

CORPORATE GOVERNANCE STATEMENT

Telekom Slovenije, d. d. [hereinafter: Telekom Slovenije] hereby issues its corporate governance statement in accordance with the fifth paragraph of Article 70 of the Companies Act, and the recommendations of the Corporate Governance Code and the Corporate Governance Code for Companies with Capital Assets of the State.

The corporate governance statement is an integral part of the audited annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2019. It relates to the period 1 January 2019 to 31 December 2019. The corporate governance statement is accessible in electronic form, for a minimum of five years from the date of its publication, on the Company's website at <https://www.telekom.si/en/about-us/company/corporate-governance> and in the Ljubljana Stock Exchange's electronic information system at <http://seonet.ljse.si>.

CORPORATE GOVERNANCE POLICY

Corporate governance at Telekom Slovenije and within the Telekom Slovenije Group is based on the following principles and guidelines:

- the Corporate Governance Policy of Telekom Slovenije, d. d., which was initially adopted in December 2011 and last updated on 13 February 2020,
- the Corporate Governance Rulebook of the Telekom Slovenije Group, which was adopted on 22 August 2017, and
- the Instructions on the Implementation of the Corporate Governance Rulebook of the Telekom Slovenije Group, which were adopted on 18 February 2020.

The Corporate Governance Policy defines a system for segregating responsibilities and competences between members of management and supervisory bodies, the role of Supervisory Board's committees and the protection of employees' interests. It also defines groups of stakeholders, a strategy for communication and cooperation with those groups, a policy governing links between the Company and its subsidiaries, and a commitment to identify conflicts of interest and to ensure the independence of members of the Supervisory Board and Management Board.

The Supervisory Board and Management Board adopt updates to the Corporate Governance Policy, taking into account current guidelines in the area of corporate governance, as well as binding regulations and best practices.

The Corporate Governance Rulebook of the Telekom Slovenije Group defines the rules, criteria and mechanisms for managing and supervising companies in the Telekom Slovenije Group. The Instructions on the Implementation of the Corporate Governance Rulebook of the Telekom Slovenije Group defines the way in which the corporate governance of subsidiaries is implemented in individual areas.

The Management Board and Supervisory Board function in accordance with the law and other regulations, the Articles of Association of Telekom Slovenije, d. d. [hereinafter: the Articles of Association], and the rules of procedure of the Management Board and Supervisory Board.

The Corporate Governance Policy of Telekom Slovenije, d. d., the rules of procedure of the Management Board and the other documents linked to corporate governance are publicly accessible on the website www.telekom.si, under <https://www.telekom.si/en/about-us/company/corporate-governance>.

STATEMENT OF COMPLIANCE WITH THE CODE

Telekom Slovenije, as a public interest entity whose securities are traded on the regulated securities market, and as a company with capital assets of the State, took into account the corporate governance recommendations set out in the following documents to the greatest extent possible during the 2019 financial year:

- the **Corporate Governance Code** adopted by the Ljubljana Stock Exchange and the Slovenian Directors' Association on 27 October 2016. The code entered into effect on 1 January 2017 and is published on the website www.ljse.si;
- The **Corporate Governance Code for Companies with Capital Assets of the State**, which was adopted by Slovenski državni holding, d. d. in May 2017, and the **Recommendations and Expectations of Slovenski državni holding** from March 2018 (both documents are published on the website www.sdh.si); and
- The **Recommendations to Public Companies Regarding Notification**, which were adopted by the Ljubljana Stock Exchange on 8 May 2017 and 19 August 2019, entered into force on 2 September 2019 and are published on the website www.ljse.si.

In its work and operations, Telekom Slovenije also complies with the guidelines set out in the Code of Ethics of the Telekom Slovenije Group of 1 February 2017 (published on the Company's website at www.telekom.si).

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Telekom Slovenije explains below deviations from individual recommendations set out in the aforementioned code:

President of the Supervisory Board

Recommendation 15.3:

Telekom Slovenije deviated in part from this recommendation in 2019, as the President of its Supervisory Board also chaired the Strategy Committee. Telekom Slovenije has complied in full with this recommendation since a change in the composition of the Supervisory Board on 30 August 2019.

Publication of rules of procedure of bodies

Recommendation 29.9:

Telekom Slovenije deviates in part from this recommendation, as it has just published the rules of procedure of certain bodies on its website.

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR COMPANIES WITH CAPITAL ASSETS OF THE STATE

Telekom Slovenije explains below deviations from individual recommendations set out in the aforementioned code:

Supervisory board

Recommendation 6.12:

The effectiveness of the work of the Supervisory Board was not assessed in 2019. Due to the constitution of a new Supervisory Board in September 2019, the assessment of the effectiveness of that body's work was carried out in February 2020.

Recommendation 6.13.2:

Telekom Slovenije deviates in part from this recommendation. Given the current relevance and complexity of individual matters, the Supervisory Board's Audit Committee met at an average of one session a month, which exceeds the recommended number.

Transparency of operations and reporting

Recommendation 8.3:

Telekom Slovenije deviates in part from this recommendation. The Company does not disclose the employment earnings of employee representatives of the Supervisory Board in its annual report because it does not have their consent. This recommendation was struck from the revised Code, which entered into effect on 1 January 2020. Telekom Slovenije will issue a statement of compliance with the revised Code for the 2020 financial year. Telekom Slovenije and Telekom Slovenije Group companies disclose the earnings of management and supervisory bodies in their annual reports in accordance with the provisions of the Access to Public Information Act.

Telekom Slovenije will issue a statement of compliance with the revised Corporate Governance Code for Companies with Capital Assets of the State, which was adopted by SDH in November 2019 and entered into force on 1 January 2020, for the 2020 financial year.

RECOMMENDATIONS AND EXPECTATIONS OF SLOVENSKI DRŽAVNI HOLDING

Telekom Slovenije complies with recommendations and expectations in practice to the greatest extent possible. Telekom Slovenije's position regarding the recommendations and expectations of Slovenski državni holding is published on the Company's official website <https://www.telekom.si/en/about-us/company/corporate-governance>.

MANAGEMENT AND SUPERVISORY BODIES

The governing bodies of Telekom Slovenije are the General Meeting of Shareholders, Supervisory Board and Management Board. Governance is carried out according to a two-tier system of governance that comprises the Management Board and Supervisory Board.

GENERAL MEETING OF SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Telekom Slovenije ensures the equal treatment and consistent exercising of the rights of all shareholders through its corporate governance system and communication strategy for shareholders and other stakeholders.

The Company convenes the General Meeting of Shareholders at least once a year, when it benefits the Company or whenever required in accordance with the law and Articles of Association. The date that the convening of the General Meeting of Shareholders is published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services is deemed the official date of that convocation and the date from which the deadlines set out in the ZGD-1 apply. Shareholders exercise their rights at the General Meeting of Shareholders in person or through authorised representatives. The convening, competences and functioning of the General Meeting of Shareholders are set out in the ZGD-1, the Company's Articles of Association and the rules of procedure of the General Meeting of Shareholders.

Shareholders have the right to participate in the management of the Company, the right to dividends and the right to an appropriate share of residual assets after the Company's liquidation or bankruptcy. Shareholders exercise their right to information at the General Meeting of Shareholders in accordance with paragraph 1 of Article 305 of ZGD-1. Detailed information regarding shareholders' rights set out in paragraph 1 of Article 298, paragraph 1 of Article 300, Article 301 and Article 305 of ZGD-1 are available on the Company's website at [<https://www.telekom.si/en/investor-relations/shareholders-meeting>].

Shareholders who are entered in the central register of securities at KDD [Central Securities Clearing Corporation] at the close of business four days prior to the General Meeting of Shareholders [cut-off day] are entitled to participate and vote at the General Meeting of Shareholders, if they have registered in writing at least three days prior to the General Meeting of Shareholders.

Telekom Slovenije's shareholders met at the 30th General Meeting of Shareholders held on 30 August 2019, when 80.1% of shares with voting rights were represented. At the General Meeting of Shareholders, the Company's shareholders:

- were briefed on the written report of the Supervisory Board on the approval of the annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d. for 2018, and on the remuneration of the Management Board and Supervisory Board in 2018;
- approved the proposed use of distributable profit for the 2018 financial year;
- conferred official approval on the Management Board and Supervisory Board for the 2018 financial year; and
- were briefed on changes to the Supervisory Board and elected two new members to that body.

No challenges were announced.

The resolutions of the General Meeting of Shareholders and documentation from previous meetings are published on the Company's website. According to the Company's [financial calendar](#), the 31st General Meeting of Shareholders for 2019 is planned for 5 June 2020.

MANAGEMENT BOARD

COMPOSITION OF THE MANAGEMENT BOARD

Telekom Slovenije's Management Board comprises five members who are appointed for a four-year term of office. They are appointed by the Company's Supervisory Board, taking into account the relevance of their expertise and managerial competences. Pursuant to the Company's Articles of Association, any person who, in addition to meeting the relevant legal requirements, has a university-level qualification, at least five years of work experience in management positions and active knowledge of at least one foreign (global) language, and who fulfils other conditions defined by the Supervisory Board may be appointed as a member of the Management Board. These conditions do not apply to the Worker's Director as member of the Management Board. Those conditions and criteria are defined jointly by the Supervisory Board and Works Council.

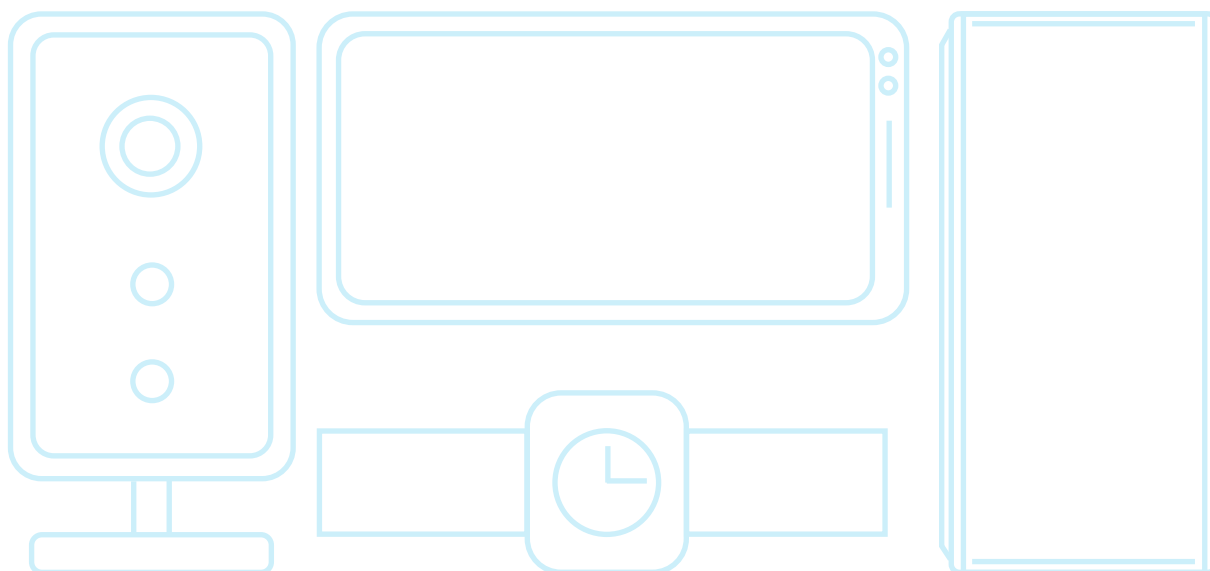
On 8 January 2019, Telekom Slovenije's Supervisory Board appointed Dr Vida Žurga to serve as member of the Management Board. Dr Žurga's four-year term of office began on 1 February 2019.

On 16 April 2019, Telekom Slovenije's Supervisory Board was briefed on the decision of the President of the Management Board, Rudolf Skobe, MSc regarding the early termination of his term of office. An agreement to that effect was reached with him on the same day. The Company was headed by the Vice-President of the Management Board, Tomaž Seljak, MSc until the appointment of a new president.

On 27 August 2019 Matjaž Merkan, MSc was appointed to serve as President of the Company's Management Board, effective 16 September 2019. Mr Merkan resigned from his position as President of the Management Board for personal reasons on 14 November 2019. The Company was headed by the Vice-President of the Management Board, Tomaž Seljak, MSc, with full authorisations, until the appointment of a new president.

On 10 December 2019 the Supervisory Board appointed then Vice-President of the Management Board, Tomaž Seljak, MSc, to serve as President of that body. At the same meeting, the Supervisory Board appointed Matjaž Beričič, MSc to serve as member of the Management Board. The four-year terms of office of both men began on 10 December 2019.

On 31 July 2019 the Supervisory Board was briefed on the resignation of member of the Management Board and Workers' Director Dean Žigon. Mr Žigon's term of office expired on the day a new member of the Management Board and Workers' Director was appointed. On 13 September 2019 the Supervisory Board appointed Špela Fortin to serve as member of the Management Board and Workers Director based on the proposal of Telekom Slovenije's Works Council. Ms Fortin's four-year term of office began on 14 September 2019.



The composition of the Management Board was as follows in the period 2019 to 2020 (until the date of publication of the annual report):

Name	Office	Area of work on the Management Board	First appointment to function	Completion of function / term of office	Gender	Nationality	Year of birth	Education / professional profile	Membership in supervisory bodies of unaffiliated companies
Tomaž Seljak, MSc	Vice-President	ICT and Network Services, Access Networks, and the subsidiaries GVO, SIOL Zagreb, SIOL Podgorica, SIOL Sarajevo, SIOL Skopje, SIOL DOO Belgrade and SIOL Prishtina.	1 May 2014	9 December 2019	Male	Slovenian	1972	Holds a master's degree and bachelor's degree in electrical engineering.	
	President	Office of the Management Board, Human Resource Management and General Affairs, Internal Audit, Public Relations, Legal Affairs and Regulation, Security and the subsidiaries IPKO and TSinpo.	10 December 2019	10 December 2023					
Dr Vida Žurga	Member	Finance and Accounting, Controlling and Strategy, Wholesale, Procurement, Logistics and Real Estate, and the subsidiaries TSmedia and Planet TV.	1 February 2019	1 February 2023	Female	Slovenian	1984	Holds a doctorate degree in science and a bachelor's degree in economics, and is an experienced internal auditor.	
	Vice-President of the Management Board		22 January 2020	1 February 2023					
Matjaž Beričič, MSc	Member	ICT and Network Services, Access Networks, and the subsidiaries GVO, SIOL Zagreb, SIOL Podgorica, SIOL Sarajevo, SIOL Skopje, SIOL DOO Belgrade and SIOL Prishtina.	10 December 2019	10 December 2023	Male	Slovenian	1974	Holds a master's degree and bachelor's degree in electrical engineering.	
Špela Fortin	Member of the Management Board – Workers Director	Responsibilities derive directly from the law.	14 September 2019	14 September 2023	Female	Slovenian	1978	Business college student.	
Ranko Jelača	Member	B2C, B2B, Central Marketing, and the subsidiaries Avtenta and Soline.	15 March 2016	15 March 2020	Male	Slovenian/ Croatian	1977	Holds a bachelor's degree in economics.	Member of the Supervisory Board of IEDC – Bled Business School and member of the strategic council of ABCITI.
Rudolf Skobe, MSc	President	Office of the Management Board, Human Resource Management, Internal Audit, Public Relations, Legal Affairs, Security and the subsidiaries IPKO and TSinpo.	1 September 2012	16 April 2019	Male	Slovenian	1973	Holds a master's degree in management and organisation, and a bachelor's degree in electrical engineering.	
Matjaž Merkan, MSc	President	Office of the Management Board, Human Resource Management, Internal Audit, Public Relations, Legal Affairs, Security and the subsidiaries IPKO and TSinpo.	16 September 2019	14 November 2019	Male	Slovenian	1969	Holds master's and bachelor's degrees in engineering physics.	
Dean Žigon	Member and Workers' Director	Responsibilities derive directly from the law.	24 April 2018	13 September 2019	Male	Slovenian	1971	General secondary education in the field of retail management.	

WORK OF THE MANAGEMENT BOARD

The Management Board manages transactions and represents the Company independently, and is liable for its own actions in that regard. It makes decisions that are in line with the Company's strategic objectives and in the interest of shareholders and other stakeholders, taking into account the principles of sustainable development and the interests of other stakeholders.

The Management Board met at 61 regular and 14 correspondence sessions in 2019. It drew up the Strategic Business Plan of the Telekom Slovenije Group for the period 2020 to 2023, and carried out activities to achieve the objectives set out in the current strategic plan.

In accordance with the Telekom Slovenije Group's strategy for the period 2019 to 2023, which envisages the possibility of further consolidation through expansion or divestment on the markets where the Group operates, the Management Board adopted a decision to begin activities to sell the Company's 100% participating interest in IPKO Telecommunications LLC in Kosovo. The Management Board adopted a decision to establish SIOL Prishtina L.L.C. for the comprehensive management of the regional fibre optic network.

The Management Board also adopted numerous business decisions and carried out activities that included the following:

- ensuring development and the achievement of established objectives;
- the introduction of new and upgraded services, and the development of services for foreign markets;
- the expansion of activities and the portfolio to new areas, in particular cyber security, smart cities and financial services;
- improvement of the user experience;
- the upgrading of the comprehensive portfolio of ICT services;
- the expansion and upgrading of networks and technologies;
- the optimisation and rejuvenation of the staffing structure; and
- the optimisation of business processes.

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration, composition and amount of earnings of the Management Board are set out in members' employment contracts, taking

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 [ZPPOGD].

The Supervisory Board sets objectives for the Management Board for every financial year, based on the approved annual business plan and certain key indicators. The Management Board's objectives comprise quantitative and qualitative objectives, as well as financial and non-financial objectives that are defined for the purpose of monitoring the performance of Management Board members.

The conditions for profit sharing by the Management Board are governed by the Articles of Association. The earnings of the Management Board in 2019 are presented in the Financial Report in point [44. Related party transactions](#).

SUPERVISORY BOARD

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board comprises a total of nine members, six of whom are shareholder representatives and three of whom are employee representatives.

At the General Meeting of Shareholders held on 30 August 2019, shareholders were briefed on the resignation of Ljubomir Rajšič and Lidija Glavina as members of the Supervisory Board and shareholder representatives. Ljubomir Rajšič's term of office came to an end on 18 June 2019, and the term of office of Lidija Glavina on the date of the general meeting, i.e. on 30 August 2019. The general meeting appointed Barbara Cerovšek Zupančič, MSc and Igor Rozman to serve as members and shareholder representatives on the Supervisory Board with a four-year term of office, beginning on 30 August 2019.

The composition of the Supervisory Board is diverse in terms of knowledge, skills, experience, professional qualifications, age, gender, work methods and other aspects.

At the session held on 13 September 2019, Telekom Slovenije's Supervisory Board appointed Barbara Kürner Čad to serve as President of the Supervisory Board and Barbara Gorjup, MSc to serve as Vice-President and shareholder representative of the same body. Drago Kijevčanin was also appointed Vice-President and employee representative.

The Supervisory Board comprised the following members in 2019:

Name	Office	First appointment to function	Completion of function / term of office	Gender	Nationality	Year of birth	Education / professional profile	Independence in accordance with Article 23 of the Code	Existence of conflicts of interest during the financial year	Membership in supervisory bodies of other companies	Employment
Shareholder representatives											
Barbara Kurner Čad	President	27 April 2017	27 April 2021	Female	Slovenian	1964	Holds a bachelor's degree in law.	YES	NO		Attorney at the Čad Law Firm
Barbara Gorjup, MSc	Vice-President	27 April 2017	27 April 2021	Female	Slovenian	1973	Holds a master's degree in international economics.	YES	NO	HSE, d. o. o.	Managing Director of Baklus, d. o. o.
Bernarda Babič, MSc	Member	27 April 2013	27 April 2021	Female	Slovenian	1966	Holds a master's degree in business policy and organisation, with a major in banking.	YES	NO	Terme Olimia, d. d.	Assistant to the Managing Director of Slovenske železnice, d. o. o.
Dimitrij Marjanovič	Member	13 May 2016	13 May 2020	Male	Slovenian	1970	Holds a bachelor's degree in economics.	YES	NO	Iskra ESV, d. d.	Senior manager in the Financial Management Department at Slovenski državni holding, d. d.,
Barbara Cerovšek Zupančič, MSc	Member	30 August 2019	30 August 2023	Female	Slovenian	1975	Holds a master's degree in national and European studies, and a degree in administrative organisation.	YES	NO		Member of the Management Board of Deželna banka Slovenije, d. d.
Igor Rozman	Member	30 August 2019	30 August 2023	Male	Slovenian	1959	Holds a bachelor's degree in computer engineering.	YES	NO		Expert in the areas of television production, programme production systems and information systems at RTV Slovenija.
Lidija Glavina	President	27 April 2017	30 August 2019	Female	Slovenian/ Italian	1969	Dottore Magistrale, Italy (comparable with second-cycle higher education in the Republic of Slovenia)	YES	NO		President of the Management Board of Slovenski državni holding, d. d., where she was employed until 14 July 2019.
Ljubomir Rajšič	Member	27 April 2017	18 June 2019	Male	Serbian	1949	Holds a bachelor's degree in electrical engineering.	YES	NO	NO	Retired
Employee representatives											
Drago Kijevčanin	Vice-President	19 September 2018	14 November 2021	Male	Slovenian	1964	Telecommunications engineer	YES	NO	NO	Telekom Slovenije, ICT and Network Services, President of the SELEKS trade union, member of the Works' Council.
Dušan Pišek	Member	19 September 2018	14 November 2021	Male	Slovenian	1964	Telecommunications engineer	YES	NO	NO	Telekom Slovenije, ICT and Network Services, Head of the ICT Services Team, President of the Works' Council.
Jana Žizek Kuhar	Member	19 September 2018	14 November 2021	Female	Slovenian	1974	Holds a degree in economics.	YES	NO	NO	Telekom Slovenije, Procurement, Logistics and Real Estate, member of the Works Council.

WORK OF THE SUPERVISORY BOARD

The Supervisory Board met at fourteen sessions in 2019. Five sessions were held as correspondence sessions.

It ensured the responsible and high-quality supervision of the operations of the Company and the Telekom Slovenije Group in 2019. The Supervisory Board discussed different aspects of operations and monitored the implementation of plans. Specific topics were discussed in advance by the Supervisory Board's committees. Based on the findings, proposals and assessments of committees, the Supervisory Board adopted the appropriate decisions.

The Supervisory Board performed its work in accordance with the powers and competences prescribed by the law, the Company's Articles of Association and its own rules of procedure. Members are fully liable for the performance of their supervisory function and make their decisions independently. All members of the Supervisory Board submitted statements of compliance with the criteria of independence in accordance with the Corporate Governance Code (the statements are published on the Company's website at: <https://www.telekom.si/Documents/izjave-za-leto-2019.pdf>).

COMPOSITION AND FUNCTIONING OF SUPERVISORY BOARD COMMITTEES

The Supervisory Board had four permanent committees during the year: the Audit Committee, Technical Committee, HR Committee and Strategy Committee. The aforementioned committees

discussed individual areas of expertise in accordance with their respective competences and tasks. The composition and most important tasks of individual committees in 2019 are described below:

Following a change in the members of the Supervisory Board, that body reconstituted its committees at its session of 13 September 2019, except the Technical Committee, which it appointed on 6 November 2019.

The **Audit Committee** assists the Supervisory Board in its supervision of financial reporting, internal controls and risk management, and in cooperation with external and internal auditors. The Audit Committee's key tasks with respect to corporate governance are to function for the good of the Company and to protect the interests of its stakeholders.

The Audit Committee's members were as follows as at 31 December 2019:

- Dimitrij Marjanović (chair),
- Barbara Gorjup, MSc (deputy chair),
- Barbara Cerovšek Zupančič, MSc,
- Drago Kijevčanin, and
- Barbara Nose (external member).
- Bernarda Babič, MSc served as chair of the Audit Committee until 12 September 2019.

Information regarding the members of the Audit Committee who are also members of the Supervisory Board is presented in the table detailing the members of the Supervisory Board on page 7, while information regarding external members is presented in tables detailing the members of committees.

Name	Nationality	Education	Year of birth	Professional profile	Membership in supervisory bodies of other companies
Barbara Nose	Slovenian	Holds a bachelor's degree in economics and specialises in the auditing of accounting	1964	Auditing and accounting	Member of the Supervisory Board of Luka Koper, d. d.

The Audit Committee met in ten ordinary sessions and held one correspondence session in 2019. As a rule, all members were present at session. Members of the Supervisory Board who are not members of the Audit Committee were kept abreast about the latter's work by viewing the minutes of the committee's sessions. The chair of the Audit Committee also regularly reported on the committee's work and findings at sessions of the Supervisory Board. The Audit Committee addressed issues in accordance with the ZGD-1, recommendations for the work of audit committees, the Audit Committee's rules of procedure, its work plan adopted for 2019 and the resolutions of Telekom Slovenije's Supervisory Board.

Key tasks performed by the **Audit Committee** in 2019 were as follows:

- it monitored and discussed financial reporting procedures, and monitored the progress of the external audit of the annual financial statements of the Telekom Slovenije Group and Telekom Slovenije;
- it discussed the annual report of the Telekom Slovenije Group and Telekom Slovenije for 2018;
- it discussed the Internal Audit Service's reports regarding specific audits and the implementation of issued recommendations;
- it discussed the annual report on the work of the Internal Audit Service for 2018 and the service's work plan for 2019, and discussed its independence in the absence of the Management Board;
- it periodically monitored the risk management system, the functioning of internal controls, compliance, reports on lawsuits and supervision proceedings, and reports on notifications;
- in accordance with the Guidelines for Ensuring the Independence of the Auditor of the Financial Statements of the Telekom Slovenije Group, which define the methods and procedures for monitoring the independence and impartiality of the auditor of financial statements, as well as protective measures, the selection of the auditor and procedures for non-audit services;
- it monitored and discussed all transactions with audit firms and assessed the independence of the certified auditor of the financial statements of the Telekom Slovenije Group and Telekom Slovenije; and
- it assessed the quality of the work of the certified auditor of the financial statements for 2018 and coordinated the content of the agreement with the auditor for 2019 [the Audit Committee selected the auditor in 2017 by collecting bids based on a prior call; selection criteria were defined in advance, with the quality of the audit team being the key criterion; the committee proposed a three-year appointment].

The Director of the Internal Audit Service was invited to all sessions of the Audit Committee. The Audit Committee also invited the certified auditor of the financial statements to sessions at which quarterly reports on the operations of the Company and the Telekom Slovenije Group were discussed.

With the aim of continuously improving the quality of its work, the Audit Committee performed a self-assessment in 2019 and adopted an action plan of improvements that represents the basis for its work in 2020. Members of the Audit Committee also attended several training events organised by Slovenski državni holding and the Slovenian Directors' Association.

The **Technical Committee** met at one session in 2019. It discussed the work plan of the Technical Committee for 2020 and the Supervisory Board's occupational safety policy.

The Technical Committee's members were as follows as at 31 December 2019:

- Bernarda Babič, MSc [chair],
- Barbara Gorjup, MSc,
- Igor Rozman, and
- Drago Kijevčanin.

Ljubomir Rajšič served as chair of the Technical Committee until his resignation from the Supervisory Board. The Technical Committee was then reconstituted in November 2019. On 16 April 2019 the Supervisory Board recalled Slavko Ovčina from his position as permanent external member of the Technical Committee. An external member will be included in the Technical Committee as required.

Information regarding the members of the Technical Committee who are also members of the Supervisory Board is presented in the table detailing the members of the Supervisory Board on page 7.

The **HR Committee** met at thirteen sessions in 2019. Significant activities of the HR Committee included:

- implementation of the process of appointing Management Board members;
- the discussion of the proposal of the Works Council on the appointment of a Workers' Director;
- the discussion of proposals of the Management Board on the appointment of managing directors at Telekom Slovenije Group subsidiaries; and
- the discussion of the objectives of Management Board members for 2019, and the methodology for calculating the performance factor and criteria in connection with the right of Management Board members to the variable component of wages for 2018.

The HR Committee's members were as follows as at 31 December 2019:

- Igor Rozman [chair],
- Barbara Kürner Čad,
- Dimitrij Marjanović, and
- Dušan Pišek.

The HR Committee was chaired by Barbara Kürner Čad until 12 September 2019, after which time the Supervisory Board reconstituted the HR Committee and appointed its members and chair.

The **Strategy Committee** met at three sessions in 2019. Special attention was given to discussing new revenue sources and the points of departure for the drafting of the Telekom Slovenije Group's Strategic Business Plan for the period 2020 to 2023.

The Strategy Committee's members were as follows as at 31 December 2019:

- Barbara Cerovšek Zupančič, MSc [chair],
- Bernarda Babič, MSc,
- Igor Rozman, and
- Jana Žižek Kuhar.

Information regarding the members of the Strategy Committee is presented in the table detailing the members of the Supervisory Board on page 7.

Lidija Glavina served as the Strategy Committee's chair until her resignation from her position as member and President of the Supervisory Board. The Supervisory Board reappointed the members and chair of the Strategy Committee on 13 September 2019.

REMUNERATION OF SUPERVISORY BOARD MEMBERS

Supervisory Board members are entitled to attendance fees, basic payment for performing their functions and additional payments for participation in Supervisory Board committees. The remuneration of members of the Supervisory Board is defined by a resolution of the General Meeting of Shareholders. Also defined are the maximum annual amounts of and eligibility criteria for the reimbursement of transportation expenses, daily allowances and costs of overnight stays. The amounts of payments made to members of the Supervisory Board are disclosed in the financial report.

At the beginning of 2017 [or when they assumed their function], every member of the Supervisory Board submitted a statement of compliance with the

criteria of independence according to point C.3 of the appendix to the Corporate Governance Code. Those statements are accessible at the website <https://www.telekom.si/Documents/izjave-za-leto-2019.pdf>.

DIVERSITY POLICY

On 6 December 2017 the Management Board and Supervisory Board adopted the Policy Governing the Diversity of the Management Board and Supervisory Board of Telekom Slovenije. The objective of the Policy is to ensure the increased effectiveness of the Management Board and Supervisory Board as whole bodies, which will contribute to the development of the Company's operations and its business reputation. Through this policy, the Management Board and Supervisory Board encourage the diversity of the members of both bodies. The Management Board and Supervisory Board can use the diversity of members in terms of knowledge, skills, experience, professional qualifications, age, gender, work methods and other aspects to the good of the Company. The Policy Governing the Diversity of the Management Board and Supervisory Board of Telekom Slovenije is published at <https://www.telekom.si/en/about-us/company/corporate-governance>.

OTHER EXPLANATIONS IN ACCORDANCE WITH THE COMPANIES ACT

Pursuant to the fifth paragraph of Article 70 of the Companies Act [hereinafter: the ZGD-1], Telekom Slovenije hereby issues the following explanations:

MAIN FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

Risk management and the system of internal controls represent integral elements of corporate governance. The use of risk management methodologies and a system of internal controls represents the basis for assessing risks, responding in a timely manner and reducing exposure to risks.

In connection with the financial reporting process, the system of internal controls ensures the appropriate management of risks, and reliable, timely and transparent external and internal financial reporting that is in accordance with the law, the International Financial Reporting Standards and regulations, and the guidelines and policies adopted by the Management Board. Information support is provided for the accounting process. Internal controls are therefore linked to controls that are built into the IT infrastructure, which comprises controls over restrictions on access to data and applications, and controls over the accuracy and completeness of data capture and processing.

Internal accounting controls are an integral part of the Company's system of internal controls. Internal controls comprise a description and the objectives of controls, and are regularly adapted to legislation, standards, processes, organisational changes, findings from self-assessments of internal controls, recommendations of internal and external audits, and best practices. Those who implement internal controls are responsible for the consistent implementation and documentation of the functioning of internal controls, and for putting forth proposals for improvements. The self-assessment of internal controls is based on confirmation of the establishment and functioning of internal controls. Implementation is systematic, planned and structured, and is appropriately documented. Internal controls that have already been inventoried are included in the self-assessment process. Assessments of internal controls by sector serve as the basis for drafting a report on the self-assessment of internal controls at the parent company and subsidiaries.

DATA AND EXPLANATIONS RELATED TO THE MERGERS AND ACQUISITIONS ACT

- **Structure of Telekom Slovenije's share capital**
There were no changes to the structure of share capital in 2019. The value of Telekom Slovenije's share capital is EUR 272,720,664.33 and is divided into 6,535,478 ordinary registered no-par-value shares. All shares constitute one class and are issued in dematerialised form. Each share represents the same stake and corresponding amount in share capital, while all shares have been paid up in full. Each share gives its holder the right

to one vote at the General Meeting of Shareholders, a proportionate share of profits (payment of dividends) and a proportionate share of residual assets after the liquidation or bankruptcy of the Company. Shares are listed on the prime securities market of the Ljubljana Stock Exchange. Detailed information regarding shares and the ownership structure is presented in section [1.11 Share trading and ownership structure](#).

- **Restrictions on the transfer of shares**
All shares are freely transferable.
- **Qualifying holdings according to the Takeovers Act**
There were two holders of a qualifying holding as set out in the Takeovers Act as at 31 December 2019: the Republic of Slovenia with 4,087,569 shares or 62.54% of the issuer's share capital and Kapitalska družba, d. d. with 365,175 shares or 5.59% of the issuer's share capital.
- **Holders of securities that provide special controlling rights**
Telekom Slovenije has not issued securities that would provide special controlling rights.
- **Share scheme for shareholders**
Telekom Slovenije does not have a share scheme for shareholders.
- **Agreements between shareholders that might place limits on the transfer of securities or voting rights**
Telekom Slovenije is not aware of any such agreements.
- **Rules on the Appointment and Replacement of Members of Management and Supervisory Bodies**
The Supervisory Board appoints members of the Management Board in accordance with its legal powers and statutory provisions. To that end, it prudently and responsibly assesses the fulfilment of the required qualifications. In accordance with the above, the Supervisory Board also defined the candidate selection process, additional conditions that candidates must meet and procedures for determining the appropriateness of candidates in the Criteria and Procedures for Determining the Appropriateness of Candidates for Members of the Management Board.

The Supervisory Board formulated criteria and professional profiles for members of the Company's Supervisory Board (competence profile) in June 2016, taking into account the specific nature of the Company. Those criteria ceased to apply with the adoption of the Competence Profile for Members of the Supervisory Board of Telekom Slovenije, d. d. of 12 February 2020. That profile is publicly accessible on Telekom Slovenije's website.

- **Rules on amendments to the Articles of Association**

Telekom Slovenije does not have any special rules governing changes to its Articles of Association. Changes to the Company's Articles of Association are made in accordance with the law and the Articles of Association themselves.

- **Special agreements that come into effect, are amended or terminated on the basis of a change in control at the Company as the result of a bid as defined by the act governing mergers and acquisitions**

Telekom Slovenije is not aware of any such agreements.

- **Agreements concluded between the Company and the members of its management or supervisory body or employees that envisage compensation if they resign or are laid off without justification in the event of a bid as set out in the act governing mergers and acquisitions or if their employment is terminated**

Telekom Slovenije has no such agreements in accordance with the Takeovers Act.

Telekom Slovenije constantly strives to improve corporate governance practices in its operations, including proactive corporate communication with various stakeholders. The Company communicates in the manner set out in Telekom Slovenije, d. d.'s Corporate Governance Policy and the Communications Strategy of Telekom Slovenije, d. d.

With the listing of its shares on the prime market of the Ljubljana Stock Exchange, Telekom Slovenije undertook to comply with the relevant reporting standards. Telekom Slovenije once again provided investors with high-quality, timely, relevant and reliable information in 2019.

Telekom Slovenije systematically implements activities in the area of corporate governance with the aim of ensuring the compliance of its operations with the law, regulations and internal acts. Telekom Slovenije implements compliance-related activities primarily in the following areas:

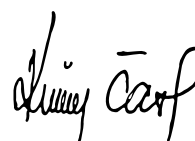
- the prevention of corruption and conflicts of interest,
- competition law,
- data protection, and
- the prevention of money laundering.

The compliance management system includes the establishment of bodies for the implementation of the compliance assurance function, the adoption, implementation and maintenance of documents related to compliance and integrity, and the definition of activities to implement the compliance assurance function.

Telekom Slovenije will continue to strive in the future to comply with and introduce the highest standards and best practices in the area of corporate governance, both at the parent company and at other Telekom Slovenije Group companies.



Tomaž Seljak, MSc
President of the Management Board



Barbara Kürner Čad,
President of the Supervisory Board