

Pursuant to Article 20 of the Articles of Association of the company Gorenje, d.d., its Supervisory Board has adopted on its meeting on 23rd November 2011 the

RULES OF PROCEDURE

FOR THE SUPERVISORY BOARD OF THE COMPANY

Gorenje, d. d.

I. General provisions

Article 1

Pursuant to the Companies Act (ZGD-1-UPB3; hereinafter referred to as Companies Act), Corporate Governance Code for Publicly Traded Companies, company Articles of Association, and the company Corporate Governance Policy, these Rules of Procedure define the methods and organization of work and activities of the Supervisory Board of the joint stock company Gorenje.

II. Principles of operation

Article 2

Supervisory Board members shall adopt their decisions independently. In their work, they shall not be bound by any policies or instructions provided by the body by which they were appointed or by the company shareholders.

Supervisory Board members shall act with the diligence of a good manager, responsibly and honestly. They shall abide by the principle of loyalty to the company and treat equally all shareholders under equal conditions.

III. Supervisory Board responsibilities

Article 3

The Supervisory Board shall supervise company operations throughout the business year, actively take part in defining the Management Policy and managerial relationships within the companies, diligently evaluate the work of the company Management Board, and exercise and perform other rights and duties as provided by the Companies Act, Articles of Association, and these Rules of Procedure.

Provisions of the Companies Act regarding the responsibilities and powers of the Supervisory Board, and any provisions of the Articles of Association regarding the Supervisory Board, shall be applied directly.

Article 4

The Supervisory Board shall pursue its supervisory role by reviewing and discussing the Management Board reports on the following issues:

- planned business policy and other general issues regarding the principles of operation;
- company performance / profitability, particularly return on equity;
- financial position of the company;
- risk management;
- transactions that may bear a major effect on company returns and solvency;
- human resources development;
- other operative issues regarding the company and companies associated to it.

Furthermore, the Supervisory Board shall perform other tasks, in particular the following:

- appointing the Management Board President and deciding on his dismissal;
- based on the Management Board President's proposal, appointing Management Board members, and deciding on their dismissal;
- defining the criteria for signing managerial contracts and for the amount of compensation paid to the Management Board President and members;
- if deemed necessary, convening the Shareholders Assembly;
- proposing the company auditor to the Shareholders Assembly;
- proposing resolutions to the Shareholders Assembly, pursuant to relevant legislation;
- approving interim dividend payment;
- amending and consolidating the wording of the company Articles of Association following an amendment adopted at a Shareholders Assembly;
- adopting the Annual Report;
- requiring, if deemed necessary, as a collective organ, information from the Management Board;
- appoints different committees or bodies of the Supervisory Board;
- performing other tasks.

Individual members of the Supervisory Board may ask for information through the Chairman of the Supervisory Board or Audit Committee. In case the Chairman of the Supervisory Board or Audit Committee decides to forward information, such information have to be forwarded to all Supervisory Board members.

Article 5

As a collective body of governance, the Supervisory Board may, if required to perform their supervisory function, review and audit the ledgers and company documentation, cash holdings, securities, inventories of goods, and other assets.

The Supervisory Board may, as a collective body of governance, request from the Management Board any information required to perform the supervisory function. The Management Board shall submit the requested information to the Supervisory Board as a body of governance.

Article 6

Managing company operations and business affairs cannot be transferred or delegated to the Supervisory Board.

Article 7

Powers, rights, and responsibilities of the Supervisory Board members cannot be delegated to individual members nor to any committee or board.

IV. Supervisory Board composition

Article 8

Pursuant to the company Articles of Association, the Supervisory Board shall consist of ten members.

The Supervisory Board shall be composed in such manner that appropriate supervision and decision making are provided to the benefit of the company. The members should possess fitting and mutually complementing professional and expert knowledge and skills.

Article 9

Six Supervisory Board members representing the interests of the shareholders shall be appointed by the Shareholders Assembly. The appointment proposal, submitted to the Shareholders Assembly by the Supervisory Board, should include at least one half of independent members. Independent members shall be deemed to be those persons whose decisions and actions are independent, and who are not in close economic relation to the company, the company Management Board, or any major shareholders. Furthermore, personal integrity and business ethics of the member candidate shall be taken into account, as well as the capacity to focus in their actions and decisions on the long-term interest of the company which should always be given priority over any other personal or individual interests of any third party; adequate amount of time available to perform the duties; the skill

of efficient communication and teamwork; and willingness for continuous training and professional development.

Article 10

Four Supervisory Board members representing the interests of the workers shall be elected by the Works Council, pursuant to the Worker Participation in Management Act and any rules regulating the activities of the Works Council. The Works Council shall inform the Shareholders Assembly about the appointment of Supervisory Board members.

Article 11

Any person with legal capacity / capacity to contract may be a Supervisory Board member, except in the following cases:

- if such person is already a member of another body of governance (managerial or supervisory) of this company;
- if such person has been finally convicted (*res iudicata*) for a criminal offence constituting economic or business crime, a criminal offence against employment relationship and social security, against legal proceedings, property, environment, space, and natural resources. Such person may not be a Supervisory Board member with a period of five years following the final judgment and two years following the completed prison sentence.
- if a security measure of temporary restriction / suspension from performing the duty is in effect for such person, for the duration of the suspension;
- if such person was a member of a managerial or supervisory body of a company in which bankruptcy or receivership proceedings were instituted, and he or she was finally convicted to payment of damages to the creditors, pursuant to the provisions of the relevant legislation governing financial operations of the companies and responsibility for damages; this restriction shall apply two years after the final judgement;
- if such person is a Management Board or Supervisory Board member at subsidiary to the company;
- if such person is an officer with statutory authority of this company;
- if such person is a Management Board member at another corporation at which a member of this company's Management Board is a Supervisory Board member;
- if such person is a Supervisory Board or a Management Board member at three other companies.

Article 12

Supervisory Board members shall be appointed for a term of four years. They can be re-elected an indefinite number of times. Proposal for appointment of Supervisory Board members representing the interests of the shareholders shall be submitted to the Shareholders Assembly by the incumbent Supervisory Board.

Article 13

The Shareholders Assembly may dismiss a Supervisory Board before the end of his or her term. The resolution on dismissal of a Supervisory Board member requires at least three quarters (3/4) of the votes cast.

Article 14

Election for a substitute Supervisory Board member shall be held for the remainder of the Supervisory Board's term, unless the Shareholders Assembly decide otherwise with a separate resolution.

V. Supervisory Board Chairperson

Article 15

At the first meeting, Supervisory Board members shall appoint the Supervisory Board Chairperson among the members representing the interests of the shareholders, and one or several deputy chairpersons. Deputy Chairperson shall have all powers and authorizations of the Supervisory Board Chairperson in case of the latter's absence. If the Supervisory Board has more than one Deputy Chairpersons, in case of the Supervisory Board Chairperson's absence, primarily Deputy Chairperson that represents the interest of employees and in case of his absence, secondarily, Deputy Chairperson that represents the interests of shareholders shall have all powers and authorisations of the Supervisory Board Chairperson.

Supervisory Board Chairperson shall be elected for the entire term of a Supervisory Board, unless the Supervisory Board expressly decides otherwise.

If the Chairperson or their deputy should resign prematurely from the Supervisory Board, a meeting must be immediately convened at which replacement elections shall be held.

Article 16

Supervisory Board Chairperson shall represent the joint stock company in relations with the Management Board, Supervisory Board members, and third parties.

Supervisory Board Chairperson shall be the only person to give statements with respect to the will and position of the Supervisory Board and its committees, regarding any third parties. If the Chairperson is absent, such sole responsibility and power shall be assumed by the Deputy Chairperson, unless the Supervisory Board decides otherwise with a separate decision.

Supervisory Board Chairperson shall steer and coordinate the work of the Supervisory Board, which shall include the following:

- convening Supervisory Board meetings and presiding over them;

- deciding on invitations to any other persons beside the Supervisory Board members to attend the Supervisory Board meetings;
- being in charge of the process and smooth progress of the meeting, inviting individual Supervisory Board members and any other persons present at the meeting to speak;
- if required, compiling the wording of the resolutions to be adopted by the Supervisory Board;
- making sure there is enough time for deliberation and discussion before a decision is adopted;
- identifying and announcing the results of the vote on particular resolutions voted on by the Supervisory Board;
- signing Supervisory Board resolutions, meeting minutes, and any other documents based on the Supervisory Board meeting progress;
- supervising the implementation of the Supervisory Board resolutions;
- disclosing the Supervisory Board's work to the public and reporting to other bodies of the company;
- making sure all legislation, the Articles of Association, Shareholders Assembly resolutions and other general acts of the company are duly observed in the Supervisory Board's work.

In case of absence of the Supervisory Board Chairperson, all powers and duties listed above shall be assigned to the Deputy Chairperson. In case of absence of also all Deputy Chairpersons, all powers and duties listed about shall be assigned to the eldest present member of the Supervisory Board.

Article 17

When preparing a Supervisory Board meeting, the Supervisory Board Chairperson shall cooperate with the Management Board.

The Supervisory Board Chairperson shall consult the Management Board President on the strategy, development of operations, and risk management at the company. The Supervisory Board shall discuss at least once a year or such other periods that are resolved, the company strategy and any needs for its amendment or adjustment to the current economic conditions.

If required, the Supervisory Board Chairperson shall convene an extraordinary Supervisory Board meeting.

Article 18

Supervisory Board Chairperson shall motivate the Supervisory Board members to perform their duties efficiently and proactively.

In case of repeated unjustified absence of a Supervisory Board member, or major or repeated breach of the member's duties, the Supervisory Board Chairperson shall notify the

Shareholders Assembly or the Works Council and propose dismissal and replacement of such member. As a justified absence, duties that cannot be delayed and force majeure are meant.

VI. Convocation of Supervisory Board meetings

Article 19

Supervisory Board members shall make their decisions at the Supervisory Board meetings. Meetings are generally held at the company headquarters; pursuant to the Supervisory Board policy, meetings can also be held elsewhere if there is justifiable reason to do so (e.g. learning about organizational units and company operations).

Article 20

Supervisory Board meeting must be convened at least once per quarter. The Supervisory Board shall plan its meetings consistently with the adopted annual time schedule / Work Plan wherein the dates of meetings and key issues to be discussed regarding company operations are precisely defined.

Article 21

Supervisory Board meetings shall be convened by the Supervisory Board Chairperson consistently with the Work Plan defined in the previous Article. In case of the Chairperson's absence, the meeting shall be convened by the Deputy Chairperson.

Each Supervisory Board member shall have the right to request that the Chairperson immediately convene a Supervisory Board meeting. When filing such request, the initiator shall state and explain the reasons for the convocation of the meeting. The meeting shall take place within two weeks after the request has been filed.

If the Chairperson fails to acknowledge a request such as described in the previous paragraph, at least two Supervisory Board members shall have the right to convene the Supervisory Board meeting instead and propose the meeting agenda.

Article 22

The first Supervisory Board meeting at which the Supervisory Board Chairperson is to be elected shall be convened by the eldest Supervisory Board member. As a rule, this meeting is only attended by the Supervisory Board members.

Article 23

Supervisory Board Chairperson shall send written invitation by registered mail to the most recent known address of each Supervisory Board member no later than eight (8) days before the Supervisory Board meeting. Attached to the invitations should be the proposed agenda

and resolution proposals including the information on the proposing party, as well as any material, reports, and explanations for particular items of the agenda, if necessary.

The Supervisory Board shall send the materials and invitations / convocation by registered mail. In urgent cases, information or telecommunication technology may also be used; however, all Supervisory Board members should be submitted the materials and the invitations using the same means.

Article 24

Supervisory Board Chairperson may, in urgent cases requiring instant decision, convene a meeting by telephone. In such cases when material could not be compiled by the beginning of the meeting, oral reports shall be resorted to, or the materials shall be handed out at the meeting.

VII. Attendance

Article 25

As a general rule, Supervisory Board meetings shall only be attended by the Supervisory Board members and Management Board members. When the Supervisory Board meeting agenda includes discussing compensation for the Management Board members and their evaluation, Management Board members shall normally not be invited.

Regardless of the provision in the previous paragraph, the Supervisory Board Chairperson may invite experts or reporters to discussion of a particular issue or agenda items. Invited Supervisory Board meeting participants should sign a confidentiality statement and statement on protecting confidentiality of information and trade secrets prior to the meeting.

The Supervisory Board shall adopt a decision on whether individual issues are to be discussed in a closed session at which only Supervisory Board members shall be present.

Article 26

Supervisory Board members shall have the right and the duty to attend Supervisory Board meetings and to actively take part in defining and adopting decisions. Supervisory Board members are expected to attend all (100 %) meetings.

A Supervisory Board member who is justifiably unable to attend a meeting shall inform the Supervisory Board Chairperson or Deputy Chairperson about his or her absence in a timely manner.

VIII. Supervisory Board meeting agenda

Article 27

Meeting agenda shall be defined by the Supervisory Board Chairperson; in case of the Chairperson's absence, it shall be defined by the Deputy Chairperson, based on the Work Plan, information on the position and operations of the company, and taking into account any suggestions by the Supervisory Board and the Management Board.

The agenda may also be extended at the meeting, if such amendment to the agenda is submitted in writing including appropriate explanation and proposal of resolutions, and if none of the Supervisory Board members is opposed to such amendment.

The last item of the agenda is commonly intended for raising questions and submitting proposals by the Supervisory Board members with regard to the Supervisory Board activities.

IX. Meeting procedure

Article 28

Initially, the person presiding over the meeting shall, assisted by the Supervisory Board Secretary, establish whether quorum is reached; subsequently, the person presiding is in charge of smooth progress of the meeting.

To reach quorum, the Supervisory Board meeting must be convened in compliance with all relevant legislation and Rules of Procedure and if at least one half of all members are present. At least one of the present Supervisory Board members should be the representative of the employees. The Supervisory Board may adopt valid resolutions without the presence of members representing the interests of the workers, if the Works Council fails to elect them or if the Shareholders Assembly was not notified of their election.

In establishing quorum, the members of Supervisory Board who do not have the right to participate in decisions on particular items of the agenda because such items may be related to them, shall also be accounted for.

If quorum is not reached, the another meeting must be reconvened as early as possible, with the same agenda.

Article 29

After establishing quorum of the Supervisory Board, the Chairperson shall propose for adoption the meeting agenda, through a public vote.

Then, the Supervisory Board shall discuss the items of the agenda, one by one. Before discussing the agenda, the Supervisory Board shall also adopt the minutes of the most recent Supervisory Board meeting and discuss the implementation of the resolutions adopted at such

meeting. Supervisory Board members have the right to submit objections or comments to the minutes, either in writing or orally. The Supervisory Board shall decide on the objections and comments to the meeting minutes.

Following the introductory report or explanation to a particular item of the agenda, the Supervisory Board Chairperson shall start a discussion in which Supervisory Board members shall take part in the same order in which they requested to speak. Any experts or reporters present at the meeting to clarify the company positions or provide answers to any questions posed, may also take part in the discussion, if this is found to be beneficial to the discussion and subject to permission by the Supervisory Board Chairperson.

Article 30

Each speaker may only discuss the contents of the agenda or issues in direct relation to such contents. If the speaker digresses from the subject matter, the Chairperson shall warn him or her. The Supervisory Board Chairperson is entitled to interrupt the speaker who disregards the Chairperson's warning or exceeds the allowed time for discussion.

Article 31

Supervisory Board and Management Board members shall be required to participate in the discussion in compliance with expected cultural standards, respecting differences in opinion and observing the corporate culture.

Insults, physical or verbal assaults, cases when the speaker's account is evidently untruthful or when the speaker is calling to disorder or trying in other ways to disrupt the progress, of the meeting, the Supervisory Board member may be removed from the session.

Removal from the Supervisory Board meeting is subject to a decision by the Supervisory Board Chairperson.

Article 32

After the discussion on a particular agenda item is completed, the Supervisory Board Chairperson shall propose a resolution for vote.

The Chairperson shall define the wording of the resolutions of the proposals submitted in writing are amended or if new proposals are submitted during the meeting.

Each Supervisory Board member shall have the right to propose the wording of the resolution. The Supervisory Board Chairperson shall propose any such resolution for voting if it is supported by at least one other Supervisory Board member.

If there are multiple proposed resolutions to a single agenda item, the Supervisory Board Chairperson shall decide on the sequence of voting. In case of any objections, the sequence of voting shall be decided on by the entire Supervisory Board.

X. Voting method and decision-making

Article 33

The Supervisory Board shall adopt the resolutions with simple majority of the votes cast.

Voting takes place openly (publicly), by raising hands. Each Supervisory Board member has one vote. The vote can only be either "For" or "Against".

A Supervisory Board member shall not take part in decisions on any issues related to him or her.

In case of an equal number of votes, the vote of the Supervisory Board Chairperson shall decide the result. If the meeting is presided over by a Deputy Chairperson, his or her vote shall decide.

Article 34

Exceptionally, a secret ballot may be held, subject to decision by the majority of the Supervisory Board members. Every Supervisory Board member can propose a secret ballot.

Secret ballot must be carried out in an appropriate manner that provides secrecy of each individual member's decision or vote, while still allowing to review each member's decision at a later time in case of damage liability on the part of a Supervisory Board member.

Article 35

A Supervisory Board member not present at the meeting may take part in the vote by submitting his or her vote or decision in writing, normally to the Supervisory Board Chairperson, or to another Supervisory Board member.

Article 36

The result of the vote shall be established by the Supervisory Board Chairperson and entered into the meeting minutes.

The resolution shall be deemed adopted as of the moment it is adopted at the meeting.

The resolution shall be effective as of the moment it is adopted at the meeting, unless the resolution provides otherwise.

If a resolution is adopted at a correspondence meeting, it shall be deemed adopted if majority of the votes cast were in favour of the proposal, under the condition that the majority of total votes were cast.

XI. Interruption of the meeting

Article 37

A Supervisory Board meeting may be interrupted by the person presiding over it or by a decision by the majority of the Supervisory Board members, if this is deemed necessary in order to provide quorum in cases when individual members of the Supervisory Board have left the session.

A Supervisory Board meeting may also be interrupted by the person presiding or by a decision by the majority of the Supervisory Board members, if this is deemed appropriate to allow further consulting or obtaining new information and materials.

XII. Language

Article 38

Supervisory Board meetings shall be held in Slovenian or English language.

Simultaneous interpreting shall be provided for those Supervisory Board members who do not speak either Slovenian or English.

Consistently with the above paragraph, all materials related to the convocation of the Supervisory Board meeting, as well as all resolutions, reports, minutes, and all other documentation required by the Supervisory Board members for their activity and decision-making at the Supervisory Board meetings, shall be handed out in both Slovenian and English. The documentation in English shall be a true translation of Slovenian originals.

XIII. Correspondence meeting

Article 39

In case of absence of Supervisory Board members or when adoption of a decision is urgent, the Supervisory Board Chairperson may also decide to convene a correspondence meeting, subject to consent by the majority of the Supervisory Board members.

A correspondence meeting shall be carried out in writing – by mail, electronic mail; by phone; by fax; or using other similar technical means that provide equal information and equal grounds for decision-making to all Supervisory Board members.

The convocation of the correspondence meeting must also include the reason for convening the correspondence meeting, the deadline by which the meeting shall be completed, or the date and time by which Supervisory Board members are required to cast their votes.

A resolution discussed and voted on at a correspondence meeting shall be deemed adopted when the required majority of the Supervisory Board members adopts and submits their decision, i.e. casts their votes.

A record of such decision-making process shall be compiled and submitted to all Supervisory Board members.

The Supervisory Board Chairperson or the person proposing the resolution is required to report about the reasons for convening a correspondence meeting and the first ensuing regular meeting.

XIV. Meeting minutes

Article 40

Minutes of the Supervisory Board meeting shall be kept. Compiling the meeting minutes is the responsibility of the Supervisory Board Secretary.

In order to avoid any ambiguities with regard to contents and language, Supervisory Board meetings shall also be taped (recorded using voice recording equipment), unless the Supervisory Board decides otherwise. After confirming the minutes on the next meeting of the Supervisory Board, the tape shall be destroyed.

Article 41

Meeting minutes must include the following information:

- consecutive number of the meeting and presence of Supervisory Board members;
- first and last names of reporters and any other persons invited to the meeting, and their functions or capacities;
- place, date, and time of the Supervisory Board meeting or the date of the correspondence meeting of the Supervisory Board;
- agenda, including any changes and amendments adopted;
- concise contents of the discussions by the Supervisory Board Chairperson and members on each item of the agenda, or any other persons attending the meeting;
- resolutions and results of the votes, including information on individual votes of each Supervisory Board member, as announced by the Supervisory Board Chairperson for each item of the agenda;
- statements, explanations, and objections by individual Supervisory Board members or Management Board members that were requested to be entered into the minutes;
- indication of the level of confidentiality of respective Supervisory Board resolutions and the minutes.

Article 42

Supervisory Board resolution shall be entered into the minutes in the form and contents in which it was adopted at the meeting. Adopted Supervisory Board resolutions shall be numbered accordingly.

If the final wording of a resolution could not be defined at the meeting, the Supervisory Board shall appoint a three-member committee in charge of completing the resolution.

Article 43

Documentation used as the basis for decision-making at the Supervisory Board meeting shall be attached to the meeting minutes.

Parts of the minutes that are confidential or which relate to any trade secrets shall be clearly indicated with a sign "CONFIDENTIAL" in the attachment which is the constituent part of the meeting minutes.

Article 44

Meeting minutes shall be deemed valid and effective when it is signed by the Supervisory Board Chairperson and Secretary.

Article 45

A copy of the meeting minutes shall be delivered to each Supervisory Board member within eight (8) days after the meeting by registered mail, electronic mail, or in any other traceable and provable form previously agreed upon. At the first subsequent meeting, the minutes shall be proposed for adoption.

Any objections or comments to the meeting minutes may be filed with the Supervisory Board Chairperson or Secretary within fifteen (15) days from the day the minutes were received.

Article 46

Originals of the minutes, Supervisory Board resolutions, and material for each meeting shall be stored permanently in the company archives and shall be available for viewing to the Supervisory Board members.

Supervisory Board meeting minutes shall be deemed confidential and may only be publicly announced or disclosed based on a decision by the Supervisory Board, requiring the majority of votes.

XV. Supervisory Board Secretary

Article 47

Based on a proposition by the Management Board, the Supervisory Board shall appoint a Supervisory Board Secretary to be in charge of legal, expert, administrative, and technical tasks related to the activities of the Supervisory Board. To this end, the Supervisory Board Secretary shall work with the Supervisory Board Chairperson and the Management Board to prepare the sessions, attend the Supervisory Board meetings, keep meeting minutes, provide appropriate flow of information between Supervisory Board members, keep the archives, and perform other tasks as requested and instructed by the Supervisory Board Chairperson.

Individual Supervisory Board members shall have the option to work with the Supervisory Board Secretary outside the temporal framework of Supervisory Board meetings.

XVI. Committees

Article 48

The Supervisory Board may adopt a decision to appoint one or more committees to be in charge of expert and technical tasks within particular fields of the Supervisory Board's work. The committees shall prepare expert background and reports required for the work and decision-making of the Supervisory Board, as well as propose resolution wording and supervise the implementation of resolutions.

The Supervisory Board shall define the powers and responsibilities of each committee with a separate act, as well as adopt a resolution to define the compensation and remuneration of costs to persons taking part in the bodies of the Supervisory Board.

Article 49

A Committee can not decide on issues that are within the responsibility of the Supervisory Board.

Article 50

A committee shall consist of a chairperson and at least two members. In addition to Supervisory Board members, committee members may also include company employees with appropriate expert training, or independent experts. Each committee shall include at least one Supervisory Board member. The Supervisory Board shall appoint one of its members as the committee chairperson.

The term of a committee may not exceed the remaining term of the Supervisory Board.

With regard to attendance, quorum, and decision-making in committees, Rules of Procedure for the company Supervisory Board shall be reasonably applied.

Article 51

As a general rule, committee meetings shall take place before the Supervisory Board meetings. Committee members shall receive an invitation, agenda, and materials for the meeting, by registered mail or using means of information technology, no later than on the day when the Supervisory Board members receive the materials for their meeting.

Article 52

The Supervisory Board shall appoint an Audit Committee. Number of members and the term of the Audit Committee shall be defined by the Supervisory Board by adopting a resolution on appointment.

At least one member of the Audit Committee shall be an independent expert trained in accounting or auditing. Other members of the Audit Committee shall be appointed by the Supervisory Board from its members.

The Supervisory Board's resolution on the appointment of the Audit Committee shall also include the appointment of the Audit Committee Chairperson who must be a member of the Supervisory Board. Audit Committee Chairperson shall report on the findings and resolutions of the Audit Committee at Supervisory Board meetings.

Article 53

Following are the tasks of the Audit Committee:

- monitoring the procedure of financial reporting;
- monitoring the efficiency of internal control system, internal audit, and risk management systems;
- monitoring mandatory audit of annual and consolidated financial statements;
- reviewing and monitoring the independence of the appointed auditor for the company Annual Report;
- reviewing and monitoring the work of the independent auditor providing additional non-audit services;
- proposing to the Supervisory Board the appointment of candidate for the company Annual Report auditor;
- verifying and establishing the accuracy of financial information announced by the company;
- evaluating the compilation of the annual report, which also includes compiling a proposal for the Supervisory Board;
- taking part in decisions on major auditing issues or fields;
- taking part in drawing up the agreement between the auditor and the company;

- working with the auditor in auditing the company Annual Report; in particular, this includes mutual reporting about the key issues related to the audit;
- monitoring independence, bias, and efficiency of the independent auditors;
- performing other tasks defined by the Articles of Association or a Supervisory Board resolution.

XVII. The Auditor

Article 54

The Supervisory Board shall propose to the Shareholders Assembly an auditor to perform the audit in an independent, unbiased manner and in compliance with the rules of auditing. The Supervisory Board shall not propose as the auditor an auditing company which provides any consulting services to the company, or an auditing company that would generate 30 percent or more of its total annual revenue by providing auditing services for the company.

Before appointing the auditor at the Shareholders Assembly, the shareholders must be informed about any other services provided by the auditor, currently or previously, in the areas related to auditing. Shareholders must also be informed of any other fact that could cause a conflict of interests on the part of the auditor.

The company shall replace the auditing company or the key auditing partner within the same auditing company at least once in every five (5) years.

XVIII. Reporting to the Supervisory Board

Article 55

The Supervisory Board shall appoint the Management Board members; furthermore, it shall have the power to dismiss them. In doing so, the Supervisory Board shall invest every effort to provide continuity of the Management Board's work and to appoint, after diligent and timely selection, the new Management Board member. When deciding on such appointment, the Supervisory Board shall work with the Management Board.

Article 56

Before appointing the Management Board, the Supervisory Board shall make sure that the proposed candidates meet the conditions provided by the relevant legislation and any other conditions defined in the Articles of Association, in a Management Board member profile as defined by a Supervisory Board resolution, or in a proposal by the Supervisory Board's Appointment Committee.

Article 57

The Management Board shall report regularly to the Supervisory Board in writing about the following issues:

- planned business policy and other issues regarding the key principles of operation;
- company performance / profitability, particularly return on equity;
- financial position, particularly liquidity or solvency;
- transactions that may bear a major effect on the performance and liquidity of the company.

The Management Board shall inform the Supervisory Board about the issues that are relevant to the Supervisory Board's responsibilities and which could affect the position and operations of the company.

The Management Board shall, within mandatory deadlines, submit to the Supervisory Board the Annual Report for review and adoption.

XIX. Annual Report, reporting to the Shareholders Assembly

Article 58

The Supervisory Board shall review the Annual report and the Management Board's proposal on the allocation of distributable profit as submitted by the Management Board. The Supervisory Board shall compile a written report on the results of reviewing the Annual Report, to be submitted to the Shareholders Assembly. Such report shall include information on the method and scope of revision of the company management during the business year, and information on the Supervisory Board's position regarding the Auditor's Report. If the Supervisory Board adopts the Annual Report, it is deemed confirmed and valid.

The Supervisory Board shall hand their report to the Management Board within one month from the day the Annual Report is received. Otherwise, the Management Board shall immediately define an extension to the deadline which shall not exceed one month. If the Supervisory Board fails to present the report to the Management Board after the extended deadline, it shall be deemed that the Supervisory Board did not confirm and adopt the Annual Report.

Along with reviewing the Annual Report, the Supervisory Board members shall also review their own work and prepare a report on the Supervisory Board's work (the Supervisory Board Report), to be presented to the Shareholders Assembly.

Article 59

Consistently with the third paragraph of the previous article, the Supervisory Board shall be liable to compile a Supervisory Board Report to be presented at each annual Shareholders

Assembly. The report shall describe in an accurate and true manner the Supervisory Board activities during the year. In addition to mandatory contents, the Supervisory Board Report should also include relevant information on its internal organization, composition from the aspect of member independence, any conflicts of interest and methods to resolve them, and the procedures of the Supervisory Board's work, estimating to what extent the Supervisory Board's self-evaluation contributed to any changes.

The Supervisory Board Report shall also include disclosure of the costs of Supervisory Board operation, which are not indicated in the Annual Report (independent Committee members, independent experts, training, education, professional opinions, etc.).

Article 60

The procedure of evaluating the Supervisory Board's work should include the following:

- evaluation of the work of the Supervisory Board and its committees, including an opinion on required improvements;
- a review as to whether communication and cooperation between the Management Board and the Supervisory Board is appropriate;
- evaluation of actual contribution of each Supervisory Board member's work, their attendance at the meetings, and their structured participation in discussion and decision-making;
- review of the existence of any circumstances regarding individual members that could lead to a conflict of interest or which could impair the member's independence;
- evaluation of the current Supervisory Board composition given the requirements of the company's regular operations and affairs and attainment of planned goals.

XX. Trade secrets and confidentiality

Article 61

Supervisory Board members are required to protect the confidentiality of all data and information related directly or indirectly to company operations and the work of its bodies of governance, which were submitted to them or about which they learned by performing the duties of Supervisory Board members, if such data is defined as confidential or as company trade secret pursuant to relevant legislation, Articles of Association, or other company act.

Documents submitted to the Supervisory Board members, which the Management Board believes to contain confidential information or a trade secret, shall be labelled in compliance with the rules of protecting the confidentiality and trade secrets at the company.

Notwithstanding the provisions of the above paragraph, all documents comprising company plans and Management Board's reports on operations that are not classified as publicly available documents by special rules, shall be deemed confidential, or trade secret.

Article 62

Subject to consultation with the Management Board, the Supervisory Board may expressly make individual documents or certain material available to the internal or broad public.

Article 63

Supervisory Board members are bound by a non-disclosure clause and the obligation to protect the company trade secrets after the end of their terms.

In case of a breach of confidentiality, the Supervisory Board members shall be held liable for damages as well as criminally liable.

XXI. Responsibilities of the Supervisory Board members

Article 64

Supervisory Board members shall work to the benefit of the company, the shareholders, and the employees.

Supervisory Board shall be responsible and accountable for performance of their duties, both individually and collectively. Their responsibilities include, above all, the following:

- efficiently performing the supervisory function;
- being informed about the contents of the proposed materials;
- analyzing professionally and as experts the issues being discussed;
- adopting their decisions diligently and honestly;
- ordering in a timely manner independent professional opinions and insisting that all proposals be supported and corroborated by expert analysis;
- coordinating the interests and consenting with decisions that are in the company's best interest in the long run.

Supervisory Board members shall be jointly liable to the company for any damage resulting from a breach of their obligations, unless they are able to prove that their duties were performed honestly and diligently.

Supervisory Board members shall also not be held liable for damages if their actions or omission thereof is based on a legally valid Shareholders Assembly resolution. Liability of one Supervisory Board member for damages shall not be excluded or omitted, even if the Supervisory Board approved the action at hand.

XXII. Conflict of interest

Article 65

In performing their duties, Supervisory Board members shall pursue above all the goals of the company, giving them unconditional priority over any other interests.

Supervisory Board members may not perform managerial or executive functions or provide consulting services for competing companies, nor is it recommended that they be major shareholders or equity holders in such companies.

Each Supervisory Board member shall take all precautionary measures to avoid any conflict of interest that could affect their judgment. Conflict of interest shall be deemed as a situation in which unbiased and objective performance of duties or decision-making of a Supervisory Board member is compromised because of inclusion of his or her personal economic interest or interest of his or her family, presence of emotions, political or national favour or disfavour, or any other interest related to another natural or legal person.

Article 66

Conflict of interest may be deemed as reasonable grounds for abstaining from voting. If conflict of interest is declared as the reason for abstaining from voting, the Supervisory Board member declaring it must also explain the nature, or background, of such conflict.

When reasonably applicable, the Supervisory Board Chairperson shall have the right to request from the Supervisory Board members to declare whether there is a conflict of interest with regard to the subject being voted on. If a member with whom a conflict of interest is present does not voluntarily abstain from voting, the Supervisory Board shall vote whether that member should abstain from voting before voting on the actual matter at hand. If the vote indicates a conflict of interest, that Supervisory Board member shall not vote on the subject at hand.

Article 67

Supervisory Board member shall inform the Supervisory Board about any conflict of interest that has occurred or may occur in performing or with regard to performing his or her function.

In addition, each Supervisory Board member must inform the Supervisory Board of his or her membership in Supervisory Boards or Management Boards of other companies.

Article 68

Existence of a considerable conflict of interest or existence of an evident conflict of interest that is not merely of transient nature may indicate reasonable grounds for termination of an individual Supervisory Board member's term.

XXIII. Termination of Supervisory Board member's term

Article 69

Membership in the Supervisory Board shall automatically be terminated upon the expiry of each member's term for which the member was appointed.

Article 70

Supervisory Board member may resign at any time; however, such resignation shall be given with a two (2) month's notice; furthermore, company Management Board shall be informed about the resignation in writing, and the Management Board shall immediately inform the Supervisory Board Chairperson.

Article 71

When reasonable grounds are provided, a Supervisory Board member shall be allowed to resign as of the moment his or her statement of resignation is filed. Reasonable grounds for immediate resignation shall include the following:

- sickness;
- incompatibility of functions;
- other circumstances that prevent the member from performing normally his or her function or duties.

Such resignation, too, must be immediately reported by the Supervisory Board member to the company Management Board, in writing, and the Management Board shall immediately inform thereof the Supervisory Board Chairperson.

In case of resignation based on reasonable grounds, Supervisory Board membership or term shall be terminated as of the moment the company receives the statement of resignation.

Article 72

Supervisory Board Chairperson shall make sure that the Management Board announces every change in the composition of the Supervisory Board in the company internal magazine and that the change is duly entered into the register.

XXIV. Compensation

Article 73

Supervisory Board members shall receive attendance fees for their regular work at the Supervisory Board meetings; furthermore, costs incurred with regard to such work shall be remunerated. In addition to the attendance fee, Supervisory Board members may be entitled to receive payment for performing their respective functions and duties, subject to a resolution by the Shareholders Assembly. The payment shall be in appropriate proportion to the duties of the Supervisory Board members and to the company financial position.

Supervisory Board members cannot participate in the company profit.

XXV. Familiarization of new Supervisory Board members

Article 74

The Supervisory Board shall work with the company Management Board to establish a system for instruction and familiarization of new Supervisory Board members, which shall include at least the following:

- materials about the company, providing information required for a Supervisory Board member to become familiar with the organization (company history, shareholder composition, organization, Annual Reports, information on share price, statement of compliance with the Corporate Governance Code, and other useful information);
- company's legal acts (Articles of Association, Rules of Procedure for the Shareholders Assembly, Rules of Procedure for the Supervisory Board, currently effective Corporate Governance Code, Rules and Regulations of the Ljubljana Stock Exchange, etc.);
- list of persons who are available to the newly appointed Supervisory Board member for any additional information about the company and its operations, and information required to communicate with them;
- appointment of so-called mentors, i.e. experienced Supervisory Board members who shall be in charge of providing additional assistance in introducing the newly appointed Supervisory Board members to their function;
- any expert literature on sound practice of Supervisory Board operation, relevant to the environment in which the company is operating;
- training system for newly appointed Supervisory Board members aimed at improving familiarity with the company and its operations, and with the Supervisory Board as a collective body of corporate governance;
- other material and information as defined by the Supervisory Board.

XXVI. Final provisions

Article 75

These Rules of Procedure shall be effective as of the day they are adopted at the Supervisory Board meeting.

The Supervisory Board shall adopt the Rules of Procedure with the majority of votes of all Supervisory Board members.

As of the day these Rules of Procedure become effective, the previous Rules of Procedure for the Supervisory Board, finally updated by the Supervisory Board of the company Gorenje, d.d., on May 28th 2009, shall no longer be effective.

Velenje, Slovenia, 23 November 2010

Supervisory Board Chairman
Mr. Uroš Slavinec