

**Gordana VRAN**

**Goričane 8/d**

**1215 Medvode**

**Nova Ljubljanska banka d.d., Ljubljana**

**Trg republike**

**1520 Ljubljana**

**SHAREHOLDER'S COUNTERPROPOSAL TO ITEMS 5 AND 8 OF THE AGENDA OF THE 35th  
GENERAL MEETING OF SHAREHOLDERS OF NLB d.d.**

Based on the provisions of Article 300 of the Companies Act (Official Gazette of the RS, no. 42/2006, as amended; hereinafter ZGD-1), the shareholder Gordana Vran, Goričane 8/d, Medvode, EMŠO 2812966335094 (hereinafter: the Shareholder),

**hereby makes**

**a counterproposal to the proposal under Items 5 and 8 of the agenda on the 35th  
General Meeting of Shareholders of NLB d.d., Trg republike 2, 1520 Ljubljana,  
convened on 15/06/2020 at 11.00 a.m. at Cankarjev dom, kulturni in kongresni center,  
Prešernova cesta 10, Ljubljana.**

The Shareholder informs the Management Board of NLB d.d. that she does not agree with the resolutions proposed under Item 5: "Amendments to the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana" and Item 8: "Determination of the payment to the members of the Supervisory Board of NLB d.d. who are workers' representatives" in the convocation of the 35th General Meeting of Shareholders of NLB d.d., Trg republike 2, 1520 Ljubljana, convened on 15/06/2020 at 11.00 a.m. at the address Cankarjev dom, kulturni in kongresni center, Prešernova cesta 10, Ljubljana.

The Shareholder object to the resolutions proposed under Items 5 and 8 and proposes that, instead of the proposed resolutions, the General Meeting of Shareholders adopt the counterproposals made by the Shareholders in accordance with Article 300 of the ZGD-1.

**1. Counterproposal to Item 5 of the Agenda: "Amendments to the Articles of Association of  
Nova Ljubljanska banka d.d., Ljubljana", which reads:**

*The General Meeting of Shareholders of NLB d.d. hereby adopts the following amendments to the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana.*

Article 19

*The seventh indent of the first paragraph of Article 19 shall be amended to read:*

*“on the appointment and recall of the members of the Supervisory Board **who represent the shareholders’ interests,**”*

#### Article 20

*The first paragraph of Article 20 shall be amended to read:*

*“The supervisory Board of the Bank shall have **9 (nine) members in total, of whom 6 (six) members who represent the shareholders’ interests and 3 (three) members who represent the workers’ interests. The members of the Supervisory Board of the Bank who represent the shareholders’ interests** shall be elected and recalled by the General Meeting of the Bank from among the persons proposed by the shareholders or the Supervisory Board of the Bank. **The members of the Supervisory Board of the Bank who represent the workers’ interests shall be elected and recalled by the Workers’ Council of the Bank.**”*

*In the second paragraph of Article 20, the word “or” at the end of the first indent shall be replaced by the word “in”.*

*A new third paragraph of Article 20 shall be added, reading as follows:*

***“Despite the existence of an employment relationship with the Bank, the persons who represent the workers’ interests in the Supervisory Board of the Bank shall be considered to be independent persons for the purpose of this Article, provided that other conditions are met.”***

*The previous third, fourth, fifth, sixth and seventh paragraphs of Article 20 shall now become the fourth, fifth, sixth, seventh and eight paragraphs, respectively.*

#### Article 22

*The first paragraph of Article 22 shall be amended to read:*

*“At its first meeting after appointment, the Supervisory Board of the Bank shall elect from among its members a Chair and at least one Deputy Chair of the Supervisory Board of the Bank. **A member of the Supervisory Board of the Bank who represents the workers’ interests may not be elected Chair of the Supervisory Board of the Bank.** A simple majority of votes of all members of the Supervisory Board of the Bank shall be required for appointment. If none of the persons nominated obtains a sufficient number of votes at first ballot, voting shall be repeated between the two persons who received the largest number of votes at first ballot. The person who receives the largest number of votes in the repeated ballot shall be elected to the proposed office.”*

#### Article 25

*Article 25 shall be amended to read:*

*“The Supervisory Board of the Bank shall appoint its committees in accordance with the law governing banking and the law governing companies, which shall prepare draft Supervisory Board resolutions, follow-up their implementation and perform other expert tasks. **The workers’ representative shall be appointed to the committees of the Supervisory Board by the Workers’ Council of the Bank.**”*

#### Article 27

*The first and the second paragraphs of Article 27 shall be amended to read:*

*“The Management Board of the Bank shall have **3 (three) to 5 (five) members,** of whom one shall be appointed President of the Management Board of the Bank, **and one member may be a worker director.** The President of the Management Board may appoint one of the members of the Management Board as his/her Deputy subject to a prior approval by the Supervisory Board of the Bank. The number of Management Board members is determined by a resolution of the Bank’s Supervisory Board.*

*The President and other members of the Management Board of the Bank shall be appointed and*

*recalled by the Supervisory Board of the Bank; the President of the Management Board of the Bank may propose to the Chair of the Supervisory Board of the Bank to appoint or recall an individual member or the remaining members of the Management Board of the Bank; **appointment or recall of the worker director shall be proposed to the Supervisory Board of the Bank by the Workers' Council of the Bank.***

## **GROUND:**

The amendments to the Articles of Association of NLB d.d. proposed by the Management Board and supervisory Board of NLB d.d. on the one hand and by the Shareholder in the counterproposal on the other hand result from the harmonisation of the Articles of Association of NLB d.d. with the Decision of the Constitutional Court no. U-I-55/16, no. U-I-196/16 of 13/06/2019 (hereinafter: the Constitutional Decision), which fully annulled and repealed the fourth paragraph of Article 33 of the Banking Act (Official Gazette of the RS, no. 25/2015, as amended; ZBan-2).

Based on the above, the Management Board and Supervisory Board of NLB d.d. proposed an increase in the number of Supervisory Board members from nine (9) to twelve (12), and an increase in the number of Management Board members from six (6) to seven (7); however, they did not explain why an increase in the number of members is necessary, as the Constitutional Decision does not impose an increase in the number of supervisory or management board members, but only stipulates that it is necessary to enable participation of employees in these company bodies. The shareholder believes that the proposal of the Management Board and Supervisory Board of NLB d.d. is also contrary to the goal that the Bank of Slovenia pursues with the binding Regulation on macroprudential restriction of bank profit distribution of 08/04/2020 (official gazette of the RS no. 49/20), which is to enhance the resistance of the financial system to financial shocks and maintain financial stability, and to prevent disturbances in the financial system and reduce accumulation of system risks. The above is even more uneconomical if one takes into account last year's increases in the remuneration of the members of the Supervisory Board of NLB d.d. and also the Management Board of NLB d.d. In their proposal for an increase in the number of Supervisory Board members from nine (9) to twelve (12) and an increase in the number of Management Board members from six (6) to seven (7), the Management Board and the Supervisory Board of NLB d.d. did not financially evaluate and show how this would affect the overall costs of the supervisory and management bodies of the company, and how the growth in these costs would affect the financial stability of NLB d.d.

Taking into account the above considerations, the Shareholder proposes that the number of member of the Supervisory Board of NLB d.d. defined in Article 20 of the Articles of Association of NLB d.d. should remain unchanged, i.e. nine (9) members. The change proposed in the counterproposal only concerns the indispensable harmonisation of the Articles of Association of NLB d.d. with the Constitutional Decision, which is achieved by laying down that the number of Supervisory Board members who represent the interests of the capital is six (6) members, and that the number of Supervisory Board members who represent the workers' interests is three (3) members. The proposed amendment takes into account the minimum number of Supervisory Board members who are workers' representatives, calculated in accordance with Article 79 of the Workers' Participation in Management Act (hereinafter: ZSDU), which is one-third (1/3) of all Supervisory Board members. In the current situation on the financial markets and considering the yet unknown consequences of the COVID-19 epidemic, an increase in the number of Supervisory Board members to twelve (12) is risky. Moreover, there are no justified reasons for it, as a nine-member (9) Supervisory Board has already performed its duties entirely appropriately and efficiently.

The Shareholder does also not agree with the proposal by the Management Board and Supervisory Board of NLB d.d. to lay down that the regulations and conditions stipulated in the Articles of Association for Supervisory Board members should only be taken into account for the Supervisory Board members who represent the workers' interests. Such provision is unnecessary, as such obligation already exists without it. Moreover, such provision is also

discriminatory and even unlawful, as no regulation provides the basis to differentiate the members of the Supervisory Board who represent the interests of the capital from those who represent the interests of the workers. Consequently, the Shareholder's proposal does not include such provision. Last but not least, considering that the same conditions apply to all Supervisory Board members, regardless of who appoints or elects them, such provision introduces an unnecessary lack of clarity into the Articles of Association of NLB d.d.

In relation to the amendment of the first paragraph of Article 22 proposed by the Management Board and Supervisory Board of NLB d.d., the Shareholder believes that there is no reason whatsoever to already limit in the Articles of Association of NLB d.d. the possibility for the Supervisory Board members who represent the workers' interests to be elected Deputy Chair of the Supervisory Board. This is a totally unnecessary intervention with the rights of the Supervisory Board members to elect from among themselves their Chair and Deputy(ies) of the Supervisory Board. And above all, such proposal prevents in advance and without any justified reason the Supervisory Board members who represent the workers' interests from potentially performing this function.

The Shareholder also objects to the proposal of the Management Board and Supervisory Board of NLB d.d. concerning the amendment to the first paragraph of Article 27 of the Articles of Association of NLB d.d., by which they propose that the present number of Management Board members of (3) to six (6) should change to three (3) to seven (7) members. The Shareholder refers to the above-mentioned reasons concerning the proposed increase in the number of the Supervisory Board members. She adds that the present Management Board of NLB d.d. has three (3) members who, considering the proposal of the Supervisory Board of NLB d.d. on the granting of discharge, appropriately and efficiently perform their functions. In November 2019, the Supervisory Board of NLB d.d. appointed an additional, fourth (4) member to the Management Board of NLB d.d. His term of office will start upon the receipt of the ECB's approval; until then, he is Assistant to the Management Board of NLB d.d. Thus, the Supervisory Board of NLB d.d. already assessed in November 2019 that there is not need for a more numerous Management Board, since the Supervisory Board already had the opportunity to appoint three (3) new members of the Management Board of NLB d.d. at that time. Consequently, the Shareholder believes that not only that it is not necessary to increase the number of Management Board members, but proposes a reduction in their number to maximally five (5) Management Board members, as the experience has shown that a Management Board with more members is not necessary and is not efficient. Besides, appointment of four (4) or three (3) new members of the Management Board of NLB d.d. would result in over EUR 1.750.000.00 of additional costs for NLB d.d. only due to the remuneration of the Management Board members (without doubt, NLB d.d. would also incur additional costs because of this). This is absolutely contrary to the goals that the Bank of Slovenia pursues with its Regulation on macroprudential restriction of bank profit of 08/04/2020 (Official Gazette of the RS no. 49/20), and which also bind and oblige banks, including NLB d.d. An increase in the number of the members of the Management Board of NLB d.d. to up to seven (7) thus, for no justified reason, increases the financial exposure of NLB d.d.; in the current situation on the financial markets and taking into account the yet unknown consequences of the COVID-19 epidemic, any growth in the costs would be very risky; moreover, there are no justified business reasons for this, especially considering that NLB d.d. already performs well with a Management Board with three (3) or four (4) members. Besides, with regard to the Constitutional Decision, appointment of a new member of the Management Board – a worker director – can be expected. Thus, it can be expected that the Management Board of NLB d.d. will soon have five (5) members; therefore, it is even more reasonable to limit the possibility of its further expansion.

As regards the amendment of Article 12 of the Articles of Association of NLB d.d. proposed by the Management Board and Supervisory Board of NLB d.d., the Shareholder believes that this is welcome as an initiative, but that the proposal is not clear and specific, as it does not specify how and in what way the procedure of the shareholders' participation at the General Meeting and voting by electronic means would be carried out. Moreover, in the part in which it

is proposed that the procedure of shareholders' participation at the General Meeting and voting by electronic means should be specified by the Management Board of NLB d.d., the proposal is unlawful, as in accordance with Article 297 of the ZGD-1 this area is within the sole competence of the General Meeting of the company and not within the competence of the Management Board of the company.

**2. Counterproposal to Item 8 of the Agenda: "Determination of the payment to the members of the Supervisory Board of NLB d.d. who are workers' representatives", which reads:**

*It is hereby established that the resolution on the Determination of the payments to the members of the Supervisory Board of NLB d.d. and its committees adopted by the 34th General Meeting of Shareholders of NLB d.d., Trg republike 2, 1520 Ljubljana, of on 21/10/2019 applies to the Supervisory Board members who represent the workers' interests ("workers' representatives").*

**FOUNDATIONS:**

As regards the proposed resolution ad Item 8 of the agenda of the 35th General Meeting of Shareholders of NLB d.d. made by the Management Board of NLB d.d. and the Supervisory Board of NLB d.d., the Shareholder believes that it is contrary to Article 284 of the ZGD-1, which clearly stipulates that the payment to the members of the Supervisory Board, regardless of the interests they represent, must be in an appropriate proportion to the duties of the Supervisory Board members and the financial position of the company. No regulation stipulates that the Supervisory Board members who represent the workers' interests should have a lower amount of duties or assume less responsibility, based on which they would be entitled to a lower payment. However, it is indisputable that the Chair and Deputy Chair of the Supervisory Board have a larger amount of duties than other members and are consequently, based on Article 284 of the ZGD-1, entitled to higher payments, which was also specifically determined at the 34th General Meeting of Shareholders of NLB d.d.

Moreover, the Slovenian Corporate Governance Code for Listed Companies (hereinafter: the Code), which also applies to NLB d.d., stipulates that all members of the Supervisory Board – whether they are appointed by the shareholders or the workers, i.e. no matter whose interests they represent – must be paid appropriately for the performance of their function; the payment must enable a good-quality composition of the Supervisory Board and be only in accordance with the responsibilities and duties that the Supervisory Board members must perform in accordance with the law, the recommendations concerning good practice and the Code.

This means that neither the ZGD-1 nor the Code or any other regulation differentiates the Supervisory Board members with regard to who appoints them and whose interests they represent in the Supervisory Board. Moreover, all Supervisory Board members are responsible for their work and adopt decisions with due diligence. This applies to all members of the Supervisory Board, without exception. This means that all Supervisory Board members are entitled to the same rights, including the same payment, which may only differ with regard to the responsibilities and duties held/performed by an individual member.

In addition, the resolution proposed by the Management Board and Supervisory Board of NLB d.d. does not provide an answer in the case a member of the Supervisory Board who represents the workers' interests is not also employed at NLB d.d. In such case, it would not be clear at all what payment is he/she entitled to. Such situation is far from being impossible, as no regulation stipulates that a Supervisory Board members who represent the interests of workers must also be employed by the company.

Taking into account all the above considerations, the Shareholder believes above all that a special resolution on the payment to the Supervisory Board members who represent the workers' interests is not necessary at all; if such resolution is nevertheless proposed, it should be of a declaratory nature, such as proposed by the Shareholder. In particular, the resolution

proposed for adoption by the General Meeting of Shareholders should be lawful.

**In accordance with the provisions of Article 300 of the ZGD-1, the Shareholder requests that the Management Board of NLB d.d. publish the counterproposal in the same manner as the convocation of the 35th General Meeting of Shareholders of NLB d.d. convened on Monday, 15/06/2020, at 11.00 a.m. at the address Cankarjev dom, kulturni in kongresni center, Prešernova cesta 10, Ljubljana.**

Medvode, 09/05/2020

Gordana VRAN