

## Corporate Governance Code Compliance Statement

In 2021, Krka's code of reference was the *Slovenian Corporate Governance Code for Listed Companies* (hereinafter: the *Code*), adopted on 27 October 2016 by the Ljubljana Stock Exchange and the Slovenian Directors' Association. The *Code* was valid from 1 January 2017 to 31 December 2021 and is available on the Ljubljana Stock Exchange website. On 1 January 2022, a new version of the *Code* entered into force.

The Management Board and Supervisory Board of Krka, tovarna zdravil, d. d., Novo mesto hereby declare that in 2021 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 were not implemented in full. However, we have always endeavoured to implement these recommendations and find appropriate ways of doing so. Individual derogations from the *Code* valid until the end of 2021 are explained below.

In the context of self-assessment, the Supervisory Board can establish an annual training plan for its members and determine indicative training costs. In 2021, no proposal for additional training was made, so the plan was not adopted (Item 13.1 of the *Code*).

Supervisory Board members themselves evaluate the board's performance by thoroughly following the methods and *Supervisory Board Assessment Manual* prepared by the Slovenian Directors' Association. The evaluation process was carried out professionally and objectively. As there was no need for external professional support in 2021, 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 the most important activities of the bodies. The *Rules of Procedure of the Supervisory Board* state that the shareholder representative is first to assume the duties of the President, and only in 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 2021, 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 force at the time) in the 'Corporate Governance Statement' section of the *2021 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 composition and remuneration amounts are almost entirely disclosed in accordance with the recommendations of the *Code* (Items 5.6 and 29.7). Only for the purposes of year-on-year comparability, the Company discloses them in the same manner as before the *Code* entered into force, i.e. in the 'Related Party Transactions' section of the financial report. The variable amount of the salaries is always paid in two parts. The first part is paid according to the interim results. 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 suited to the actual needs of the Supervisory Board for monitoring the work of the Management Board, which is related mainly to the biennial renewal 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 Company's Supervisory Board accordingly and obtain the Supervisory Board's consent. This is a partial derogation 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*. In the 2021 'Corporate Governance Statement', Krka disclosed the composition, competences, and other aspects concerning the operation of its bodies, and thereby all essential information on corporate governance. No other operational documents were published in 2021 (Item 29.9 of the *Code*).

According to the *Code* (Item 25.3), a company should replace the external auditor at least once 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. Therefore, the same external auditor will audit Krka's business operations for more than seven years, i.e. ten years, which is the maximum duration of an audit engagement permitted by law. However, the audit firm did replace the audit partner and the coordinator responsible for audit performance in compliance with *International Auditing Standards*.

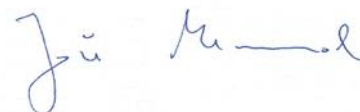
Two members of the Supervisory Board, i.e. employee representatives, could be regarded as members of the expanded management according to certain criteria (Item 11 of the *Code*). This is despite the fact that they cannot independently make decisions regarding allocations of financial resources and employment and cannot fully plan the strategy for their respective work areas.

Krka also complied with more than half of provisions of *Best Practice for GPW Listed Companies 2021*, i.e. the code relating to companies listed on the Warsaw Stock Exchange. The discrepancies are explained in a separate document published in the dissemination system of the Warsaw Stock Exchange.

Novo mesto, 28 March 2022



Jože Colarič  
President of the Management Board and CEO



Jože Mermal  
President of the Supervisory Board