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REFORM OF MANAGEMENT IN LEGAL ENTITIES OWNED BY THE REPUBLIC OF CROATIA – STRENGTHENING PROFESSIONAL STANDARDS OR NEW MANAGEMENT CHALLENGES?

Aiming to adopt the OECD Guidelines on Corporate Governance of State-Owned Enterprises, the Republic of Croatia enacted the Act on Legal Entities Owned by the Republic of Croatia in 2025. This legislative reform introduces modern international corporate governance standards system for legal entities owned by the Republic of Croatia into the Croatian legal, with the goal of establishing a foundation for effective, independent, and accountable operations. Additionally, it lays the groundwork for preventing conflicts of interest and corruption. However, an analysis of the relevant regulatory framework reveals potential difficulties in the procedures for the selection and appointment of members of supervisory boards and management boards of legal entities owned by the Republic of Croatia, where the lack of clear and transparent criteria for their selection and appointment is a particular concern. The purpose of this paper is to examine the regulatory and institutional aspects of the mechanisms for the selection and appointment of members of supervisory boards and management boards in legal entities owned by the Republic of Croatia, as well as to investigate the oversight mechanisms governing these procedures. The authors will explore the corporate governance standards relating to the expertise, experience, and independence of members of management bodies in state-owned companies. Furthermore, the study will assess the extent to which the implemented reform ensures the practical realisation of these standards and will highlight the identified shortcomings in the existing regulatory framework. The research employs qualitative and empirical scientific methods commonly used in the field of law. In conclusion, with the aim of contributing to existing scientific knowledge and encouraging further professional debate, the paper presents proposals for possible solutions to the identified regulatory deficiencies, as well as recommendations for addressing legal gaps in the area of selection and appointment of members of supervisory boards and management boards in legal entities owned by the Republic of Croatia.

Keywords: commercial company, expertise, transparency, supervisory board, management board.

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1. INTRODUCTION

The reform of the management of legal entities owned by the Republic of Croatia represents one of the key steps in harmonizing the national legal framework with internationally recognized standards of corporate governance, especially those developed within the framework of the Organisation for Economic Cooperation and Development (hereinafter: OECD). With the adoption of the Act on Legal Entities Owned by the Republic of Croatia (hereafter: Act) in 2025, a new regulatory framework was established, aiming to strengthen professionalism, transparency and responsibility in the management of state-owned entities, while at the same time limiting political influence and preventing conflicts of interest. Despite the harmonisation of the legislative framework with international standards, the real scope of this reform remains questionable, especially in the part relating to the procedures for electing and appointing members of supervisory and management boards. In this context, the main problem addressed by the research arises from the possible discrepancy between the declared goals of the legislator and their practical implementation, where the shortcomings in the clarity and transparency of the candidate evaluation criteria are particularly highlighted.

The aim of this paper is to analyse the regulatory framework for the election and appointment of members of the supervisory or management boards in legal entities owned by the Republic of Croatia, with special emphasis on compliance with OECD standards, and to identify key challenges in their application. Based on this, a research hypothesis is put forward that, despite normative improvement and the introduction of meritocratic principles, the existing regulatory framework does not sufficiently ensure transparent, objective and effective selection and appointment procedures, which can lead to new management challenges. The paper employs qualitative methods characteristic of legal science, including normative analysis of national regulations, analysis of legal theory, comparative method, with an emphasis on the Slovenian legal system as a good practice example, coupled with an empirical approach through the analysis of existing institutional solutions and their application.

The scientific contribution of the work is manifested in the critical evaluation of the legislative reform in the field of corporate management of state-owned legal entities, the identification of regulatory deficiencies and the formulation of concrete proposals for improving the criteria for the selection and appointment of members of supervisory and management boards. This aims to contribute to the development of legal theory and practice in the field of public corporate governance, and to encourage further professional and scientific discussion on the effectiveness of the implementation of international standards in the national legal system.

2. ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT AS A SOURCE OF CORPORATE MANAGEMENT STANDARDS

The OECD is an international organization whose activities promote economic growth and an increase in the standard of living of its member states, as well as the economic growth of non-member states and the development of trade on a global scale. It was founded in 1960 and is headquartered in Paris (Members and Partners, 2026). It developed from the Organization for European Economic Cooperation (hereinafter: OEEC), which represented an institutional framework for cooperation between European countries in the reconstruction of economies destroyed during World War II (Organization for Economic Cooperation and Development

Forms, 2026). Unlike the OEEC, which was primarily European-oriented, the OECD is a global organization that includes not only European countries, but also, for example, Canada, the USA and Japan. It brings together mainly developed countries (38 member states) and acts as a framework for the exchange of experiences, analysis of public policies and the formulation of recommendations in various areas, including the economy, energy, education, social policy, the labour market, agriculture and ecology. The European Commission contributes to the work of the OECD together with the member states of the European Union. As for the Republic of Croatia, it has been in negotiations for full membership since 2022 (Accession Croatia, 2026). It is necessary to emphasize that it is not a legislative, but an advisory body whose importance stems from the influence it achieves through guidelines, standards and recommendations (Salzman, 2005, p. 189). They significantly influence practice, especially the shaping of national public policies and legislative frameworks in various areas of social and economic development. This is most pronounced in countries that strive to harmonize their institutional frameworks with internationally recognized standards.

As previously stated, the OECD's influence is primarily achieved through soft law. It is through such instruments, among which the guidelines occupy a special place, that the OECD establishes a reference framework. Although formally non-binding, in practice it is a de facto standard in accordance with which countries implement reforms of national legislation. In this sense, the guidelines do not act only as recommendations, but as a regulatory landmark that enables the harmonization of management practices and the strengthening of institutional quality, especially in areas that require a high level of expertise and transparency. The OECD Guidelines are characterized by a high level of systematicity and regulatory precision, and are based on a comparative analysis of the best practices of member states. Their purpose is to provide countries with concrete mechanisms for improving existing management models. In the context of transitional economies, such as Croatia, their role is additionally emphasized because they are a kind of link between existing institutional solutions and internationally recognized standards of efficient and accountable management.

Within the various socio-economic areas on which the OECD has influence, the Guidelines on Corporate Governance of State-Owned Enterprises (hereinafter: Guidelines) occupy an important place. Their specificity stems from the fact that they regulate the management of entities that simultaneously operate on the market but are under the direct or indirect influence of the state as owner. Such dual character of state-owned entities creates a number of specific challenges, including potential conflicts of interest and political influence on business decisions. Precisely for the stated reasons, the Guidelines start from the need to demarcate between the ownership function of the state and its management functions, emphasizing the need for professionalization of management structures, transparency of operations and responsibility towards all stakeholders. In this context, the state is the owner whose role is focused on strategic management and supervision over the achievement of goals, but refraining from directly intervening in operational, or daily business (OECD Guidelines for Corporate Governance in State-Owned Enterprises, 2020, p. 3). The purpose of such an approach is to limit political influence on business decision-making and to ensure that management decisions are made in accordance with the principles of expertise and efficiency. Special emphasis was placed on the professionalization of management bodies, including the introduction of meritocratic criteria in the selection and appointment of members of supervisory and management boards, as well as on the development of mechanisms for evaluating their effectiveness.

Understanding the Guidelines presupposes their observation in the broader institutional context from which they emerge, with the OECD occupying a central position as the key bearer of international standards. Although the basic features of the OECD and the Guidelines are generally known to the professional and scientific community, their summary presentation in this paper has a methodological function. Namely, the Guidelines form the basis of the legislative reform in the Republic of Croatia, which is the subject of the analysis of this paper, and in order to understand them, it is necessary to have insight into the institutional framework of the OECD in which they were formed. Therefore, it was necessary to point out the basic features of the Guidelines and the significance of the OECD.

In the context of the Republic of Croatia, the importance of the Guidelines is manifested not only in the advisory context, but also in the *de facto* influence on the national legislative framework (Independent members of the supervisory board in the new Act on Legal Entities Owned by the Republic of Croatia, 2025). Namely, the process of joining the OECD, as well as the general tendency to harmonize with internationally recognized standards of good governance, prompted the legislator to reconsider the existing management model of state-owned legal entities. In this sense, the Guidelines were an incentive and reference framework for the design of legislative solutions, especially in the part related to the professionalization of management structures, the demarcation of ownership and management functions, and the strengthening of transparency and accountability mechanisms. Their influence is manifested in directing legislators towards standards that ensure more efficient and transparent management of state-owned legal entities. In accordance with the above, the following will present the relevant provisions of the Act (*Official Gazette*, No. 102/25) that govern the selection and appointment of members of the supervisory and management boards in legal entities owned by the Republic of Croatia.

3. FROM INTERNATIONAL STANDARDS TO NATIONAL LEGISLATION: ACT ON LEGAL ENTITIES OWNED BY THE REPUBLIC OF CROATIA

As a follow-up to the previously presented basic principles of the Guidelines, it is necessary to analyse the manner in which the specified international standards were implemented in the legal order of the Republic of Croatia. It is in this context that the adoption of the Act, which represents a key instrument of legislative reform aimed at modernizing the management system of state-owned legal entities, should be viewed. The Act entered into force in 2025 with the aim of harmonizing the Croatian legal framework with internationally recognized principles of good corporate governance. This aims to ensure more efficient, transparent and responsible management of legal entities owned by the state, while at the same time strengthening the trust of the public and market participants. The regulatory framework it establishes is based on several key postulates of the OECD Guidelines, among which the professionalization of management structures, separation of ownership and regulatory functions of the state, and ensuring transparency and responsibility in business stand out. The Act introduces a systematic approach to the management of state-owned legal entities, where a special place is occupied by the provisions governing the selection and appointment of members of the supervisory and management boards. In this way, an effort is made to ensure the professionalization of management bodies, the reduction of political influence and the strengthening of responsibility and efficiency of operations, which is in accordance with the basic postulates of the Guidelines.

3.1. Selection and appointment procedure

The provision of art. 2. Determines the scope of application of the Act, whereby it is primarily aimed at legal entities owned by the Republic of Croatia in which the state exercises a predominant influence (art. 1). Such a legal solution reflects the legislator's intention to regulate those subjects in which the Republic of Croatia, as the owner, has a decisive role in the management and making of key business decisions. The same provision provides for a deviation from the stated general rule. Namely, even legal entities owned by the Republic of Croatia in which the state does not have a predominant influence can be covered by the application of the Act, but only on the condition that this is expressly provided for (Art. 2). This establishes the flexibility that allows the extension of the scope of the Act to certain legal entities, depending on the specific legislative reasons and goals of the regulation.

Article 45. Act regulates the selection procedure of candidates for members of supervisory and management boards. The selection process is based on the principle of meritocracy, whereby the selection of candidates must be based on their competences (Art. 1), that is, on the objective and measurable evaluation of their professional, managerial and professional competences that are relevant to the performance of work. In the selection process, special attention must be paid to the structural diversity of the supervisory or management board (Art. 2). The above implies a balanced representation of members with regard to gender and age structure, education and professional experience. Such a solution improves the quality of corporate management and strengthens the ability to make decisions. Furthermore, by the same provision, the Act regulates that the selection of candidates is carried out through a public and transparent competition announced and conducted by the Government of the Republic of Croatia (Art. 3), which ensures equal access to all qualified candidates. In the institutional sense, the Government of the Republic of Croatia establishes the so-called Commission for the selection of candidates for members of the supervisory or management boards (Art. 4), which is entrusted with the implementation of the evaluation procedure, including the analysis of applications, the assessment of qualifications and the preparation of a ranking list and a proposal for the selection of candidates. Based on the reasoned proposal of the competent commission, the Government of the Republic of Croatia makes the final decision on the selection of members of the supervisory or management boards (Art. 5), thus ensuring hierarchical accountability and the legitimacy of the selection procedure. In order to preserve the continuity of management functions and the institutional stability of state-owned legal entities, the decision must be made in a timely manner, i.e. before the expiration of the term of office of the existing members of the supervisory or management boards (Art. 6). The power to appoint and dismiss members of the supervisory or management boards of legal entities owned by the Republic of Croatia Act is entrusted to the assembly or general meeting (Art. 7), as the highest body of corporate governance. The aforementioned power of the assembly or general meeting establishes a mechanism for oversight over the composition of the supervisory and management bodies. Such a solution reflects the principle of hierarchical supremacy of the ownership function, whereby key personnel decisions are delegated to the body that directly protects the interests of the Republic of Croatia as the owner.

3.2. Requirements for a candidate for membership of the supervisory or management board

The legal regulation of the conditions for the selection and appointment of members of the supervisory and management boards of legal entities owned by the Republic of Croatia is designed as a complex and multi-layered system of criteria, aimed at ensuring a high level of professional competence, ethical integrity and functional efficiency of members.

In material terms, in accordance with art. 47. para. 1. of the Act, candidates are required to have a good personal and professional reputation (para. 1), while also having an appropriate level of professional knowledge, formal education, developed abilities and relevant professional experience necessary for the quality and responsible performance of their duties. The aforementioned qualifications apply to each individual candidate; they are not viewed in isolation, but rather in a synergistic relationship with the competencies of other board members (para. 2). In this sense, the legislator explicitly emphasizes the need for complementarity of competencies, requiring that board members as a whole possess knowledge, skills and experience sufficient for independent and autonomous performance of their duties (Art. 4). This establishes a conceptual framework that goes beyond individual qualifications and emphasizes the importance of interdisciplinarity and functional cohesion in achieving the goals of modern corporate governance in the public sector. Furthermore, the legislator considers the independence of candidates important, which is why the legal provisions prohibit the existence of conflicts of interest (para. 3). In addition to the above, there is also an obligation that the candidate must be able to provide sufficient time to perform tasks (para. 4). In this way, the legislator tries to prevent the formalization of membership and to ensure the real, continuous and substantial involvement of members in the work of supervisory and administrative committees. From a formal legal point of view, the candidate must also meet the conditions prescribed by the law governing the legal status of companies in the Republic of Croatia (para. 5), i.e. the Companies Act (*Official Gazette* No. 111/93, 34/99, 121/99, 52/00, 118/30, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23, 136/25) (hereinafter: CA), which will be discussed below. Additionally, the candidate should be distinguished by fiscal orderliness, which is manifested in the absence of outstanding tax obligations towards the Republic of Croatia (para. 6). Also, the legal framework foresees the obligation to fulfil the special criteria established in the Regulation on the Requirements for Members of the Governing Bodies of Legal Entities Owned by the Republic of Croatia and for Members of the Commission, special regulations and founding and general acts of a specific legal entity (para. 7), which enables the differentiation of requirements in accordance with the specifics of individual state-owned entities. In terms of personnel restrictions, the legislator introduces a quantitative limit for state and public servants, as well as officials in local and regional self-government units, allowing them to be members of a maximum of two state-owned legal entities, while maintaining equal legal status in relation to other board members (Art. 2). At the same time, persons covered by the regime for preventing conflicts of interest in the performance of public duties are in principle excluded from membership, apart from cases where a special act provides for an exception (Art. 3).

Within the framework of the regulation of the conditions for candidacy for membership in the supervisory or management board, the additional criteria referred to by the Act derive from the provisions of the previously mentioned CA. It is a general regulation that, among other things, governs the prerequisites for membership in the bodies of commercial companies and therefore also applies to legal entities owned by the Republic of Croatia. Unlike the Act, which emphasises the positive assumptions of expertise, competence and integrity of candidates, the CA primarily regulates negative assumptions, i.e. the reasons that exclude certain persons from membership. Pursuant to act. 255. art. 1. A CA member of the supervisory board can be a natural person with full legal capacity. Provision of art. 2. excludes from the pool of potential candidates those candidates who simultaneously hold the office of a member of the board of the same company (para. 1). In this way, a clear demarcation between management and supervisory powers is ensured. Furthermore, excessive accumulation of membership is restricted by stipulating that a member of the supervisory board cannot be a person who already participates in the work of the supervisory or management boards of a large number of companies (para. 2), which seeks to ensure the real ability to effectively perform managerial or supervisory duties. Additionally, persons who hold management positions in dependent companies are excluded (para. 3), as are those who participate in interconnected management and supervisory structures of different companies, especially in situations that may lead to reciprocal relationships and the impairment of independence of decision-making (para. 4). This establishes a regulatory system of restrictions aimed at preserving the functional autonomy of the supervisory board and the integrity of corporate governance. Also, the CA in para. 5 refers to the application of act. 239, Art. 2. The aforementioned provision defines additional restrictions for membership, with an emphasis on the legal suitability and integrity of the candidate. In this context, a person who has been finally convicted of certain criminal offences in the field of economic crime, including but not limited to money laundering, terrorist financing, economic fraud or breach of trust, may not become a member, as long as the legal consequences of such a conviction are in place. The same restriction applies to persons who have been issued international measures restricting the disposal of property during their term (para. 1). Furthermore, the ban extends to persons convicted in other countries for criminal offences that correspond in their essential features to the aforementioned criminal offences (para. 2), thus ensuring international harmonisation of the eligibility criteria. Membership is also not permitted to persons who have been issued a security measure prohibiting them from exercising a certain profession, if that profession is wholly or partly related to the company's activities, for the duration of such measure (para. 3). Finally, the same restrictions apply in cases where the prohibition of exercising the relevant profession has been issued in another country (para. 4). This establishes a comprehensive framework that seeks to prevent persons with impaired professional or legal status from being members of supervisory or management boards in state-owned legal entities.

The aforementioned restrictions, which refer to the prevention of conflicts of interest, the incompatibility of functions and the limitation of cumulation of duties, do not apply only to the members of the supervisory board, but, in accordance with act. 272. b Art. 2. CA extends to members of the board of directors. In this way, the legislator ensures regulatory consistency in regulating the conditions for membership in various corporate governance bodies. Such a solution reflects the aspiration to establish unique standards of independence, responsibility and functional separation, thus ensuring the preservation of the integrity of management structures and the effective functioning of supervision mechanisms.

From the regulatory and theoretical analysis carried out so far, it follows that the regulation of the conditions for the selection and appointment of members of supervisory or management boards of legal entities owned by the Republic of Croatia is the result of efforts to harmonise the national legislative framework with international standards, i.e., the OECD Guidelines. The Guidelines served as the basis for the national legislative reform, which is reflected in the emphasis on professionalisation, transparency, responsibility and strengthening the independence of supervisory and management bodies. In this context, the combined application of the Act and CA provisions results in a complex regulatory framework that includes both positive criteria - competence and integrity- as well as negative assumptions aimed at preventing conflicts of interest and preserving functional independence. This establishes a relatively high standard of formal conditions for membership, which, at least at the regulatory level, should ensure quality and efficient corporate governance in state-owned entities. However, it is precisely the complexity and ambition of such a regulatory framework that give rise to doubts as to its real applicability and effectiveness in practice. In this sense, there is a need for a critical review of the scope and effects of the legislative reform, especially with regard to its implementation, which is the starting point for the analysis of the challenges arising from the application of the provisions in question in the real management environment.

4. REGULATORY CHALLENGES IN ACHIEVING CORPORATE STANDARDS IN THE CROATIAN LEGAL SYSTEM

4.1. Regulatory challenges in the Croatian legal system

In the Republic of Croatia, at the state level, in 2024, there were 36 legal entities of special interest to the Republic of Croatia, followed by 10 majority state-owned legal entities and 138 minority state-owned companies, while 800 companies are under the jurisdiction of counties, municipalities and cities (vlada.gov.hr, 2024). The OECD Guidelines, which have been implemented in the Act, as previously described, are aimed at transparency, accountability and improving the efficiency of state-owned companies. The domestic legislative framework is aimed at harmonizing and improving the corporate management of state-owned legal entities based on the international standards mentioned (Ilijazović, 2025, p. 2). The new regulation of state-owned legal entities emphasises independence in management, while also strengthening the protection mechanisms against corruption and conflicts of interest. Therefore, the processes for appointing the administrative bodies of state-owned companies have been prescribed, all with the aim of achieving professionalisation and independence of management and supervision. Regarding the organisation and management of state-owned legal entities, according to the norms of Art. 33-43 of the Act, these companies have the following bodies: the general assembly (assembly), where the representative of the ownership body is appointed by the Government of the Republic of Croatia (for legal entities of special interest) and the head of the ownership body (other companies), the supervisory board and the management board, or the management. The supervisory board of a large state-owned legal entity must have an audit committee, a nomination and remuneration committee and a risk committee (Art. 40, para. 1 of the Act).

According to the provisions of Art. 3 of the still valid Regulation on the conditions for the election and appointment of members of the supervisory boards and management boards of legal entities of special interest to the Republic of Croatia and the manner of their election (hereinafter: the Regulation on conditions) (*Official Gazette* No. 12/19), a candidate for a member of the supervisory board of legal entities of special interest to the Republic of Croatia, in addition to the previously mentioned conditions prescribed in Art. 255. CA and special regulations governing the selection and/or appointment for certain activities, must meet the following requirements: completed graduate university studies or integrated undergraduate and graduate university studies or specialist graduate professional studies or equivalent studies in a relevant profession, at least five years of work experience acquired in management positions for legal entities of special interest to the Republic of Croatia in which the Republic of Croatia has a majority share and whose consolidated income in the previous business year is less than 750,000,000.00 kuna (99,542,106.31 EUR), or ten years of work experience acquired in management positions for legal entities of special interest to the Republic of Croatia in which the Republic of Croatia has a majority share and whose consolidated income in the previous business year is more than 750,000,000.00 kuna (99,542,106.31 EUR), knowledge of corporate governance and knowledge of finance and accounting and the absence of a conflict of interest in accordance with special regulations governing the prevention of conflicts of interest between private and public interests in the performance of public duties and the rules of the Corporate Governance Code for companies in which the Republic of Croatia holds shares or interests (hereinafter: the Code) (*Official Gazette* No. 132/17).

According to the provisions of Art. 11 of the Regulation on the requirements, a candidate for a member of the management board (president of the management board, members of the management board, director, manager), in addition to the conditions prescribed by the aforementioned Art. 239 of the CA and special regulations governing the selection and/or appointment for certain activities, must meet the following requirements: completed graduate university studies or integrated undergraduate and graduate university studies or specialized graduate professional studies or equivalent studies in a relevant profession, at least ten years of work experience in jobs that require an appropriate level of education, of which at least five years of work experience in management positions, work experience in organizing work and managing affairs, and particularly outstanding results in organizing work and managing affairs, absence of conflict of interest in accordance with the regulation governing the prevention of conflict of interest between private and public interests in the performance of public duties and the rules of the Code, knowledge of at least one world language.

In evaluating the competences and good reputation of candidates, it is necessary to assess the level of risk from the perspective of a possible conflict of interest according to the Act on the Prevention of Conflict of Interest (hereinafter: ZSCI) (*Official Gazette* No. 143/21) which refers to presidents and members of the management boards of companies in which the Republic of Croatia has a majority stake, as well as presidents and members of the management boards of companies in which the Republic of Croatia has a majority stake, as well as presidents and members of the management boards of companies in which local and regional self-government units have a majority stake, and presidents and members of the management boards of companies in which local and regional self-government units have a majority stake (Art. 2 ZSCI). The aforementioned officials, in the performance of their public duties, are obliged not to put their private interests ahead of the public interest. According to Art. 6. of the ZSCI, when performing public duties, the duty bearers must, among other things, be able to act honourably, fairly, conscientiously, responsibly and impartially, preserving their own credibility and the dignity of the duty entrusted to them, as well as the trust of citizens. In addition, duty bearers must not use public duty for personal gain or the gain of a person connected to them, and must not be in any relationship of dependence towards persons who could influence their objectivity.

It is evident that the new regulations encourage expertise, experience and competence in the appointment of management bodies of state-owned companies, which should reduce political influences in the processes of their appointment. This certainly contributes to strengthening citizens' trust (Ožić, 2025, p. 1). A detailed analysis of the existing regulations, despite the positive progress towards the set goals, as previously presented, shows that there is still a lack of sufficiently clear and transparent implementation mechanisms, especially in the conduct of the tender procedure and the process of proving compliance with legal conditions and appointment criteria. In the current circumstances, the question remains whether the transparency and legality of tender procedures can truly be ensured and whether the planned Regulation on the requirements for members of the bodies of legal entities owned by the Republic of Croatia and for committee members will ensure the protection of the tender procedure from political and other particular interests (Ilijazović, 2025, p. 2). Therefore, it is necessary to consider mechanisms that would ensure the described goals and purpose of the reform of the governance of state-owned legal entities. The analysis of the existing regulatory framework shows that the criteria for evaluating professional competencies, i.e. knowledge and abilities, and good reputation, are under-standardized. In this regard, practical disputes are possible regarding the transparency of the procedure for appointing members of the management bodies of state-owned legal entities. Therefore, when adopting the Regulation on the conditions for members of the bodies of legal entities owned by the Republic of Croatia and for members of the committees defined in Art. 51 of the Act, clear and transparent criteria for evaluating professional competencies and assessing good reputation should be established. In this regard, the example of the Slovenian legal system will be presented.

At the same time, it is possible to consider the degree of political exposure of the candidate as a criterion for evaluating candidates in the future, following the model of the regulations in the Act on the Prevention of Money Laundering and Financing of Terrorism (*Official Gazette* No. 108/07, 39/09, 151/22). Furthermore, in evaluating the competences and good reputation of the candidate, it is necessary to assess the degree of risk of exposure to illegal lobbying. Namely, according to Art. 8 and Art. 9 of the Lobbying Act (*Official Gazette* No. 36/24), if a lobbyist conducts illegal lobbying activities through actual or attempted lobbying, the lobbied persons are obliged to refuse further communication with the lobbyist and immediately inform the Commission for Deciding on Conflicts of Interest. Also, if a person is lobbying and is not registered in the Register of Lobbyists, the lobbied persons are obliged to refuse further communication with them and inform the commission immediately upon learning of this.

4.2. Comparative overview of solutions in the Slovenian legal system - an example of good practice?

In the Republic of Slovenia, the issue of state-owned legal entities is regulated by the Slovenian State Holding Act (hereinafter: ZSDH-1) (Official Gazette No. 25/14 in 140/22). In addition to ZSDH-1, the general regulation governing commercial companies is also applicable, namely the Companies Act (hereinafter: ZGD-1) (*Official Gazette* No. 65/09 - official revised text, 33/11, 91/11, 32/12, 57/12, 44/13 - odl. US, 82/13, 55/15, 15/17, 22/19 – ZposS, 158/20 – ZintPK-C, 18/21, 18/23 – ZDU – 10, 75/23, 102/24, 77/25 and 1/26 – ZdZEETD). The candidacy process itself is governed by the internal rules of the Slovenian State Holding (hereinafter: SSH), namely the Ordinance on the Assessment of Potential Candidates for Members of Supervisory and Administrative Bodies of State-Owned Companies (hereinafter: Ordinance) (www.sdh.si, 2025), which established the Personnel Commission as a body charged with accreditation and nomination in the selection of candidates for members of supervisory and administrative bodies of state-owned companies. The Republic of Slovenia has also adopted the State Investment Management Strategy and the Corporate Governance

Code of State-Owned Companies (www.sdh.si, 2022), but these acts will not be discussed in more detail in this paper.

ZSDH-1 regulates the status and operations of SSH and the Pension and Disability Insurance Company d. d. (Art. 1, para. 1, ZSDH-1). In addition, it regulates the management of investments owned by SSH and investments of the Republic of Slovenia managed by SSH, investment management acts, measures to strengthen integrity and accountability, and limiting the risk of corruption, conflict of interest and abuse of privileged information in the management of investments owned by SSH and investments of the Republic of Slovenia managed by SSH (Art. 1, para. 1, ZSDH-1). SSH operates under the same conditions as other companies, sole proprietors and private individuals on the relevant market, and may not exploit its position in a manner that could result in the restriction of competition or the restriction of other companies, sole proprietors and private individuals on the market (Art. 1, para. 3, ZSHD-1).

The aims and purpose of ZSDH-1 are manifold. First, it aims to separate the function of the state as the owner of capital investments from other state functions. Second, it introduces the concentrated management of investments owned by SSH, KAD and investments of the Republic of Slovenia managed by SSH. Further, it sets out to establish, a transparent system of management of investments owned by SSH and investments of the Republic of Slovenia managed by SSH, with a clear division of authority and responsibility and the implementation of measures that limit the risks of corruption and other unethical and unauthorized behaviour and influence, and that strengthen business compliance, consistency and responsibility in decision-making (Art. 1. para. 2. ZSDH-1). In addition, the goal of all ZSDH-1 is the management of investments owned by SSH and investments of the Republic of Slovenia managed by SSH in accordance with Slovenian and international guidelines for good practice in the management of state investments and corporate governance in general (Art. 1. para. 1. ZSDH-1). Through the ZSDH-1 regulation, the intention is to prevent conflicts of interest, distortion of market competition and unequal treatment of companies, achieve profitability and value of the described investments for achieving economic and development goals and tasks of public interest (Art. 1. para. 1. ZSHD-1).

Regarding the evaluation criteria for the members of the management bodies of state-owned companies, it should be emphasised that ZSHD-1 does not regulate the appointment of members of the administrative bodies of companies owned by the Republic of Slovenia, but rather regulates the decision-making process of the SSH General Assembly on the appointment of members of the supervisory bodies of state-owned companies (Art. 21 of ZSHD-1). In this regard, it is stipulated that, at SSH general assemblies, the appointment of members of the supervisory bodies of companies with state-owned capital assets must be voted on according to objective criteria that are equal for all candidates, where the criteria for selecting and appointing candidates are exclusively professionalism and experience. Anti-corruption goals are particularly emphasised in the regulation of the provisions of Art. 57, para. 1, ZSHD-. This Article prescribes that members of the management and supervisory board of SSH, employees of SSH, members of the personnel board and advisory bodies of SSH, and members of administrative and supervisory bodies of companies in which SSH has a majority share or dominant influence, who believe in good faith that they are being asked to act illegally or unethically in connection with their work or position, or that they are exposed to non-public influence, pressure, psychological or physical violence or who received inappropriate offers from third parties, are obliged to report such behaviour to the compliance and integrity officer.

The compliance and integrity officer is then obliged to act so as to prevent further illegal and unethical requests and their harmful consequences. Furthermore, Art. 57, para. 3. ZSHD-1 prescribes that the aforementioned individuals are required to report, within three days, any non-public contact they had with a member or representative of a political party or a person acting on their behalf (including officials of the executive and legislative authorities and local self-government officials outside their legal powers), if such contact includes lobbying in connection with the exercise of management rights in certain state-owned companies or in connection with the acquisition or alienation of state capital.

The SSH Personnel Commission is responsible for accreditation and nomination and carries out the recruitment procedures of candidates for members of the supervisory boards of state-owned companies (Art. 48 ZSHD-1). The appointment of candidates to the aforementioned position is decided by the SSH General Assembly (Art. 57, para. 3, ZSHD-1). In the process of selecting or appointing candidates, the candidates must meet the general criteria for individual members of the supervisory board from ZGD-1. In this regard, in accordance with the provisions of Art. 263, para. 1, ZGD-1, a member of the administrative or supervisory body must, in the performance of his or her duties, act in the best interest of the company with the care of a conscientious and honest businessman and protect the company's business secrets. According to the provisions of Art. 255 ZGD-1 in the spirit of the provisions of Art. 515, para. 6, ZGD-1, a member of the administrative or supervisory body may be any natural person with business capacity, except for a person who: is already a member of another administrative or supervisory body of this company; has been finally convicted of a criminal offence against the economy, against labour and social security, against legal transactions, against property or against the environment, space and natural resources, and this is five years after the finality of the judgment and two years after the prison sentence has been served; has been finally convicted in another Member State for a criminal offence comparable to the criminal offences referred to in the previous indent (five years after the judgment became final and two years after the prison sentence has been served); has been imposed a security measure prohibiting him from exercising his profession, for the duration of the ban; has been ordered in another Member State to pay compensation to creditors as a member of the management or supervisory body of a company against which bankruptcy proceedings have been initiated, in accordance with the provisions on liability for damage in the law governing financial operations, insolvency proceedings and compulsory liquidation (two years after the finality of the court decision on the payment of compensation to creditors); or has been ordered in another Member State to pay compensation to creditors comparable to the provisions on liability for damage (two years after the finality of the court decision on the payment of compensation to creditors). The provision of Art. 273. ZGD-1 stipulates that a member of the supervisory board may not be a member of the management board or the board of directors of a company that is a branch of the company, a procurator or an authorized representative of that company; a member of the management board of another capital company in whose supervisory board there is a member of the management board of that company; a person who is already a member of the supervisory board or the board of directors of three companies, or a person who does not meet the conditions set out in the statute.

In addition to the previously described general criteria prescribed for the appointment of supervisory board members according to ZGD-1, the SSH general assembly must vote with a view to ensure that the supervisory boards of companies with state-owned capital assets as a whole are composed of members who complement each other in terms of professional knowledge and competences, and that experts in finance, corporate management, company operations and other professional profiles, that are necessary for effective supervision are appointed to the supervisory board, taking into account the activity, scope of business and other characteristics of the companies (Art. 57, para. 3, ZSHD-1). When assessing the professional profiles of the candidates, due regard is to be given to the target profiles formulated by the supervisory boards of companies with state capital in the process of preparing proposals for new members of the supervisory board for general assemblies (Art. 57, para. 3, ZSHD-1). In addition, SSH cannot vote for candidates for members of supervisory bodies who are, for example, natural persons having a direct business relationship with the company whose supervisory board they are applying for or its subsidiaries, unless such relationship concerns the purchase of regular products and services under general conditions that apply to all market entities; natural persons who are members of supervisory or administrative bodies and are employed for an indefinite or fixed period of time in legal entities that have a business relationship with the company whose supervisory board they are applying for or its subsidiaries, unless it is about the purchase of regular products and services under general conditions that apply to all subjects on the market; natural persons with a function which, according to the law governing integrity and corruption, prevention is incompatible with membership in the supervisory body or the administrative body of a commercial company according to this or another law and who have not performed such functions in the last six months; members of the administrative body in the company in which SSH has a majority share or dominant influence and natural persons who hold or in the last six months have held a position in the political party to which they were elected or appointed.

SSH may vote at the general meeting only for candidates who, in addition to the previously mentioned criteria regulated by the ZGD-1, and the criteria that exclude the possibility being appointed as a member of the supervisory board from Art. 57 of the ZSHD-1, also meet the following criteria: they are distinguished by personal integrity and business ethics and the Commission for the Prevention of Corruption has not determined a violation of integrity against them by a final act, as defined by the law regulating integrity and corruption prevention of ; their experience testifies of business success and reputation; they have appropriate education; they have appropriate work experience; they possess comprehensive business and other relevant professional knowledge; they know the rights and obligations of a member of the supervisory board, which they prove with a certificate confirming they acquired knowledge about the competence, responsibility and work of supervisory boards; in their work and decision-making, they are able to take into account primarily the long-term interest of the company and subordinate all other personal or individual interests to this; they are available on time or will be available on time while performing their function; they are capable of effective communication and teamwork; they are not economically, personally or in any other way connected with the company or its management; are not in a potential conflict of interest as defined by the law governing integrity and corruption prevention.

When it comes to the evaluation criteria in the selection of candidates for members of supervisory and administrative bodies and state-owned companies, it can be said that the Ordinance regulates in detail the accreditation and nomination requirements for appointment to the specified position. As to the supporting documents that are submitted with the application, it is the candidate's obligation to submit a list of supervisory and administrative bodies in which he has served as a member and a certificate of training for members of supervisory boards and boards or a certificate of training to perform the duties of a member of supervisory boards and boards (supervisory candidates) . Each candidate must meet the relevant legal and additional requirements. Eligible candidates are divided into two classes: accredited candidates for supervision of complex systems (includes candidates accredited for supervision) and accredited candidates for supervision (includes candidates accredited for managerial functions).

The legal requirements that a potential candidate for a member of a supervisory body must meet in order to be successfully accredited are therefore set out in the ZGD-1 and ZSDH-1 and have been discussed earlier. Additional requirements for the accreditation of candidates for members of supervisory and management bodies include: additional requirement of formal education, additional requirement of experience in corporate governance, additional requirement of professional competence and additional requirement of personal integrity. The Regulations specify in detail each of the individual additional requirements, from how each requirement is met, to exceptions e.g. in the case of experience acquired in a certain period in certain positions or functions. Particular attention is given to regulating the additional requirements of professional competence and personal integrity. When it comes to the requirement of professional competence, the areas covered include, for example, management, corporate governance, finance, commercial law and other legal areas, sustainable business, human resources management, business in non-financial activities, business economics, etc. When it comes to fulfilling the requirement of personal integrity, the Commission will, taking into account the information collected by the candidate, having considered publicly available information and non-public information at its disposal, assess for each candidate whether he is suitable from the point of view of personal integrity or not. In addition, the Commission will take into account all possible dismissals of candidates from supervisory and management positions due to guilt as an aggravating circumstance.

With regard to the nomination procedure, it is important to highlight the verification of candidates' knowledge in the field of corporate governance (Art. 15 of the Regulations). The Personnel Commission, in cooperation with SSH's professional services, will implement an online system for verifying potential candidates' knowledge in the field of corporate governance in which the candidate will fill out a questionnaire with randomly selected questions from the field of corporate governance. If the candidate does not pass the knowledge verification first, he will be excluded from the nomination procedure. Such a candidate will not be re-entered into any nomination process before three months have passed since the test. A successfully completed online renewal test is valid for two years and the candidate does not have to re-take it in subsequent nomination processes during that period.

5. CONCLUSION

The reform of the Act, as previously described, is aimed at transparency, accountability, professionalism, independence and improving efficiency in work as well as harmonizing corporate governance of state-owned legal entities and strengthening mechanisms for protection against corruption and conflicts of interest. The conducted regulatory and theoretical analysis shows that the combined application of the Act and the CA includes both positive criteria of competence and integrity, as well as negative assumptions aimed at preventing conflicts of interest and preserving functional independence. It is evident, namely, that the new regulations primarily value expertise, experience and competences in the appointment of management bodies of state-owned companies. However, in the current circumstances, the question remains whether the previously described objectives can truly be effected and the relevant criteria for evaluating candidates as well as the transparency of the prescribed procedures can be met, and whether the planned Regulation on the requirements for members of bodies of legal entities owned by the Republic of Croatia and for committee members will contribute to this goal. An analysis of the existing regulatory framework shows that the criteria for evaluating professional competences, i.e. knowledge and abilities and good reputation, are under-standardized. In this sense, practical disputes are possible regarding the transparency of the procedure for appointing members of the management bodies of state-owned legal entities. Therefore, when adopting the Regulation on the conditions for members of the bodies of legal entities owned by the Republic of Croatia and for members of committees, clear and transparent evaluation criteria that can be objectively assessed should be defined, especially professional competencies and assessments of good reputation. In this direction, the example of the Slovenian legal system, which is very thorough in this context, is pointed out.

In addition to the above, the possibility of considering the degree of political exposure of candidates as a criterion for their evaluation in the future, based on the provisions of the Act on the Prevention of Money Laundering and Financing of Terrorism, is pointed out. Also, when evaluating the competencies and good reputation of candidates, it is necessary to assess the degree of risk of exposure to illegal lobbying according to Art. 8 and Art. 9 of the Lobbying Act. This paper aims to encourage further scientific research and analysis of this issue, aimed at further growth and development of state-owned companies.

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