

## **EXPLANATION OF THE PROPOSAL FOR THE APPOINTMENT OF AN AUDITOR FOR THE FINANCIAL YEARS 2023 TO 2026**

Due to the expiration of the agreement on auditing services concluded by SID Bank and the audit firm Deloitte revizija, d. o. o. based on public contract award procedure no. JN 100/2018 for the auditing of the SID Bank Group's separate and consolidated financial statements for the financial years 2019 to 2022, a new public contract award procedure was carried out in accordance with the Public Procurement Act (ZJN-3) for the purpose of selecting an independent external auditor for the financial years 2023 to 2026.

At the end of September 2022, the bank published public contract award procedure no. 178/2022 for the auditing of SID Bank's financial statements for the financial years 2023 to 2026. The deadline for submission of bids was extended until 25 November 2022. The public contract was broken down into four sub-items:

- auditing of the financial statements for the financial years 2023 to 2026;
- additional work in the auditing of the financial statements in the year of migration to a new core information system, if that transition occurs in the period 2023 to 2026;
  
- agreed transactions for the financial years 2023 to 2026; and
- assurance engagements for the financial years 2023 to 2026.

The Audit Committee participated in the public contract award procedure. At its 111th session held on 23 November 2022, the aforementioned committee was briefed on the essential elements of documentation in connection with the awarding of the public contract, in particular on conditions that must be met by bidders and criteria for selecting the most favourable bid. At its 114th session held on 31 January 2023, the Audit Committee was briefed on bids received, and was briefed on the selection of a bidder at its 115th session held on 21 February 2023.

The Bank received two bids in public contract award procedure no. JN 178/2022:

- **ERNST & YOUNG Revizija**, poslovno svetovanje, d. o. o., Dunajska cesta 111, 1000 Ljubljana; and
- **PRICEWATERHOUSECOOPERS**, podjetje za revizijo in druge finančno računovodske storitve, d. o. o., Cesta v Kleče 15, 1000 Ljubljana,

where the second bidder was excluded from the public contract award procedure, as it did not give written consent to eliminate calculation errors in accordance with the contracting authority's requirements.

The contracting authority's committee assessed that the bid of Ernst & Young Revizija, poslovno svetovanje, d. o. o., Dunajska cesta 111, 1000 Ljubljana was acceptable, as evidence and explanations indicated that the bid was submitted by a bidder for which there were no reasons for exclusion, while that bidder met the conditions for participation in the procedure. The bid met the contracting authority's needs and requirements as set out in the technical specifications and in documentation relating to the awarding of the public contract. In addition, the bid was received in a timely manner, and there was no evidence of collusion or corruption in connection with the bid, which the contracting authority did not deem to have included an unusually low price or a price that exceeds the funds available to the contracting authority.

The bidder Ernst & Young Revizija, poslovno svetovanje, d. o. o. will subcontract 2.5% of the public contract to Ernst & Young, d. o. o., Belgrade and 2.5% of the public contract to Ernst & Young, davčno svetovanje, d. o. o.

Notwithstanding the exclusion of the other bidder from the procedure, the contracting authority's committee also carried out an informative substantive assessment and comparison of the two bids in accordance with the criteria set out in the documentation relating to the awarding of the public contract, and concluded that the bidder Ernst & Young Revizija, poslovno svetovanje, d. o. o. submitted the most favourable bid.

Taking this into account, the Management Board proposed that public contract no. JN 178/2022 be awarded to the bidder Ernst & Young Revizija, poslovno svetovanje, d. o. o. That proposal was discussed and supported by the Audit Committee at that body's 115th session held on 21 February 2023.

In accordance with the second paragraph of Article 106 of the ZBan-3, a bank shall appoint an audit firm to audit its annual report for a period of no less than three financial years. A single audit firm may audit a bank's annual report for a maximum of ten consecutive financial years, followed by a break of at least the next four financial years. Ernst & Young will perform the aforementioned audits for the first time.

In accordance with the above, the Management Board of SID Bank adopted a decision on 14 February 2023 awarding the public contract in question to the bidder Ernst & Young Revizija, poslovno svetovanje, d. o. o.

At its 244th session held on 12 April 2023, the Supervisory Board adopted a resolution, under which it proposed that the General Meeting of Shareholders of SID Bank appoint Ernst & Young Revizija, poslovno svetovanje, d. o. o., selected in the public contract award procedure, as the independent auditor of SID Bank's financial statements for the financial years 2023 to 2026.

In accordance with Article 293 of the ZGD-1, the General Meeting of Shareholders decides on the appointment of an auditor. Thus, notwithstanding the public contract award procedure that was carried out, the auditor must be appointed at the General Meeting of Shareholders of SID Bank.

If the audit firm Ernst & Young Revizija, poslovno svetovanje, d. o. o. is appointed as independent auditor for the 2023, 2024, 2025 and 2026 financial years, SID Bank will call on the aforementioned audit firm to sign a framework agreement for the purpose of auditing for a period of four years.