounting period until the publication of this statement, the Company's Supervisory Board amended the system of controls relating to compliance with the Recommendations of the Manager of Indirect and Direct State Capital Investments [recommendation no. 7] on 29 January 2014.

### Corporate Governance Code for Companies with State Capital Investments

The Management Board and the Supervisory Board explain which recommendations of the aforementioned governance code were not enforced by the Company, together with the associated reasons:

#### Evaluation of the efficiency of the work of supervisory boards [points 80-82]

Due to the expiration of terms of office, changes occurred in the composition of the Supervisory Board in 2013, both in terms of shareholder representatives [new term of office effective 27 April 2013] and employee representatives [new term of office effective 14 November 2013]. For the above stated reason, the efficiency of the work of the Supervisory Board was not evaluated in 2013. Activities relating to the evaluation of the efficiency of the Supervisory Board in its new composition for 2013 began in January 2014.

#### Selection of candidates for members of supervisory bodies and formulation of proposals for a general meeting [point 76]:

One of the key proprietary mechanisms of corporate governance is the right and duty of owners to appoint independent and professionally qualified persons to supervisory bodies, who responsibly and professionally supervise the work of corporate management boards and work with the latter to govern companies. In 2012 the Supervisory Board defined the Criteria and Procedures for Determining the Appropriateness of Candidates for Members of the Supervisory Board. The Supervisory Board's Human Resource Committee comprises two shareholder representatives and one employee representative of the Supervisory Board. The chairman of the Human Resource Committee is a shareholder representative. Given the composition of the aforementioned committee, the Supervisory Board assesses that there is no need for an additional external expert who would be selected by the Supervisory Board at the proposal of SOD and who would assume the role of the chairman of that committee [or the nomination committee]. Given that the Company's majority shareholder is the Slovenian government, whose interests are represented by SOD, the Supervisory Board, as proposer of candidates to serve as members of the aforementioned body, also takes into account the proposal of SOD.

#### Remuneration of members of a management board [point 86]

When setting goals for Management Board members and criteria for variable remuneration in 2013, the Supervisory Board took into account the Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities [Official Gazette of the Republic of Slovenia, Nos. 21/10 and 8/11].

### Recommendations of the Manager of Indirect and Direct State Capital Investments

The Management Board and the Supervisory Board further explain which individual recommendations of SOD were not enforced by the Company, together with the associated reasons:

**Recommendation 5: Three-year business planning by a company/group:**

With its five-year plan, the Company meets the obligation of three-year business planning. When disclosing business plans, the Company will adhere to its obligations, regulations and internal acts relating to confidential or commercially sensitive data and information that are deemed trade secrets and included in these plans, as their disclosure would have a negative impact on the competitive position of the parent company, Group companies and the Group as a whole. These data and information are disclosed only to the Management Board and the Supervisory Board. Therefore, the Company will not be able to meet all the requirements concerning the submission of business plans pursuant to this recommendation.

**Recommendation 6: Quarterly reporting on the performance of a company/group:**

The Company adheres to the Recommendation to Public Companies Regarding Notification and to the provisions of the Financial Instruments Market Act (ZTFI) regarding the publication of annual, half-yearly and quarterly results of the Company and the Telekom Slovenije Group, with which this recommendation does not comply. The Company publishes results by the prescribed deadline in the form of quarterly reports within two months following the end of a period, and an annual report within four months following the end of the previous period. In the future, the Company will continue publishing its results by the aforementioned deadlines on its website and on the Ljubljana Stock Exchange's electronic information system, where it also publishes its financial calendar with projected dates of public announcements and events, which refer to annual, half-yearly and quarterly reports. According to operating instructions, information is provided for the parent company. For other companies and the Group, we will provide the same notifications on the Ljubljana Stock Exchange's electronic information system in accordance with the rules of the Ljubljana Stock Exchange. When reporting on the operations of the Company and Group, we take into account our obligations, regulations and internal acts relating to confidential or commercially sensitive data that are deemed trade secrets. These data and information are disclosed only to the Management Board and the Supervisory Board.

**Recommendation 7: Transparency of transactions involving company expenditure (ordering goods and services, donations and sponsorship):**

The Company's Supervisory Board and the Management Board closely examined all actual and legal circumstances in connection with the implementation of this recommendation. The Supervisory Board assesses that the procedures for the selection and conclusion of transactions, as envisaged by this recommendation, are already provided by the Company's internal acts and are being implemented. The use of funds for the purposes of sponsorship, donation and procurement of goods and services is determined through interim and annual reports on operations. The Supervisory Board has set up a system of controls, which will be implemented on the basis of mandatory quarterly reporting by the Management Board.

The aforementioned report includes an explanation and justification as to why the Company will not publicly disclose data regarding the conclusion of transactions as defined by recommendation no. 7 of SOD.

In accordance with the Company's business interests and in order to protect trade secrets from contractual relations and information, the disclosure of which would be detrimental to the competitive position of the Company or could cause damage to Telekom Slovenije, the Company does not publish on its website data regarding transactions [the recipient in the event of donations and sponsorship] or the selected tenderer [procurement of goods and services], the type of transaction and the value of the concluded transaction, except in cases of major sponsorships and donations, when the recipients of these funds agree in advance to the publication of data on the recipient. Even in this case, data on the value of the transaction is not published.

**Recommendation 11: Achieving quality and excellence in the operations of a company/group:**

In accordance with its approved strategy, in 2013 the Company continued with its planned development from individual quality management systems (in line with the requirements of SIST and ISO standards) towards an integrated management system, and from there to business excellence. The following objectives were achieved: certification of the Company's efficient energy management system was completed (in accordance with EN ISO 50001; integrated with the EN ISO 14001 environmental management system); the first phase of certification of the information security system (in accordance with ISO/IEC 27001) was completed in December; while the business continuity system (ISO 22301) will be completed in the first quarter of 2014. The ISO/IEC 20000 IT service management system and ISO/IEC 27001 information security management system were set up and certified at foreign subsidiaries. The Company will continue integrating systems in 2014 with the aim of establishing a single management system. Preparatory activities were carried out in parallel to achieve the overall strategic objective of training for the assessment of business excellence according to the EFQM model by 31 December 2015. The training of internal assessor and training for the assessment of business excellence according to the EFQM model were also carried out. A test assessment of business excellence is planned for the second half of 2014.

## Corporate Governance Code of 8 December 2009

The Management Board and the Supervisory Board explain which individual recommendations of the aforementioned code were not enforced by the Company, together with the associated reasons:

### Section: Relations with shareholders

**Recommendation 4.2:** The Company employs an open and transparent communication and notification policy. Because policies on governance and communication regarding investments are the right, responsibility and duty of each individual shareholder, the Company encourages investors to take responsibility for management and communication with the public regarding their intentions with respect to their policy of managing investments in public companies. The Company's largest shareholders are the Slovenian government, and institutional and individual investors.

### Section: Supervisory Board

**Recommendation 8.10:** When setting goals for Management Board members and criteria for variable remuneration in 2013, the Supervisory Board took into account the Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities [Official Gazette of the Republic of Slovenia, Nos. 21/10 and 8/11].

### Section: Management Board

**Recommendation 16:** When defining the remuneration system for the Management Board, the Company must adhere to the Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities [Official Gazette of the Republic of Slovenia, Nos. 21/10 and 8/11].

The Company will ensure prompt publication in the event of potential deviations from this statement of compliance with the Corporate Governance Code for Companies with State Capital Investments and the Recommendations of the Manager of Indirect and Direct State Capital Investments.

Some recommendations of the Corporate Governance Code were of no relevance to the Company in the period under review, and therefore were not presented. The obligations binding on the Company or its bodies for certain cases will be fulfilled by the Company if and when such cases occur. Any deviations from the given statement of compliance with the Code will be published promptly by the Company.

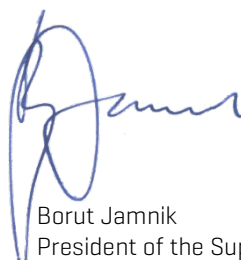
Telekom Slovenije, d. d. will continue to abide by the recommendations of the Corporate Governance Code for Companies with State Capital Investments, the Recommendations of the Manager of Indirect and Direct State Capital Investments and the recommendations of the Corporate Governance Code in the future, and enhance its system of management accordingly.

The content of the corporate governance statement is also part of the 2013 annual report.

The corporate governance statement is available on the Company's website at [www.telekom.si/en](http://www.telekom.si/en)



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