

Corporate Governance Code Compliance Statement

In 2020, Krka's code of reference was the *Corporate Governance Code* (hereinafter: the *Code*), adopted on 27 October 2016 by the Ljubljana Stock Exchange and the Slovenian Directors' Association. The *Code* entered into force on 1 January 2017 and is published on the Ljubljana Stock Exchange website.

The Management Board and Supervisory Board of Krka, tovarna zdravil, d. d., Novo mesto hereby declare that in 2020 individual members of the Management and Supervisory Boards and the Management and Supervisory Boards as bodies of a listed company acted in compliance with the principles and recommendations of the *Code*. Some of the recommendations of the *Code* were not implemented in full in 2020. However, we have always worked towards realising these recommendations and providing for appropriate ways to implement them. Individual deviations from the *Code* in 2020 are explained below.

In the context of self-assessment, the Supervisory Board of Krka can establish an annual training plan for its members and determine indicative training costs. In 2020, no proposal for additional training was made, so the plan was not adopted (Item 13.1 of the *Code*).

Supervisory Board members themselves evaluate performance of the board by fully following the methods and *Supervisory Board Assessment Manual* prepared by the Slovenian Directors' Association. The evaluation procedure was carried out professionally and objectively. As there was no need for external professional support in 2020, an external assessment of the Supervisory Board's performance in collaboration with a specialised institution or other experts was not carried out (Items 14.2 and 14.4 of the *Code*). Internal Audit of Krka monitors the procedures related to corporate governance to the extent required by *International Standards for the Professional Practice of Internal Auditing*.

Krka's *Rules of Procedure of the Supervisory Board* stipulate that the president of the Supervisory Board has two deputies: a shareholder representative and an employee representative. This is necessary to ensure the inclusion of employee representatives in most important activities of the bodies. The *Rules of Procedure of the Supervisory Board* also state that the shareholder representative is the first to assume the duties of the President, and only in the event of the absence of the former does the employee representative assume this role. This ensures we do not deviate significantly from the *Code*, which stipulates that only a shareholder representative may act as Deputy President of the Supervisory Board (Item 15.4 of the *Code*).

In 2020, Krka's 'Corporate Governance Statement' was reviewed by an external auditor as part of the regular audit. An additional external assessment of the statement's adequacy was not performed (Item 5.7 of the *Code*).

Krka does not list any association of members of the Management and Supervisory Boards with any governance or supervisory bodies of non-related companies in the uniform tables (Attachments C1 and C2 to the *Code*) in section 'Corporate Governance Statement' of the *2020 Annual Report of Krka*. The information is included in members' CVs, which also state their managerial functions and duties (Items 5.5. and 29.5 of the *Code*). Data from Attachments C3 and C4 to the *Code* on the composition and remuneration are almost entirely disclosed in accordance with the recommendations of the *Code* (Items 5.6 and 29.7). Only for the purposes of comparability between the years, the Company discloses them in the same manner as before the *Code* entered into force, i.e. in the section 'Related Party Transactions' of the financial statement. The variable amount of the salaries is always disbursed in two parts, the first part is paid according to the interim results, and the second after the Supervisory Board confirms the annual report at their meeting, always together with the monthly salary for the following month (Item 21.2).

The Supervisory Board updated the criteria for the variable part of the Management Board remuneration in 2012, 2014, 2016, and 2018, when this was necessary due to additional duties of the Management Board arising either from the business strategy, change of business environment, or remuneration trends. However, the criteria were not determined every year in exactly the same way as stipulated by Item 12.10 of the *Code*, as the manner described above is better adapted to the actual needs of the Supervisory Board for monitoring work of the Management Board, which is largely related to biennial revision of the strategy.

The Rules of Procedure of the Management Board stipulate that members of the Management Board may become members of supervisory boards of non-related companies only after they inform the Supervisory Board of the Company accordingly and obtain the Supervisory Board's consent. This is a partial deviation from Article 19.6 of the *Code*, which addresses all companies, not only the non-related ones.

Krka publishes contact details for investors and the public on its website, but not the names of individuals (Item 28.2 of the Code), as several persons are in charge of various areas.

The Company also published the Rules of Procedure of the Supervisory Board and disclosed the composition, competences, and other aspects with regard to the operation of its bodies, and thereby all the essential information on corporate governance, in the 2020 'Corporate Governance Statement'. No other operational documents were published in 2020 (Item 29.9 of the Code).

According to the Code (Item 25.3), the company should replace the external auditor at least once in every seven years. Following a motion of the Audit Committee and the Supervisory Board, the AGM of Krka appointed the current auditor for another three-year term. The same external auditor will therefore audit Krka's business operations for more than seven years. However, the audit firm did replace the auditing partner and the coordinator responsible for audit performance in compliance with International Auditing Standards.

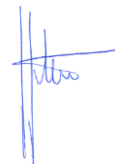
Two members of the Supervisory Board, i.e. employee representatives, could be regarded as members of the expanded management according to certain criteria (Item 11 of the Code), even though they can not make decisions regarding the distribution of financial resources and employment independently, and can not fully determine the strategy for their respective areas of work.

Krka also complied with most provisions of the code relating to companies listed on the Warsaw Stock Exchange, i.e. the Best Practice for GPW Listed Companies 2016. The discrepancies are explained in a separate document, published in the dissemination system of the Warsaw Stock Exchange.

Novo mesto, 15 April 2021



Jože Colarič
President of the Management Board and CEO



Dr. Aleš Rotar
Member of the Management Board



Dr. Vinko Zupančič
Member of the Management Board



David Bratož
Member of the Management Board



Milena Kastelic
Member of the Management Board – Worker Director