

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 2017. It relates to the period 1 January 2017 to 31 December 2017. 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 www.telekom.si and in the Ljubljana Stock Exchange's electronic information system at <http://seonet.ljse.si>.

During the 2017 financial year, the governance of Telekom Slovenije was based on valid legislation, the rules and recommendations of the Ljubljana Stock Exchange, the recommendations of Slovenski državni holding, d. d., best practices, the publicly accessible Corporate Governance Policy of Telekom Slovenije, d. d. and the Company's internal acts.

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., adopted in December 2011 and updated on 22 February 2017, and
- the Corporate Governance Rulebook of the Telekom Slovenije Group of 22 August 2017, which replaced the Corporate Governance Rulebook of the Telekom Slovenije Group from 2014.

The Corporate Governance Policy defines, inter alia, groups of stakeholders, a strategy for communication and cooperation with those groups, a policy governing links between the parent 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. It also defines a system for segregating responsibilities and competences between members of management and supervisory bodies, the role of Supervisory Board committees and the protection of employees' interests. The Supervisory Board and Management Board adopted 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 (i.e. Group Corporate Governance).

Subsidiaries of Telekom Slovenije comply with the Corporate Governance Code for Companies with Capital Assets of the State and the Recommendations and Expectations of Slovenski državni holding via the Corporate Governance Rulebook of the Telekom Slovenije Group, which is binding for all Telekom Slovenije Group companies. The same high standards of corporate governance that apply to Telekom Slovenije are applied in the management and governance of subsidiaries.

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 at the website www.telekom.si, under: <http://www.telekom.si/o-podjetju/predstavitev/organiziranost-in-upravljanje/upravljanje-druzbe>.

STATEMENT OF COMPLIANCE WITH CODES AND RECOMMENDATIONS

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 2017 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 at 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 May 2017 [both documents are published on the website www.sdh.si]; and

the **Recommendations to Public Companies Regarding Notification** adopted by the Ljubljana Stock Exchange on 28 October 2016. Those recommendations 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 Corporate Governance Code:

External assessment of the adequacy of the corporate governance statement

[Recommendation 5.7:](#)

Telekom Slovenije deviates in part from this recommendation. Telekom Slovenije has not yet commissioned an external assessment of the adequacy of its corporate governance statement.

Chairman of the Supervisory Board

[Recommendation 15.3:](#)

Telekom Slovenije deviates in part from this recommendation, as the President of its Supervisory Board also chairs the Strategy Committee.

Publication of rules of procedure of bodies

[Recommendation 29.9:](#)

Telekom Slovenije deviates in part from this recommendation, as it has not published the rules of procedure of the Management Board 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 Corporate Governance Code for Companies with Capital Assets of the State:

Supervisory board

[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. 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.

[Recommendation 8.4:](#)

Telekom Slovenije deviates in part from this recommendation. Telekom Slovenije does not disclose the education and training costs of the Supervisory Board in its annual report, while the Supervisory Board did not incur any of the other costs stated in this recommendation.

STATEMENT OF COMPLIANCE WITH THE RECOMMENDATIONS AND EXPECTATIONS OF SLOVENSKI DRŽAVNI HOLDING

Telekom Slovenije explains below deviations from individual recommendations and expectations:

Three-year business planning of a company/ group – point 1

Telekom Slovenije deviates in part from this recommendation, as it treats its annual and strategic business plans as trade secrets. Their disclosure would have an adverse impact on the competitive position of Telekom Slovenije and the Telekom Slovenije Group as a whole. A summary of the strategy and plan of the Telekom Slovenije Group for 2018 with projections for the period 2019 to 2022 is published by Telekom Slovenije in the Ljubljana Stock Exchange's SEOnet system and on the Company's website.

Quarterly reporting on the performance of a company/group – points 2.1 and 2.5

Telekom Slovenije deviates in part from this recommendation, as it reports on the performance of the parent company and the Telekom Slovenije Group in accordance with the valid legislation to which it is bound as a joint stock company.

Transparency of procedures of making business deals involving company expenditure (ordering goods and services, donations and sponsorship) – points 3.6 and 3.9

Telekom Slovenije deviates in part from this recommendation. In accordance with the Company's business interests and in order to protect trade secrets arising from contractual relations and information whose disclosure would be detrimental to the competitive position of the Company or could cause damage to the Company, Telekom Slovenije does not publish data regarding a selected tenderer (procurement of goods and services), the type of transaction or the value of the concluded transaction on its website. In accordance with the Access to Public Information Act, the Company regularly publishes information of a public nature on its website (www.telekom.si/o-podjetju/ijz) relating to donations and sponsorships, and advisory and other copyright or intellectual services.

Employee remuneration – point 4.3.2

Telekom Slovenije deviates in part from this recommendation, as the amount of the Christmas bonus is set out in the collective agreement of Telekom Slovenije, d. d. in an amount equal to 70% of the last known average monthly wage in the Republic of Slovenia.

Publication of data regarding executed payments – point 4.4

Telekom Slovenije deviates in part from this recommendation, as data regarding labour costs are disclosed in annual reports.

Publication of the text of binding collective agreements and agreements concluded with employee representatives that relate to remuneration for work – point 4.5

Telekom Slovenije deviates in part from this recommendation. Binding collective agreements and agreements concluded with employee representatives that relate to remuneration for work are not published because Telekom Slovenije does not have the consent of employee representatives for such publication.

Achieving quality and excellence in the operations of companies/groups – point 5.1, 5.3 and 5.4

The Company deviates in part from this recommendation, as the only self-assessment of business excellence according to the EFQM model carried out in 2016 was performed for Telekom Slovenije. Comparison with previous years will be possible following the next self-assessment.

EXPLANATIONS IN ACCORDANCE WITH THE COMPANIES ACT [ZGD-1]

Pursuant to the fifth paragraph of Article 70 of the Companies Act [hereinafter: 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

The internal control system is the sum of various guidelines and policies adopted by the Management Board with the aim of managing risks associated with financial reporting as well as possible. The purpose of internal controls is to ensure the efficiency and effectiveness of operations, the accuracy and completeness of accounting records, the reliability, timeliness and transparency of financial reporting, and compliance with valid laws, and other external and internal regulations.

The accuracy, completeness and veracity of financial reporting is ensured through the implementation of the following internal controls:

- control over accounting data, which is ensured in different ways, e.g. through the reconciliation of items with customers and suppliers;
- control over the completeness of data capture [e.g. documentation sequencing and numbering];
- control over the segregation of duties and responsibilities [e.g. separate recording and payments];
- control over access restrictions [access rights to accounting records are allocated selectively]; and
- control over supervision.

Information support is provided for the accounting process. All of the aforementioned internal controls are therefore linked with controls built into the IT infrastructure, which comprises controls over restrictions on access to the network, data and applications, and controls over the accuracy and completeness of data capture and processing.

INFORMATION REGARDING THE FUNCTIONING OF THE COMPANY'S GENERAL MEETING OF SHAREHOLDERS AND ITS KEY COMPETENCES, AND A DESCRIPTION OF THE RIGHTS OF SHAREHOLDERS AND HOW THOSE RIGHTS ARE EXERCISED

The corporate governance system and the communication strategy for shareholders and other stakeholders ensure the equal treatment of shareholders and the consistent exercising of the rights of all Telekom Slovenije shareholders, regardless of whether shareholders are legal entities or natural persons, institutional investors, local or foreign shareholders, the State and/or the manager of the State's capital investments. Shareholders exercise their rights at the General Meeting of Shareholders in person or through authorised representatives. The General Meeting of Shareholders is convened when it benefits the Company or whenever required in accordance with the law and Articles of Association, at a minimum once a year. The date that the convening of the General Meeting of Shareholders is published on the website of 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. The convening of the General Meeting of Shareholders and other

important activities related thereto are set out in the Articles of Association.

The 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 in accordance with the first paragraph of Article 305 of ZGD-1 at the General Meeting of Shareholders. Detailed information regarding shareholders' rights set out in the first paragraph of Article 298, the first paragraph of Article 300, Article 301 and Article 305 of ZGD-1 are available on the Company's website at <http://www.telekom.si/en/investor-relations/shareholders-meeting> following publication of the convening of the General Meeting of Shareholders.

Shareholders who are entered in the central register of securities at the 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 the Company's registered office at least three days prior to the General Meeting of Shareholders.

WORK OF THE GENERAL MEETING OF SHAREHOLDERS

The convening of the 28th General Meeting of Shareholders was published on the website of Agency of the Republic of Slovenia for Public Legal Records and Related Services, together with comprehensive materials on the Company's website at http://www.telekom.si/o-podjetju/28-General-Meeting-210042017_1.pdf and on the stock exchange's electronic information system at <http://seonet.ljse.si>. Shareholders were afforded the opportunity to view the full materials for the General Meeting of Shareholders in the information office at the Company's registered office, from the day of publication of the convening of the General Meeting of Shareholders until the day thereof. The timely publication of materials for the General Meeting of Shareholders and proper procedures for the convening of the General Meeting of Shareholders enabled shareholders to actively exercise their rights.

Shareholders may submit requests to skupscina@telekom.si for additional items on the agenda, proposed resolutions and voting proposals, as well

as written registration forms for participation at the General Meeting of Shareholders.

The shareholders of Telekom Slovenije met at the 28th General Meeting of Shareholders held on 21 April 2017, where they:

- adopted amendments to the Articles of Association;
- approved the proposed use of distributable profit for the 2016 financial year;
- conferred official approval on the Management Board and Supervisory Board for the 2016 financial year;
- appointed the audit firm Deloitte Revizija, d. o. o., Dunajska cesta 165, Ljubljana to audit the financial statements of Telekom Slovenije, d. d. for the 2017, 2018 and 2019 financial years; and
- appointed new members to the Supervisory Board: Lidija Glavina, Bernarda Babič, MSc, Barbara Kürner Čad, Barbara Gorjup, MSc and Ljubomir Rajšič. The four-year terms of office of new members began on 27 April 2017. New members were appointed due to the expiration of the terms of office of members of the Supervisory Board, i.e. shareholder representatives Borut Jamnik, Adolf Zupan, MSc, Dr Marko Hočevar, Tomaž Berločnik, MSc, and Bernarda Babič, MSc, on 27 April 2017.

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 for 2018, the 29th General Meeting of Shareholders is planned for 11 May 2018.

INFORMATION REGARDING THE COMPOSITION AND FUNCTIONING OF MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES:

Telekom Slovenije has a two-tier system of governance that comprises its Management Board and Supervisory Board.

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.

The Management Board comprised the following members as at 31 December 2017:

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
Rudolf Skobe, MSc	President	Management Board Office, Human Resource Management, Internal Audit, Public Relations, Legal Affairs, Strategy and Regulation, Security, Product House and the subsidiary IPKO	1 September 2012	1 September 2020	Male	Slovenian	1973	Holds a master's degree in management and organisation, and a bachelor's degree in electrical engineering.	Member of the board of directors of the Olimpija Ljubljana basketball club.
Tomaž Seljak, MSc	Vice-President	Application Solutions, Core Network, Access Networks, and the subsidiaries GVO, SIOL Zagreb, SIOL Podgorica, SIOL Sarajevo, SIOL Skopje and SIOL D00 Belgrade.	1 May 2014	1 May 2022	Male	Slovenian	1972	Holds a master's degree and bachelor's degree in electrical engineering.	
Ranko Jelača	Member	B2C, B2B, Central Marketing, and the subsidiaries Avtenta and Blicnet	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, družba za investiranje.
Aleš Aberšek	Member	Finance and Accounting, Controlling, Wholesale, Procurement, Real Estate, Logistics and General Affairs, and the subsidiaries TSmedia, Soline, Antenna TV SL and TSinpo.	15 March 2016	15 March 2020	Male	Slovenian	1977	Holds a bachelor's degree in economics.	Member of the supervisory boards of Skupna pokojninska družba, Gorenjska banka and Sava Turizem until 20 March 2017 and member of the Ljubljana Stock Exchange's board of issuers.
Vesna Lednik	Member of the Management Board – Workers Director	Responsibilities derive directly from the law.	23 April 2014	23 April 2018	Female	Slovenian	1973	High school graduate in the field of education.	

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, taking into account the principles of sustainable development and the interests of other stakeholders.

The Management Board met at 60 regular and 11 correspondence sessions in 2017. It drew up the strategy and business plan of the Telekom Slovenije Group for 2018 with projections for the period 2019 to 2022, and carried out activities to achieve the objectives set out in the current strategic plan. Its activities included the adoption of decisions regarding the sale of the Company's 45% participating interest in ONE VIP, the absorption of Izimobil users and the purchase of a disabled workers' company that was renamed TSinpo. It also adopted numerous business decisions and carried out activities that included the following:

- ensuring development and the achievement of established objectives;
- the expansion of activities to new areas;
- the introduction of new and upgraded services;
- improvement of the user experience;
- the upgrading of the comprehensive portfolio of ICT services; and
- the optimisation of operations.

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration, composition and amount of earnings of the Management Board are set out in members' employment contracts and are in line with 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. The basis for setting those objectives is 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 work of

Management Board members. That work focuses on the long-term success of the Company and the Group.

The conditions for profit sharing by the Management Board are governed by the Articles of Association. The earnings of the Management Board in 2017 are presented [in section 38 of the financial report](#).

SUPERVISORY BOARD

COMPOSITION OF THE SUPERVISORY BOARD

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

The Supervisory Board is fully liable for the performance of its supervisory function and makes its decisions independently. All members of the Supervisory Board submitted statements of compliance with the criteria of independence for 2017 in accordance with the Corporate Governance Code (the statements are published on the Company's website at: <http://www.telekom.si/Documents/izjave-neodvisnost-clana-NS-Kodeks-javnih-dd-maj2017.pdf>).

The Management Board and Supervisory Board worked together in 2017 to formulate and adopt the Policy Governing the Diversity of the Management Board and Supervisory Board of Telekom Slovenije, the aim of which is to improve the effectiveness of both bodies. The policy defines a method for ensuring the optimal composition and promoting the diversity of both bodies in terms of knowledge, experience, skills, age, gender and other aspects.

Members of the Supervisory Board are appointed for a term of four years. Dimitrij Marjanović began his term of office on 13 May 2016, while other shareholder representatives began their terms of office on 27 April 2017.

The four-year terms of office of the Supervisory Board's employee representatives ended on 14 November 2017, at which time the Works Council appointed those members to new four-year terms of office.

The Supervisory Board comprised the following members as at 31 December 2017:

Name	Office	First appointment to function	Completion of function / term of office	Gender	Nationality	Year of birth	Education / professional profile	Independence according to Article 23 of the Code	Existence of conflicts of interest during the financial year	Membership in supervisory bodies of other companies	Employment
Shareholder representatives											
Lidija Glavina	President	27 April 2017	27 April 2021	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.
Bernarda Babič, MSc	Vice-President	27 April 2013	27 April 2021	Female	Slovenian	1966	Hold 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.
Barbara Gorjup, MSc	Member	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.
Barbara Kurner Čad	Member	27 April 2017	27 April 2021	Female	Slovenian	1964	Holds a bachelor's degree in law.	YES	NO		Attorney at the Čad Law Firm
Dimitrij Marjanović	Member	13 May 2016	13 May 2020	Male	Slovenian	1970	Holds a bachelor's degree in economics.	YES	NO	Iskra ESV, d. d.	Director of the Financial Management Department at Slovenski državni holding, d. d.
Ljubomir Rajšić	Member	27 April 2017	27 April 2021	Male	Serbian	1949	Holds a bachelor's degree in mechanical engineering.	YES	NO		Retired
Employee representatives											
Dean Žigon	Vice-President of the Supervisory Board	14 November 2013	22 January 2018	Male	Slovenian	1971	General secondary education in the field of retail management.	YES	NO		Telekom Slovenije: B2B, president of the SINEKS trade union and member of the Works Council.
Samo Podgornik	Member	15 May 2014	14 November 2021	Male	Slovenian	1965	General secondary education in the field of electrical and electronic engineering.	YES	NO		Telekom Slovenije: Access network, president of the Nova Gorica chapter of Telekom Slovenije's trade union, and member of the Works Council.
Primož Per	Member	15 May 2014	15 November 2021	Male	Slovenian	1974	Holds a master's degree in technical security engineering.	YES	NO		Telekom Slovenije: Human Resource Management and member of the Works Council.

In 2018 the Supervisory Board was briefed on the letter of resignation of employee representative Dean Žigon, who resigned from his office, effective 22 January 2018. On 14 February 2018 Telekom Slovenije's Works Council appointed Urban Škrjanc to serve as employee representative on the Supervisory Board.

WORK OF THE SUPERVISORY BOARD

The Supervisory Board met at four ordinary sessions prior to the expiration of the terms of office of five of its members. Following the replacement of employee representatives on 27 April 2017, the Supervisory Board met at seven ordinary and five correspondence sessions. Attendance by members at sessions of the Supervisory Board and its committees was very high. In the scope of its powers and in line with the principles of corporate governance, the Supervisory Board was regularly briefed on the operations of Telekom Slovenije and the Telekom Slovenije Group. To that end, it exercised control over the implementation of Telekom Slovenije's strategy and over the management of business risks. Members of the Supervisory Board regularly discussed strategically important activities and proposals by the Management Board, and actively responded to those proposals and provided their opinions. The work of the Supervisory Board is presented in more detail in the Report of the Supervisory Board.

COMPOSITION AND FUNCTIONING OF SUPERVISORY BOARD COMMITTEES

The Supervisory Board had five committees in 2017: the Audit Committee, Technical Committee, HR Committee, Strategy Committee and Nomination Committee. The aforementioned committees discussed individual areas of expertise in accordance with their respective competences and tasks. Presented below are the most important areas addressed by committees, and the composition of committees at the end of 2017.

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 8, while information regarding external members is presented in the tables detailing the members of committees.

The **Audit Committee** met at 10 sessions, of which five were correspondence sessions. The committee's duties and competences are set out in the ZGD-1, the rules of procedure of the Supervisory Board, the rules of procedure of the Audit Committee and Supervisory Board resolutions.

The Audit Committee's tasks in 2017 included the following:

- it monitored and discussed financial reporting procedures, the functioning of internal controls, the Internal Audit Service's reports, recommendations and annual plan, risk management systems, and the external auditing of the unconsolidated and consolidated financial statements;
- it adopted the Guidelines for Ensuring the Independence of the External Auditor;
- it oversaw the conclusion of agreements with audit firms, the type and scope of the non-audit services provided by those firms, and the independence of the certified auditor;
- it carried out the procedure to select a candidate for the mandatory audit of the operations of Telekom Slovenije, its subsidiaries and the Telekom Slovenije Group, submitted a proposal to the Supervisory Board on the appointment of an auditor of the annual report for the 2017, 2018 and 2019 financial year, and discussed the agreement with the certified auditor for 2017 financial year; and
- it discussed quarterly reports on the operations of Telekom Slovenije and the Telekom Slovenije Group in 2017, and other quarterly reports [risk management report, report of the Whistleblowing Committee, report on legal actions and report on the implementation of internal audit recommendations].

The Audit Committee's members were as follows as at 31 December 2017:

- Bernarda Babič, MSc (chairperson),
- Barbara Gorjup,
- Dimitrij Marjanović,
- Dean Žigon, and
- Barbara Nose (external member).

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 8, while information regarding the external member is presented in the table below:

Name	Nationality	Level of 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 **Technical Committee** met at two sessions, at which it was briefed on the development of and investments in the network and IT infrastructure.

The Technical Committee's members were as follows as at 31 December 2017:

- Ljubomir Rajšić [chairman],
- Barbara Gorjup,
- Samo Podgornik, and
- Slavko Ovčina [external member].

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 8, while information regarding the external member is presented in the table below:

Name	Nationality	Level of education	Year of birth	Professional profile	Membership in supervisory bodies of other companies
Slavko Ovčina	Slovenian	Holds a bachelor's degree as an IT organiser-manager.	1978	IT	/

The **HR Committee** met at seven sessions, where candidates for managerial positions at subsidiaries were presented. The committee monitored the achievement of objectives, and drafted proposals for the payment of a bonus to the Management Board for 2016, as well as objectives for 2017. Over the remainder of the year, the committee conducted interviews with candidates for the external members of the Supervisory Board's Audit Committee and Technical Committee.

The HR committee's members were as follows as at 31 December 2017:

- Barbara Kürner Čad [chairperson],
- Lidija Glavina,
- Dimitrij Marjanović, and
- Primož Per.

Information regarding the members of HR Committee is presented in the table detailing members of the Supervisory Board on page 8.

The **Strategy Committee** met at one session, where it discussed in detail the points of departure of the Telekom Slovenije Group's Strategic Business Plan

for the period 2018 to 2022. All members of the Supervisory Board were invited to that session.

The Strategy Committee's members were as follows as at 31 December 2017:

- Lidija Glavina [chairperson],
- Barbara Kürner Čad,
- Ljubomir Rajšić, and
- Dean Žigon.

Information regarding the members of Strategy Committee is presented in the table detailing members of the Supervisory Board on page 8.

Nomination Committee

The Nomination Committee met at six sessions in 2017 at which it carried out the procedure for selecting candidates for members of the Supervisory Board. It conducted structured interviews and proposed candidates to the Supervisory Board for the new term of office of that body. The Supervisory Board approved those proposals and dissolved the Nomination Committee after its task had been completed.

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 <http://www.telekom.si/o-podjetju/predstavitev/organiziranost-in-upravljanje/upravljanje-druzbe>.

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 2017. 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 the 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 1.14](#) Share trading and ownership structure of the 2017 annual report of the Telekom Slovenije Group and Telekom Slovenije, d. d.

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 2017: 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 any limit 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.

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.

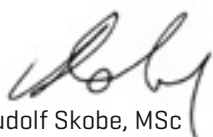
With the listing of its shares on the prime market of the Ljubljana Stock Exchange, Telekom Slovenije undertook to comply with the relevant reporting standards. Telekom Slovenije once again provided investors with high-quality, timely, relevant and reliable information in 2017.

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 Telekom Slovenije and the other companies of the Telekom Slovenije Group.



Rudolf Skobe, MSc
President of the Management Board



Lidija Glavina
President of the Supervisory Board

Ljubljana, 4 April 2018