

Pursuant to the Corporate Governance Code for Joint Stock Companies, the Management Board and the Supervisory Board of Petrol d.d., Ljubljana jointly drew up and adopted, on 23<sup>rd</sup> November 2010, the

### **Corporate Governance Policy of Petrol d.d., Ljubljana**

which defines key corporate governance directions based on the company's long-term goals, and whereby, pursuant to the applicable legal and statutory provisions, they commit to manage and supervise the company, and publicly disclose their management and supervision policies.

The Management Board and the Supervisory Board hereby publicly disclose their supervision and management policies to be applied from the date of adoption of this document to the date of its respective amendments. This document is available on the company's website; its updated versions, including current corporate governance policies, will also comprise the date of last update.

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#### **1. Key Governance Policies**

The Petrol Group is an actual business concern consisting of the parent company Petrol d.d., Ljubljana and its subsidiaries, jointly controlled and associated companies located in Central and South-Eastern European countries. Among the activities of the companies within the Group, the most significant is the sale of petroleum products. The Group is also engaged in energy supply, trade, environmental activities, etc. (more details available on [www.petrol.si](http://www.petrol.si)).

The governance policies are in harmony with the vision, mission, values and strategies defined in business plans and other company documents, which reflect the Petrol Group as a vehicle for development and quality having a significant impact on the wider society and all stakeholders.

Petrol d.d., Ljubljana has the following bodies: the Management Board, the Supervisory Board and the General Assembly.

The company follows a two-tier system of governance, pursuant to which it is governed by the Management Board and supervised by the Supervisory Board.

## **2. Reference to the applicable Corporate Governance Code**

The Company is governed in accordance with the Corporate Governance Code for Joint Stock Companies, jointly drawn up and adopted by the Ljubljana Stock Exchange, the Slovenian Association of Supervisory Board Members and the Managers' Association on 18<sup>th</sup> March, 2004, and amended on 14<sup>th</sup> December, 2005 and 5<sup>th</sup> February, 2007. The revised Code was adopted on 8<sup>th</sup> December, 2009 and came into effect on 1<sup>st</sup> January, 2010. The Code is available in Slovene and English on the website of the Ljubljana Stock Exchange: <http://www.ljse.si/>.

## **3. Stakeholder Groups and the Strategy for Communication and Co-operation with Stakeholders**

The key interest groups of Petrol d.d., Ljubljana are the company's employees, shareholders, analysts, customers, suppliers, creditors, local and wider communities, state authorities, subsidiaries and the media.

### **3.1. Employees**

Petrol has committed itself to taking care for its employees by carrying out a variety of activities through which company values, organisational culture and stable organisational climate are strengthened and maintained.

Motivated and devoted employees significantly contribute to the competitive advantage of a company; they are the key factor for its success. At Petrol, we are aware that adequate communication can contribute a lot to the good work atmosphere and employee motivation. For this purpose, various activities are carried out which enable constructive and creative co-operation and transfer of information to the employees. The employees are regularly informed of the developments in the markets and industries we cover, about business activities and events taking place in the companies within the Petrol Group.

Communication with the employees takes place in different ways and at different levels:

- at **Petrol's development conferences**, the company's development strategy, its goals and business results achieved in particular periods are presented to the broad base of employees who then pass this information on to all other employees;
- after regular monthly or weekly **meetings and sessions**, the participants interactively communicate to the employees information related to their daily work;
- at **extended management meetings, retail and wholesale meetings**, the management discusses business operations with the employees and gives them other relevant information;

- on the **internal website** (intranet), various notices are published, as well as internal announcements and invitations for the employees and their family members;
- communication also takes place through an **internal newsletter** that appears monthly, **notices on the bulletin board**, and through **electronic communication** of information to the employees relevant to their work;
- within the **annual organisational climate and job satisfaction survey**, the managers exchange views with the employees and reply to their questions and suggestions;
- at **internal training programmes**, the employees get information about business processes, the company's vision, strategy and goals, operating systems and various tools for quality, efficient and safe work, good internal business practices and practices implemented by successful companies. The employees participate actively and give their suggestions;
- on the occasion of **regular annual conversations**, the managers have individual talks with their employees regarding their career goals and development;
- communication with employees also takes place **through employee representatives**: the Works Council, Trade Union, Employee Director.

### 3.2. Shareholders

The company ensures the governance system that respects the principle of equal treatment of shareholders and fosters a responsible enforcement of shareholder rights. The basic goal of the joint stock company is to ensure long-term value maximization and long-term value creation for shareholders, taking into account the social and environmental aspects of business operations.

The company's shareholder policy is based on the long-term maximisation of shareholder returns and is one of the cornerstones of Petrol's development strategy. The company ensures stable dividend policy based on the balance between dividend yields and the use of free cash flow to finance investments of the Petrol Group. This enables long-term growth and long-term maximization of shareholder value.

The company has set up a manner of informing the public which enables equal, timely and economical access to all relevant information for both the shareholders and the public. In such a manner, Petrol builds the shareholders' trust in the company. Petrol communicates regularly and comprehensively with existing and potential shareholders, both minor and institutional investors, in the manner described below.

Forms of communication with shareholders:

- general meetings, including the organisation or participation in the organised collection of proxy notices for voting at general meetings; upon convening of a general meeting the following e-mail address is available: [skupscina@petrol.si](mailto:skupscina@petrol.si);
- meetings at the company's headquarters;
- participation of the company's representatives in investor conferences taking place in Slovenia and abroad;

- individual meetings, telephone conversations and telephone conferences with investors and analysts following the announcement of periodic operating results and other important business events;
- press conferences following the announcement of operating results and other important corporate or other events;
- communication with the financial media;
- electronic information system of the Ljubljana Stock Exchange - SEOnet,
- special Petrol's e-mail address for investors: [investitorji.informacije@petrol.si](mailto:investitorji.informacije@petrol.si),
- Petrol's website [www.petrol.si](http://www.petrol.si), including a special section »investors«;
- communication with the interested public through the company's newsletter.

### **3.3. Financial Analysts**

Financial analysts are among the key groups of the professional financial public. Their professional contributions appear in different media and on specialised information systems of the leading financial data suppliers, thus influencing public opinion. Publicly available analyses, forecasts and recommendations prepared by particular financial institutions may have an essential impact on decision-making as regards the purchase or sale of a particular security. The Investment Relations Department is responsible for communication with analysts. The members of the Management Board generally attend all important meetings with financial analysts.

### **3.4. Customers**

At Petrol, we are aware that our relationship with the customer is a key lever for the company's business success. This relationship has been upgraded by the quality of our products and services. We follow our vision of providing a comprehensive supply of energy products and services. It is self-evident that customers who are satisfied with the level of services attract new customers - we can claim that we are among the leading companies setting milestones and performance standards. Through our employees' personal approach, not only our wholesale customers, to whom we devote special attention, but also each final consumer becomes part of the big »Petrol family« which comprises, due to the wide range of products and services offered and due to the type of our business, practically the entire population in the markets in which we operate.

It is needless to say that both through personal contacts of our trained sales representatives and through the media we pass on to our customers all relevant information in connection with the quality of our fuels and efficient energy use.

### **3.5. Suppliers**

Petrol selects its suppliers endeavouring to develop a proper and long-lasting business partnership. We aim to secure reliable supplies of quality products and services at appropriate prices and under appropriate terms. We communicate with our suppliers introducing innovative processes and using contemporary applications

and technologies. In such a way we enable the rationalization of supply routes and provide high quality and reliability of the entire supply chain.

### **3.6. Creditors**

When dealing with creditors, Petrol strictly keeps to the principles that stimulate our creditors' interest in a long-term and stable co-operation. Notable among these principles of good business practice are the following: we pay all obligations within legal and contractual deadlines, in order to maintain our company's reputation we do not pledge our real or other assets as payment security, our suppliers are in principle ready to sell their products and services without using financial instruments to secure payments, etc.

Through careful cash-flow planning and maintaining optimal capital structure, we maintain short-term and long-term liquidity which allows us to meet responsibly our obligations towards our creditors.

Our long-standing activities and good business practices rank us among reliable partners, attractive also for new customers; this enables us to achieve competitive price, payment and credit terms.

### **3.7. Local and Wider Community**

Due to the nature of their operations, Petrol and the companies within the Petrol Group are fully integrated into the daily rhythm of many local communities and the wider community. Through sponsorships, donations and other, economic forms of co-operation, we support a wide range of scientific, educational, cultural and sports activities, as well as environmental and humanitarian projects. We pursue mutual objectives by practicing open dialogue and exchange of views.

### **3.8. State authorities**

As regards our co-operation with the state authorities, we strive to establish a mutual professional relationship which allows all participants to carry out their functions and tasks in a fast and efficient manner.

### **3.9. The Media**

We continuously build and maintain relationships with all kinds of media and their journalists, following the principles of proactive and two-way flow of communication. Through proactive communication, we dictate the communication tempo, pursuing our goal to supply all required information to the media directly, accurately and in the shortest time possible, so that they are always able to inform the interested public in due time. At Petrol, we continuously monitor media coverage; this enables our timely perception of public interests and creation of suitable communication programmes.

The key objective of Petrol d.d., Ljubljana as regards its communication with the media is to present the activities of the company to the public and to build and maintain the company's and its management's reputation, primarily through its appropriate, stable and long-term dialogue with the media / press.

All communication with the media, carried out through the Public Relations Department, is targeted and focused.

### **3.10. Subsidiaries**

Subsidiaries are the companies within the Petrol Group that are 100 percent owned by Petrol d.d., Ljubljana. Each Annual Report of the Petrol Group and Petrol d.d., Ljubljana comprises an organisational chart of the Group with its subsidiaries, jointly controlled and associated companies. Communication with the subsidiaries is described in Clause 4 herein.

## **4. Ways to Introduce the Group's Governance Strategy and Standards to Subsidiaries and Shareholders**

The subsidiaries within the Petrol Group operate in accordance with the local legislation, contractual business relations, and, as far as governance is concerned, the parent company's governance policy.

In the scope of opportunities permitted by the local legislation, the parent company endeavours to set high governance and business standards for itself and its subsidiaries. The parent company offers its subsidiaries a possibility to use corporate function services.

Financial standards for the Group are defined in a relevant Handbook of financial management and monitoring of operations of the companies within the Petrol Group.

The ways to introduce governance strategy and standards to shareholders are also evident from other parts of this document, particularly from Clause 3, which, inter alia, defines the ways and forms of communication with shareholders.

## **5. Policies of Transactions between the Company and Associated Companies Including their Management Board and Supervisory Board Members**

The subsidiaries within the Petrol Group engage in business operations with the parent company and other companies within the Group on a commercial basis. In their Annual Reports each subsidiary declares that no loss or damage was caused to it in connection with such transactions. Each subsidiary also states that no actions were committed or omitted on the initiative or in the interest of the parent company or any of its associated companies. More details about the value any type of transactions with the parent company or its associated companies are also presented in the financial section of each subsidiary's Annual Report.

Should any significant transaction take place between the company or its associated company and a member of the Management or Supervisory Board, the company discloses such information in an appropriate way as price sensitive information.

Some members of the Management Board and the parent company's senior "management" employees can, if necessary, act as members of the supervisory bodies of subsidiary companies.

## **6. Commitment to Set up a System to Identify Conflict of Interests and Independence of Management/Supervisory Board Members**

Members of the Supervisory Board and Management Board will implement all precautionary measures to avoid any conflict of interests which might affect their judgement.

**The Supervisory Board:** Since any potential or obvious conflict of interests may constitute grounds for termination of a member's office, all members of the Supervisory Board are aware of their responsibility to inform the Supervisory Board of such conflicts of interests. The Supervisory Board as a supervisory body undertakes to consider any potential conflict of interests when selecting candidates for members of the Supervisory Board, and in the case of doubt to identify any potential conflict of interests in accordance with the required diligence. Members of the Supervisory Board are also aware that in performing their function they do not depend on the opinions and instructions of those who have proposed or appointed them, but assume full responsibility for performing their function. Members of the Supervisory Board sign an annual statement on potential conflict of interests in which they take a position with respect to all independence criteria.

**The Management Board:** Any member of the Management Board is obliged to disclose immediately to the Supervisory Board any potential conflict of interests and to inform other members of the Management Board. The Supervisory Board then assesses whether such conflict of interests may constitute grounds for the termination of the relevant member's office.

## **7. Supervisory Board's Commitment to Evaluate its own Performance**

In its resolution, the Supervisory Board has committed itself to undertaking an evaluation of its own performance and efficiency in the following manner: to assess the quality of the Supervisory Board's and its committees' work and to propose improvements, to examine the adequacy of its communication and co-operation with the Management Board, to assess each member's contribution and to examine whether there are circumstances with respect to each member which could result in a conflict of interests, and to assess the quality of the current composition of the Supervisory Board with respect to the requirements of efficient supervision.

## **8. Statement on Supervisory Board Committees**

The Supervisory Board may set up special committees in accordance with the Rules of the Supervisory Board of Petrol d.d., Ljubljana. Such committees may be set up to prepare proposals, decisions, views and opinions which the Supervisory Board needs for its work and decision-making. Such committees may be either the committees established in accordance with compulsory regulations (for example an audit committee) or committees for which the Supervisory Board assesses that their establishment is necessary or reasonable for the efficient work of this supervisory body of the joint stock company. In addition to the audit committee which carries out the majority of expert work in connection with the Supervisory Board's activities (draws up proposals, views and opinions), the Supervisory Board also establishes a committee responsible for personnel issues and evaluation of the Management Board's work. In the case of need to nominate new members of the Supervisory Board, the Supervisory Board establishes a nomination committee, and other appropriate committees responsible for analysing other issues.

When setting up a committee, the Supervisory Board carefully considers its optimum composition as regards the number of its members and their abilities to contribute to the Supervisory Board's work.

## **9. Definition of the Governance System**

The company is managed by the Management Board whose work is supervised by the Supervisory Board. The Management Board and the Supervisory Board work closely together. The company's Articles of Association, as a fundamental legal act, complement the compulsory statutory provisions and define in more detail the division of responsibilities and co-operation between the Management Board and the Supervisory Board. The Articles of Association of Petrol d.d., Ljubljana are available in Slovene and English on the company's website <http://www.petrol.si/>. The work of these bodies is also directed by the provisions of their valid rules of procedure.

In adopting decisions of utmost importance which may significantly affect the company's business, financial and legal position, its legal representatives must obtain the Supervisory Board's approval.

The presidents of both bodies engage in regular communication with one another; the Management Board and the Supervisory Board coordinate their views at regular meetings or extraordinary meetings of the Supervisory Board. The expected dates of regular meetings are provided in the company's financial calendar.

The Management Board governs the company independently and on its own responsibility, acting in accordance with the adopted strategy and business plans.

The shareholders exercise their rights in respect of the company at general meetings of shareholders.

## **10. Communication and Information Disclosure Strategies**



Communication activities are aimed at supporting the company's business strategy. Communication with the above-defined stakeholders is based on the following core values of companies and the society as a whole: openness, pro-activeness and fairness, and is aimed at establishing and maintaining the company's and its bodies' reputation. The company sets up a manner of informing that provides for timely access to all relevant information, in a desired and intelligible form, to the target public. The company strives to maintain appropriate, stable and long-term relationship with individual stakeholders. We are aware that in doing so we contribute to promotion which is difficult to measure yet it adds to the maximization of all moral and material values of the company.

Communication is carried out with the purpose of controlled and targeted sending of unified information through established communication channels. The company follows the highest standards with regard to publishing company reports as defined by legal norms and respective requirements and recommendations of the stock exchange.

## **11. Protection of Employee Interests**

At Petrol, we are aware that only motivated and satisfied employees are able to achieve highly set goals and contribute to the company's business success. We wish to create positive climate and work satisfaction and to set up a family-friendly company.

In accordance with the international directions and in the context of social responsibility we are the recipients of the "Family-Friendly Company" certificate. In this regard, we have adopted a number of measures aimed at reconciliation of work and private life.

Our employees are offered jobs in domestic and international environment and are encouraged to pursue professional development and personal growth through training. We promote the idea of a learning company. The employees took part in training programmes organised internally as well as in various educational institutions in Slovenia and abroad. Training is carried out in all professional and technical areas we cover and intend to cover in the future. We also organise training in management skills, personal growth, contemporary information technology, quality and safety at work and foreign languages.

The employees express and exercise their opinions, ideas and views through Employee Director and through their representatives in the Works Council and Trade Union. Chairman of the Management Board or Board Members regularly attend meetings of the Works Council. The employees may communicate with them directly: formally at business meetings and informally at social events, and also through internal electronic mail.

As regards the prevention of discrimination and infringement of employee personality and dignity, the company ensures that at least the standards of conduct defined by law and the Constitution are adhered to.

## **12. Final Provisions**

The Corporate Governance Policy comes into force as of the date of its adoption and represents a description of the current manner of the company's governance to remain effective until amended. The shareholders and interested public will be informed of its adoption and contents through a public announcement in Slovene and English on the SEOnet system and on the company website [www.petrol .si](http://www.petrol.si).

Aleksander Svetelšek  
Chairman of the Management Board

Tomaž Kuntarič  
President of the Supervisory Board

Marija Lah  
Member of the Management Board

Roman Dobnikar  
Member of the Management Board

Janez Živko  
Member of the Management Board

Rok Vodnik  
Member of the Management Board