

In accordance with the Corporate Governance Code, the Management Board and Supervisory Board of Telekom Slovenije, d. d., collectively drew up and on 13 December 2011 adopted the Corporate Governance Policy of Telekom Slovenije, d. d., and on 22 February 2017 adopted the subsequent updated version of the

CORPORATE GOVERNANCE POLICY OF TELEKOM SLOVENIJE, D. D.

The Corporate Governance Policy of Telekom Slovenije, d. d., (hereinafter: Corporate Governance Policy) serves as a corporate governance framework that is drawn up and adopted by the Company's Supervisory Board and Management Board, within which these two bodies make a commitment and publicly disclose how they will supervise and manage the company under statutory provisions and the provisions of its articles of association.

The Supervisory Board and the Management Board will update the corporate governance policy with the current corporate governance guidelines, binding regulations and best practices.

1. Purpose of the Corporate Governance Policy and reference corporate governance code

Through the Corporate Governance Policy the Management Board and the Supervisory Board of Telekom Slovenije, d. d. (hereinafter: Telekom Slovenije, Company or parent company) set out the main guidelines for the management of Telekom Slovenije and the Telekom Slovenije Group. Management complies with the Company's vision, mission, values and strategic business plan and other documents that define the development policy of the parent company and the companies within the Telekom Slovenije Group. The vision, mission, values and key strategic policies are presented on Telekom Slovenije's website at www.telekom.si.

Planned and transparent corporate governance generates sustainable value for the Company, thereby implementing the highest standards of corporate governance in its operations that comply with the Corporate Governance Code for Joint Stock Companies and that the Company adheres to as a reference code. The aforementioned code was adopted on 27 October 2016 by Ljubljanska borza, d. d. and the Slovenian Directors' Association, and is available on the website of Ljubljanska borza, d. d. (www.ljse.si). The Company also adheres to the Corporate Governance Code for Companies with Capital Assets of the State, which was adopted by Slovenski državni holding, d. d. in March 2016, and the Recommendations and Expectations of Slovenski državni holding from February 2016. Both documents are accessible on the website of Slovenski državni holding, d. d. at (www.sdh.si).

2. Organisational structure and corporate governance

Telekom Slovenije is a public limited company. It has a two-tier governance system. It is run by the Management Board and supervised by the Supervisory Board. The governing bodies of Telekom Slovenije are the General Meeting, the Supervisory Board and Management Board.

Telekom Slovenije together with its subsidiaries comprises the Telekom Slovenije Group (hereinafter: the Group), in which Telekom Slovenije is the parent company. The organisational structure is presented in more detail at www.telekom.si. The Group's activities include fixed and mobile communications services, digital and TV content and services, multimedia services and digital advertising, system integration and cloud services, construction and maintenance of telecommunications networks, and conservation of natural and cultural heritage in the Sečovlje Saltpans Regional Park.

Corporate governance is based on legal guidelines, rules and recommendations of the Ljubljana Stock Exchange, the Corporate Governance Code for Joint Stock Companies, the Corporate Governance Code for Companies with Capital Assets of the State, the recommendations of the Slovenian Directors' Association and internal acts that bind all companies within the Group. The Company acts in a responsible manner in accordance with the statutory and regulatory requirements that apply in specific countries in which Group companies operate.

The Management Board of Telekom Slovenije adopts general meeting decisions for subsidiaries in which Telekom Slovenije is the sole owner, while adopting general meeting decisions together with other minority shareholders in subsidiaries and associates in which Telekom Slovenije is one of multiple owners.

The Management Board strives to create a corporate culture that is based on compliance and the ethical conduct of employees and all others working for the Company.

3. Responsibility to the wider social environment

Socially responsible conduct is considered one of the key strategic policies of Telekom Slovenije. The Company actively identifies opportunities where it can contribute to the development of the social environment in which it operates, through its expertise, and financial and other resources. The Company's social responsibility is demonstrated through active support for Slovenian sports, culture, science, education and humanitarian activities.

Telekom Slovenije is a sustainability-oriented and environmentally friendly company. The principles of sustainable development are therefore built into our operations, products, services and content, while we also responsibly manage the economic, social and environmental impacts of our operations.

4. Stakeholder groups and strategies defining communication and cooperation with these groups

The key stakeholders of Telekom Slovenije include employees, shareholders and potential investors, users of our services, regulatory and state authorities, financial analysts and the other financial public, suppliers and other business partners, the media, and the local and wider communities. In the context of corporate governance we strive to maintain correct, stable and long-term relations with specific stakeholders through our activities. Our objective is to reinforce trust and cooperation aimed at managing the Company's reputation at all levels of business operations.

Shareholders:

Our core mission is to generate value for owners, and through successful operations also ensure long-term value of investments. We communicate regularly and comprehensively with existing shareholders and potential investors, thereby strengthening their trust in the Company. Our communication adheres to the principles of equal treatment, transparency, timeliness and accuracy of information. We guarantee long-term stable dividends that pursue the objective of balance between profits for our owners and the use of free cash flow for the financing of investments, which ensures long-term growth and maximised value for owners.

Communication takes place through participation at investor conferences, meetings and in discussions with investors and analysts. We prepare publications for shareholders (online or hard copy version) before the general meeting of shareholders, draft periodical (quarterly) electronic publications (in Slovene and English), organise the general meeting of shareholders which is broadcast live over the internet, providing the email address skupscina@telekom.si for use when convening a general meeting, communicate through the media, post information on the Ljubljana Stock Exchange's SEOnet electronic information system, provide investors with email addresses ir@telekom.si and for dividend payments dividenda@telekom.si. We also have a tab dedicated to investors on the Company's website, and post answers to questions posed by shareholders by email or regular post on our website.

Users:

Through continuous development and the introduction of innovative and flexible communication solutions we help users overcome business and personal challenges, and through our state-of-the-art network guarantee them stability and reliability even in unforeseeable circumstances. We present our range of services to private and business users through various communication channels (through advertising, leaflets, promotions, notices, on websites, communication via social networks, professional events, etc.). Professionally qualified employees are responsible for relations with key business users, for whom they also prepare thematic professional events, materials with information about our services, presentations, etc.

Employees:

The Company expresses its concern for employees through activities that help us reinforce our values, build an organisational culture and maintain a stable organisational atmosphere. We create a culture of mutual trust, respect, continuous learning, and responsible and efficient work.

The main tool for communicating with Telekom Slovenije employees is an intranet portal, which represents an instrument that facilitates the fast, up-to-date and secure transfer of internal information, while serving as a dynamic and motivational centre. Numerous internal sub-portals function within the intranet portal, providing employees access to detailed information about individual projects and areas, as well as to documents, such as internal acts, manuals and forms. All Group employees also have access to a special intranet news portal, through which we spread news about current events, activities or the range of services that is provided by all Group companies. In addition to the Group employees, retired employees of Telekom Slovenije also have access to this portal.

For communication with employees we also use other tools and channels of communication, e.g. emails, notice boards, special events for employees, councils and personal formal and informal meetings. The Management Board briefs employees on current information also at Works Council meetings. We encourage employees to participate in a wider business dialogue at all levels. We also carry out research on the organisational climate and employee satisfaction, while the managers hold individual discussions with employees about their professional goals and development within the scope of the annual evaluation and development interviews.

Regulatory and government authorities:

Electronic communications are considered one of the more regulated sectors. The Company consistently adheres to applicable laws, regulatory measures, regulations and best practices in all phases of the business process and operation. Cooperation and communication with government authorities is based on professional business relations.

Suppliers and other business partners:

Telekom Slovenije maintains a responsible business partnership with its suppliers and other business partners, also ensuring that business agreements are respected and liabilities are settled regularly. Our business relationship is based on trust and mutual respect. Within a dynamic business environment this provides secure and reliable resources, an appropriate price and quality of supplied products and services, the improved planning of deliveries and, where required, access to the supplier's technologies.

Financial public:

Financial analysts represent an important group of stakeholders. Their activity is perceived as a mechanism that raises the attractiveness of Telekom Slovenije shares as reliable and safe investments. Communication with analysts and other financial publics takes into account the principles of the equitable notification and transparency, timeliness, consistency and accuracy of information. The key objective of our activity is to maintain trust, for which a prerequisite is the attainment of stable operating results and regular and proactive communication. The Management Board or authorised organisational unit is responsible for communication with analysts and other financial publics.

Media:

We strive for an open and professional relationship with the media that is built through quick responses, open communication, a willingness to cooperate and provide truthful, correct, timely and relevant information. Communication with the media represents support for the Company's business operations and for strategic and business objectives, while also strengthening the position and reputation of the Company in the environment in which it operates. We maintain regular relations with the media by organising press conferences, proactively informing the media of novelties, range of services and other business events, responding to questions from the media quickly and accurately, thereby striving to prevent the potential spreading of false rumours or the publication of journalist articles with a speculative or false content. As this cannot be entirely prevented, we respond to journalist articles that could be detrimental to the reputation of the Company or its employees in accordance with the Media Act and the best business practices. Communication with the media is objective-oriented and directed via the responsible organisational unit.

Local and broader communities:

The Company's recognition and reputation in the broader and narrower environment is built through sponsor and donor involvement in the areas of sports, culture, science, education and charitable activities. To that end, we make every effort that the sponsorships and donations reach the widest possible audience at the national or local level.

Communications strategy, disclosure of business information and protection of confidentiality

The communications strategy of Telekom Slovenije, d. d. that was posted on the Company's website, among other things lists the communication guidelines, standards of communication, key stakeholders and the activities for the protection of confidential information. The basic purpose of the communications activities is to ensure transparency and strengthen the Company's reputation, the reputation of its senior management, employees, as well as strengthen the corporate and other brands. In that regard we strive to maintain correct, stable and long-term relations with all stakeholders.

Communication is open, direct, proactive and two-way, and is based on respecting the ethical principles of communication. Communication follows the principle that messages reach the targeted public on time in the desired form and that these messages are understood correctly.

Publication of performance data and other business information:

As a company whose shares are listed on the Ljubljana Stock Exchange's prime market, Telekom Slovenije adheres to the highest standards for publishing business reports laid down in the applicable Financial Instruments Market Act and in the recommendations of the Ljubljana Stock Exchange. The Company therefore posts annually a financial calendar with the dates of all the important business publications on its website and the website of the Ljubljana Stock Exchange (SEOnet), where it also publishes all the other relevant business information that could affect the value of shares. Advance notification of the time of disclosure and occurrence of significant events in the ordinary course of business and the most important periodical publication of information helps the Company contribute to strengthening its recognition and credibility, while also facilitating the monitoring of the Company's operations for investors and the professional public.

Protection of data confidentiality, trade secrets and inside information:

The Company complies with the laws and internal acts governing the protection of the confidentiality of trade secrets, personal data, inside information pursuant to the Financial Instruments Market Act and classified information. The Company appropriately protects documents, facilities, technical resources and procedures, ensuring the secure processing and storage of confidential data and information, and their secure dissemination and transmission.

5. Procedure for the provision of information regarding the group governance strategy and standards to subsidiaries and shareholders

Providing information regarding the group governance strategy and standards to subsidiaries

Group subsidiaries are independent legal entities that operate in accordance with local laws, the articles of association, resolutions issued by bodies of the parent company and subsidiaries, internal acts and business cooperation agreements.

The parent company briefs subsidiaries on the content of internal acts and calls on them to comply therewith. Subsidiaries adopt acts that correspond to that content and comply with the applicable laws of the state in which a particular company operates. The same applies for informing subsidiaries about the governance strategy and standards. The parent company provides subsidiaries with the possibility to use services that derive from corporate functions.

Providing information regarding the group governance strategy and standards to shareholders

Telekom Slovenije provides information regarding the group governance strategy and standards to shareholders at the general meeting of shareholders under the procedures and good practices for communication with shareholders.

6. Policy for transactions between the Company and affiliated companies, including their management board and supervisory board members

Telekom Slovenije carries out all transactions with related parties under market conditions. As a parent company, Telekom Slovenije sets out the Group's strategic policies aimed at achieving optimal performance.

Data regarding the value of transactions between the parent company and important subsidiaries are presented in the subsidiaries' annual reports and in the report on the relations with affiliated companies in Slovenia, if these companies are subject to audits in accordance with the Companies Act (ZGD-1).

If a significant transaction takes place between the parent company or subsidiary and a management board member or supervisory board member, the company will disclose this transaction accordingly as price-sensitive information. As required, members of the management board or other employees under their authorisation assume the function of a member in the supervisory bodies of subsidiaries.

7. Delegation of powers and responsibilities between members of management and supervisory bodies

The responsibilities and powers of members of management and supervisory boards are derived from valid legislation and Telekom Slovenije's Articles of Association, and the Management Board's and Supervisory Board's Rules of Procedure.

Management Board

The Management Board comprises five members, a president, vice-president, two members and a workers' director who is appointed in accordance with the law that governs the participation of employees in management. The term of office of a Management Board member is four years, with the option of reappointment.

A member of the Company's Management Board is appointed by the Supervisory Board which through the diligent and timely selection of new Management Board members ensures the continuity in the work of the Management Board.

The Management Board manages the Company's operations independently and at its own risk. 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. For certain decisions, as provided in detail in the Company's Articles of Association, the Management Board requires the approval of the Supervisory Board. The areas of responsibility of specific Management Board members are set out in the Rules of Procedure of the Management Board to which the Supervisory Board grants its consent.

The president of the Management Board represents the Company without limitation. Each Management Board member, except for the workers' director, represents the Company independently for the conclusion of legal transactions within the business area assigned to them by the Rules of Procedure of the Management Board. Each Management Board member manages the areas of business operation independently and at its own liability.

The workers' director represents the Company for the conclusion of transactions together with Management Board members.

The Management Board is quorate if at least half of its members are present when resolutions are adopted, except in cases where the articles of association determine that decisions are adopted unanimously (for decisions on the proposed annual report, the proposed use of distributable profit and for HR and social issues associated with employee interests).

The Management Board regularly, duly and thoroughly briefs the Supervisory Board on all material activities that relate to the Company's operations, and also notifies the latter on a quarterly basis of the planned business policy, returns from operations, risk management, credit exposure, the operations of subsidiaries and unrecoverable receivables more than one year past-due.

Supervisory Board

The Supervisory Board has nine members, six of whom are shareholder representatives and three of whom are employee representatives. Members of the Supervisory Board who are shareholder representatives are elected by the General Meeting of Shareholders via a simple majority of votes of the shareholders in attendance. Members of the Supervisory Board are elected for a period of four years and may be re-elected when their term of office expires.

When selecting candidates for Supervisory Board members diversity in terms of knowledge, skills, experience and other personal circumstances of candidates (gender, age, education, etc.) is taken into account in addition to the required level of qualifications, reputation and integrity.

When selecting candidates for members of the Management Board, the Supervisory Board also takes into account qualifications, professional knowledge, experience, personal integrity and the objective-orientation of candidates alongside the requirements and conditions provided by law and the articles of association.

When constituting the Supervisory Board, when the mandate of new members commences or when special Supervisory Board committees are appointed, the president of the Supervisory Board, aided by the organisational support of the Company's Management Board and the secretary of the Supervisory Board, will ensure the thorough initiation of Supervisory Board members.

Supervisory Board committees and their roles

The Supervisory Board has four committees: the Audit Committee, Technical Committee, HR Committee, and Committee to Monitor Strategic Projects and the Drafting of the Strategic Business Plan. The aforementioned committees discuss individual areas of expertise in accordance with their respective competences and tasks. The Supervisory Board constitutes a nomination committee on a temporary basis for specific matters.

In accordance with laws and best practices, the Supervisory Board may also appoint other committees and working bodies that discuss predetermined areas and specific issues, draft proposed resolutions for the Supervisory Board and ensure their implementation, and carry out other professional tasks, thereby supporting the work of the Supervisory Board. The Supervisory Board regularly monitors the need to form committees and working bodies. By way of a resolution on the appointment of a committee or working body, the Supervisory Board sets out the competences of the relevant committee or working body. It also includes outside members in committees and working bodies as required.

Cooperation between the Management Board and Supervisory Board

Regular communication takes place between the presidents/chairs of the Management Board and Supervisory Board, with these bodies working closely for the benefit of Telekom Slovenije, striving to achieve consensus regarding all relevant decisions. The Supervisory Board oversees the management of the Company. In addition to the competences held in accordance with the law, the Supervisory Board provides its consent to decisions adopted by the Management Board in accordance with the Company's articles of association.

8. Determination of conflicts of interest and independence of the members of the Supervisory Board and Management Board

Conflicts of interest are assessed with the help of the criteria from autonomous legal resources (e.g. business practices, customary practice and general terms and conditions), in particular the Corporate Governance Code for Joint Stock Companies (criteria for the assessment of the relevance of conflicts of interest), the Corporate Governance Code for Companies with Capital Assets of the State and valid guidelines covering conflicts of interest.

Each member of the Supervisory Board and Management Board will take all precautionary measures to avoid conflicts of interest that might influence their judgement. In accordance with the above, each member of the Supervisory Board and Management Board adopts decisions exclusively to the benefit of the Company and its shareholders, constantly being wary of circumstances that could give rise to a conflict of interest.

In the event of a conflict of interest, the relevant member of the Supervisory Board or Management Board will immediately inform the Supervisory Board thereof. If the Supervisory Board deems the matter to be a material conflict of interest, the member in question shall immediately terminate the controversial relationship; otherwise the Supervisory Board shall assess the need for the person's function as member of the Management Board or Supervisory Board to be terminated and take appropriate action.

Supervisory Board

Once a year, upon appointment and each change, each Supervisory Board member will sign and submit to the Supervisory Board a special statement in which it will take a position regarding the fulfilment of each of the criteria for independence pursuant to Appendix B to the Corporate Governance Code for Joint Stock Companies. The signed statements of members are posted on the Company's website and kept for at least 5 years after publication.

Individual members of the Supervisory Board are not bound by the opinions or directions of those who elected, proposed or appointed them.

In the event of a conflict of interest or breach of the non-compete clause which arises or could arise during the implementation or in connection with the implementation of its function, the relevant Supervisory Board member shall immediately notify other Supervisory Board members thereof.

A potential conflict of interest should be taken into account by the Supervisory Board also when drafting the list of proposed candidates for members: candidates with existing conflicts of interest that could significantly affect their decision-making will not be deemed suitable to be appointed members of the Supervisory Board.

Management Board

In the event of a conflict of interest or breach of the non-compete clause which arises or could arise during the implementation or in connection with the implementation of its function, each member of the Management Board will immediately disclose this to the Supervisory Board or request the required approval therefrom, and notify all other Management Board members thereof.

9. Supervisory Board's commitment to self-assessment

The Supervisory Board makes a commitment to self-assess its efficiency once a year and draft a report as part of the Company's annual report.

Self-assessment of the Supervisory Board includes the following activities:

- evaluation of the work of the Supervisory Board or its committees and the compilation of an opinion regarding the required improvements;
- an assessment of whether communication and cooperation between the Management Board and Supervisory Board has been appropriate;
- an assessment of the contributions of individual members, their attendance at Supervisory Board meetings, and their involvement in discussions and the decision-making process;
- verification of the existence of circumstances that may give rise to a conflict of interest or the partiality of an individual member;
- an assessment of the current Supervisory Board composition based on the needs resulting from the objectives set by the Company.

The efficiency of the Supervisory Board is assessed based on the manual governing the assessment of the efficiency of supervisory boards and the self-assessment matrix that was prepared by the Slovenian Directors' Association. Based on this assessment, the Supervisory Board drafts an action plan to improve its continued work. The Supervisory Board reports in the Company's annual report to what extent the self-assessment contributed to the changes in the functioning of the Supervisory Board.

10. Rules between the Company, including affiliated companies and their management board or supervisory board members that are not regulated by statutory regulations regarding conflicts of interest

In its operations, the Company strives for compliance at all levels of operation. To that end, it follows the strategy of mitigating compliance risks, in particular in the following areas: competition law, prevention of corruption and conflicts of interest, protection of data and prevention of money laundering.

In order to establish a compliance management system the Company put into place the relevant bodies that are responsible for the implementation of the compliance assurance function, and the adoption, implementation and maintenance of documents related to compliance and integrity. The compliance and integrity officer is responsible for implementing the compliance assurance function at Telekom Slovenije and in the Group and is independent and autonomous in its work.

In the area of compliance, the Company has adopted internal acts, i.e. the Compliance Management Policy of the Telekom Slovenije Group, the Code of Ethics of the Telekom Slovenije Group, Guidelines on Conflicts of Interest, Guidelines on Assuring Compliance with Competition Law and the Rules on the Prevention of Money Laundering and Terrorist Financing. These documents are also implemented logically by the subsidiaries in the Group. The Company has also an established system for the adoption, discussion and investigation of reported potential breaches of compliance.

The compliance and integrity officer and the Compliance Committee also have the role of an advisory body for issues relating to the fairness of operations, business activities and adoption of decisions.

11. Protection of the interests of employees at the Company

Telekom Slovenije recognises the fact that motivated and satisfied employees are vital for the successful realisation of set objectives. In that respect we reinforce the Company's organisational culture that is based on a positive atmosphere and satisfaction of employees in the workplace. In the context of being the holder of a Family-Friendly Company certificate, we ensure the right work-life balance for employees, providing them with equal opportunities for development.

Promotion of training and personnel development

Managers are provided sufficient knowledge for superior management. We introduce and upgrade management by objectives and identify and remunerate the most successful managers. Evaluation and development of competences reinforces efficiency and professionalism among employees and encourages them to seek user-friendly solutions. We carry out training programmes for employees that are primarily focused on the areas of sales, sales skills and information and communication technologies. In addition we organise training in the areas of communication with users, foreign language courses, management and teamwork, and carry out legally prescribed forms of education and training. We develop a network of mentors and internal lecturers and actively encourage the internal sharing of knowledge.

Prevention of unlawful encroachment upon the personality and dignity of employees

We create a positive atmosphere among employees and the conditions for the well-being of all employees in the workplace, rejecting any conduct that would in any way harm the dignity and personality of employees.

The Company ensures protection against mobbing in the workplace, sexual or other forms of harassment and has a policy of zero tolerance for mobbing in the workplace and in the work environment. Preventive measures against mobbing are the basis for improving the organisational culture, working atmosphere and for the Company's successful development. That is why we strive for general improvements in the psychosocial work environment and the establishment of a highly-developed cultural and value system. In the event of breaches we take action in line with the law and the Company's internal regulations.

Prevention of discrimination

Telekom Slovenije guarantees equal opportunities to all its employees regardless of gender, race, skin colour, age, state of health or disability, religious, political or other persuasion, membership of unions, nationality or social origin, family status, wealth, sexual orientation or other personal circumstance. We reject all forms of indirect or direct discrimination.

Concern for employees

Concern for employees is one of the most important elements of the Company's corporate policy and organisational culture.

The Company ensures employees a suitable working environment, taking into account the various categories of employees and the legislation governing health and safety at work (providing training regarding health and safety at work, preventive medical examinations and the securing of personal protective equipment and vaccinations for employees who are more exposed to the risk of infections in their work, etc.). A healthy lifestyle and good health is maintained and ensured through appropriate information and preventive measures and the promotion of health in the workplace.

Employee participation in management

Employees participate in the management of the Company via their representatives in the works council, the Supervisory Board and through the member of the Management Board, the workers' director. They express and implement their positions, proposals and opinions through their representatives in management bodies and trade unions. The president and members of the Management Board regularly participate in the meetings of the works council. Employees may communicate directly with all members of the Management Board, both via formal and informal meeting formats, even through emails.

The Company will continue to ensure a stimulating, creative and pleasant working environment. It will also continue to measure the organisational climate and culture. A comparative study of organisational climate and employee satisfaction identifies priority areas for improvements in the internal environment: organisation, quality, communication, interpersonal relations, governance, familiarisation with the Company's mission, vision, values and objectives, motivation, education, training and HR development, innovation, loyalty and remuneration.

12. Final provisions

The Corporate Governance Policy of Telekom Slovenije, d.d., shall enter into force on the date it is adopted by the Management Board and Supervisory Board.

Shareholders and interested parties are informed of the adoption and content of the Corporate Governance Policy through a public announcement in the SEOnet system and announcement on the Company's website www.telekom.si. The Corporate Governance Policy of Telekom Slovenije, d. d. is published in Slovene and English.

President of the Management Board:
Rudolf Skobe, MSc

President of the Supervisory Board:
Borut Jamnik